2

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EDITORIAL

As We See It

Few events during the past few years have caused such a stir as the Oppenheimer case. Astonishment and mystification have struggled for supremacy in the minds of most observers. Were it not for the Hiss, Fuchs, White and other almost incredible affairs, one might well arrive at the conclusion that either the activities of Senator McCarthy had created a certain hysteria in officialdom, or else political fear of the Senator himself had influenced, perhaps unduly influenced, action in this instance. In any event, it is probably as well to await further clarification.

The Oppenheimer case and the entire Oppenheimer history have, however, called the attention of the thoughtful once again to a very real problem which permeates this so-called security question and which is all too likely to escape the minds of the great rank and file. It is the role of the intellectual rebel, the philosophical nonconformist, or as the Kremlin calls him, the deviationist amongst us. There can be no doubt that this element, always with us, has historically played a vital part in human progress—or at least that members of it have. While there are always stupid or otherwise ineffective members of society who pride themselves upon differing with everyone else, history has often been largely shaped by others so gifted with understanding and imagination that they were able to lay the basis for a much better life, materially, intellectually or spiritually.

These variates from the norm, so to speak, appear to have been particularly numerous during the past three or four decades, Two world wars and one of the worst depressions in history un-

Continued on page 55

Housing Prospects for 1954 and Thereafter

By HARRY HELD*
Vice-President, Bowery Savings Bank, N. Y. City

After present data regarding need for new housing, official of nation's largest savings institution reveals that there is indicated an annual average potential housing need of approximately 1,175,000 units from July 1953 to July 1960. Says there seems to be no question construction industry can produce the housing units needed, and there is no likelihood of any decline in the sales market. Estimates new mortgage money requirements for housing in 1954 will range between $5 billion and $7 billion. Concludes, in housing, 1954 should be as good or better than 1953.

The question of how many housing starts per annum are necessary to meet the housing needs of the country has been the subject of much discussion by the Government, the construction and home building industries, material and home appliance manufacturers and distributors, and the mortgage banking fraternity. Many estimates of the potentials involved have been made and revised over and over again. The most common denominator of potential requirements has been one million new units per annum until 1962 with a substantial increase in this figure on a per annum basis from 1962 to, at the earliest, 1970.

Harry Held

Many factors contribute to the need for new housing units, such as new household formations, population increases, population movements, replacement of dilapidated or temporary housing, relocation needs of tenants displaced by slum clearance,

Continued on page 48

*An address by Mr. Held before the Joint Meeting of Savings Banks Officers' Association of Groups IV and V, and the Auditors and Comptrollers Association of the State of New York, New York City, April 15, 1954.

The Business Decline and Prospects for Early Upturn

By SUMNER H. SLICHTER*
Lamont University Professor, Harvard University

Dr. Slichter reviews statistical data relating to the decline in business, and the salient features connected with it. Sees as sources of revival: (1) larger spending by local governments; (2) larger spending for inventories and production by business; and (3) larger spending by consumers. Predicts revival should come in a few months, without government assistance, beyond tax cuts. Concludes nation is now producing $6 billion less than it should, and, as unemployment is wasteful, the government in dealing with recessions should err in doing too much rather than too little.

I

The Decline of Business

The decline in production, employment, and personal incomes which began last summer is continuing. The most up-to-date and comprehensive measure of the decline is the volume of civilian employment. Last September civilian employment was 46,000 above a year before. By November, it was 303,000 below 12 months before; in January, 1954, it was 871,000 below January, 1953; and in March it was 1,400,000 below March, 1953.

Sumner H. Slichter

The average hours worked in nonagricultural industry have dropped only slightly—from 41.0 per week in February, 1953 to 40.5 in February, 1954, but in manufacturing the drop in hours has been more pronounced—from 40.9 per week in February, 1953, to 39.4 per week in February, 1954. The annual rate of personal incomes before taxes dropped by about $4.2 billion, or 1.4% between October,

Continued on page 34

*An address by Prof. Slichter before the Management Conference of the School of Business of the University of Chicago, Chicago, Ill., April 17, 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 49.

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

Montgomery Ward & Co., Inc. — —Jacques Coe, Senior Partner, Jacques Coe & Co., New York City. (Page 2.)

American Metal Co., Ltd. — Armand G. Erpf, Partner, Carl M. Loeb, Rhoades & Co., New York City. (Page 2.)

JACQUES COE

Senior Partner, Jacques Coe & Co., New York City
Members New York Stock Exchange

Montgomery Ward & Co. Inc.

There is an old saying that liars figure, but figures never lie . . . and so if one wants to take the trouble of analyzing the statistics contained in the recently published annual report of Montgomery Ward, he will blink his eyes and take a second look. While this company's affairs from a financial standpoint are in that category of many other concerns, where the net quick assets substantially are in excess of the current market price of the stock, in this particular instance we hit upon something unusual!

Jacques Coe

Most companies in this selected category contain in their current assets either a large amount of accounts receivable which might be suspect, or very large inventories which might be even more suspect. Not so with Montgomery Ward. The net quick assets, after deducting all liabilities, and also deducting the full amount of the 7% non-callable preferred stock, amount to $87 a share . . . and it is a question whether one can find any other stock on the Exchange where 45% of these net quick assets are represented by cash in bank, and short-term United States Government securities! Furthermore, considering the ultra conservative character of the present management, one may be reasonably certain that whatever accounts receivable and inventory are taken at in the balance sheet represent under rather than overvaluations. These figures undoubtedly have been screened more minutely than a suspected Communist under FBI surveillance.

Naturally there is a story behind the story, which over a period of time has gained more and more national publicity. The present management is and has been for some years under the iron-clad domination of a "rugged individualist" who in the past has been outspoken in his disagreement with the policies of the last two Democratic Administrations. It has been his contention and belief that the country was riding for an economic fall, hence the company whose destinies he controlled should husband its resources for the coming storm and be prepared.

There are many fantastic figures related to the affairs of this company which one can put together to make a theoretical point, but in the final analysis make no sense at all. Between 200 and 250 financial institutions and investment trusts have Montgomery Ward in their portfolio, and have had for many years . . . but even they cannot rationalize why this stock in 1946 sold at 104¼ while paying only $2 per annum . . . and eight years later in 1954 the same stock sells 44 points lower at 60 and pays $3.50. In itself this curious disparity is noteworthy, but on top of that the company during these eight years earned $66.96 and paid out in dividends $24.50 so that a matter of $42.46 has been retained in the business, and to all intents and purposes added to the theoretical value of the stock.

There is no question but that over the past years there has been a fundamental change in the security appraisal of Montgomery Ward. The conclusion in Wall Street, Milk Street, La Salle Street, and all other financial centers in United States, and probably outside of the country as well, is that failure to expand and keep abreast of the competition, does not sit well with investment committees. Sales for 1953 were slightly under a billion dollars, even less than 1948, notwithstanding an increased unit price, which of course suggests the view that Ward has been losing out to its competitors.

A reluctance on the part of the company management to participate in any general expansion program during the last five years (when it was thought that the nation was in for a substantial business decline) has prevented even a normal increase in sales. Figures for the first quarter of 1954 are down 22% so that the trend has not been reversed. That is why people who do not care to own this stock at $60 appear to be giving away "ice in the winter."

However, it has stopped raining in the past, and will again. Here is a nationally known and established business for 82 years which has today in its business such a super-abundance of fluid assets that a new or enlightened management could set aside $20 to $30 cash repayment to stockholders, or use the money to ask for tenders to shrink the number of shares outstanding, and still have a super-abundance of excess working capital to carry on and expand the business! There is bound to come a time when either the views of the present management towards the trend of the nation's business economy will change through the introduction of new young blood, or because the old blood retires!

Certainly one thing is quite evident. At the $60 level, Montgomery Ward not only is undervalued and under-priced, but under-managed.

People who buy this stock for long-term investment today, have many things in their favor. An unforeseen business collapse (which in our opinion is not likely) finds Montgomery Ward "heeled with liquid funds" as we can find no other company. Should there be a new business boom, it is possible that the present disbelievers may change their economic religion, or the passage of time will bring with it a more aggressive business policy. The present 6% yield in our opinion is unduly high for a company in this financial condition. If the company averaged 2% last year on its government investments alone, it would have accounted for $1 a share out of the $3.50 paid. As we have said before, these figures mentioned above are so much out of ordinary accepted corporate balance that sooner or later there must be a gainful distribution to the stockholders in one form or another . . . and failing that, one could envisage an important concentration of disgruntled stockholders demanding a more substantial return on the investment, either through larger dividends, share shrinkage, capital repayments, or a little of all three.

It is one thing to be worth more dead than alive — it is another thing to have enough for two lives —and with the strong probability that time will bring with it a change in business policy, why not play the percentages where one cannot fail to reap the ultimate benefits of "too much money around."

ARMAND G. ERPF

Partner, Carl M. Loeb, Rhoades & Co., New York City

American Metal Co., Ltd.

A beneficiary of improving taxes *vis-a-vis* foreign holdings might very well be American Metal, which last year derived a great portion of its profits from its African holdings. The company showed net earnings of $3.38 for 1953 compared with $3.33 in 1952 income from operations dropping from $6.2 million to $3.8 million on account of lower lead and zinc prices, but dividend income zoomed upward from $8.7 million to $10.7 million, reflecting mainly larger distributions from Roan Antelope and Rhodesian Selection Trust which benefited from continued strength in copper.

Armand G. Erpf

The common shares of American Metal have a current breakup value of $47 which compares with a current market of 26 for the not quite 3,000,000 shares outstanding, preceded by $22 million of priorities. The underlying assets comprise:

(a) $28.25 for the portfolio of marketable securities, representing investments in nonferrous metal mining companies;

(b) $10.37 per share of working

Continued on page 24

PORTFOLIO

No. of Shares	Company and Per Cent Owned	Recent Price	Value (000)	Per Share
225,000	Climax Molybdenum (9%)	41	$9,225	
140,000	Consolidated Coppermines (8.8%)	9½	1,330	
32,000	Cerro de Pasco (2.5%)	24	768	
2,932,000	Roan Antelope (32.7%)	9	26,388	
10,705,000	Rhodesian Selection Trust (50.6%)	2¼	24,086	
201,000	O'okiep Copper (19.7%)	42	8,442	
1,140,000	Tsumeb Corporation (28.5%)	9 (est.)	10,260	
1,379,000	San Francisco Mines of Mexico (33%)	2½	3,443	
	Total Investments		$83,947	$28.25
	Net Working Capital (Dec. 31, 1953)		$56,449	
	Less Priorities and Reserves		25,617	
			$30,832	10.37
	Tangible Assets (Dec. 31, 1953):			
	Gross Plant		$56,293	
	Depreciation Reserve		31,400	
	Net Plant		$24,895	8.38
	Net Asset Value		$139,674	$47.00

Factors Affecting the Trend Of the Economy

By HAROLD A. DULAN*
Head, Department of Finance, University of Arkansas

Asserting our economy faces problem of maintaining production and employment at postwar levels during a shifting of demand from gross private domestic investment to other demand components, Professor Dulan sees present business slump due mainly to decline in inventory accumulation. Presents data on nation's economic budget, indicating the deficiency in demand needed to hold up present economic forces. States vigorous steps should be taken in order to stop any further rise in unemployment. Concludes nation for next year or two will face increasing business cycle problems, rising unemployment, and increased monetary inflation.

Probably the most important question concerning the United States economy for more than a year has been whether that economy could maintain postwar levels of productivity and virtually full employment while government purchasing declined, price support levels declined, and demand for such vital cyclical products as housing and automobiles declined.


Harold A. Dulan

Since the end of World War II, for most of the time, our phenomenal productivity has been consumed by the various components of demand approximately as follows: personal consumption has taken 62%, which is considerably less than the proportion considered normal in prewar times; gross private domestic investment has taken about 15%; and the remainder has been taken by government purchasing of goods and services. Net foreign investment has been abnormally low in terms of our internationally oriented mass production economy.

Private capital formation has continued extremely high during postwar years, but for several reasons a decline can be expected at any time. However, our economy faces a problem in maintaining production and employment at postwar levels while shifting demand from gross private domestic investment to other demand components. Furthermore, since the dollar shortage and many other complexities of the international economy render demand from that area largely non-operative, only two areas remain to absorb the production subject to release by the gross private domestic demand component. If the absorption does not take place unemployment will rise.

The Administration's Policy

The present Administration in Washington felt, over a year ago, that the most important aim for our nation was a balanced Federal budget. Furthermore, it was felt that easy money was detrimental to our economy because of its inflationary nature. Therefore, soon after this Administration took office steps were taken to tighten the money supply and to balance the Federal budget. Interest rates immediately rose and the bond market declined. Commodity prices soon declined sharply and the demand for housing, automobiles, and many other important products fell off very materially. This deflation was felt to be too severe so by May, 1953, the Administration very definitely reversed its policy from one of attempting to maintain our high level economy with a deflationary bias to one of attempting to maintain our economy with an inflationary bias. The easy money policy was reinstated. Interest rates declined and the bond market went back up.

However, the inflationary techniques emphasized stimulus of demand from business and individuals rather than from government. The Administration is relying very heavily upon demand from the area of gross private domestic investment to remain high, at least for the time being. In fact, many moves by this Administration indicate efforts to reduce purchasing from the government level. There is confidence in governmental high policy circles that personal consumption will remain high and rise. In fact, there is tangible evidence that this Administration is relying upon the strength of population growth and the dynamics of available credit to maintain and strengthen the demand from the personal consumption component. This aim may be realized—particularly for two to three years longer. However, a large portion of total spending units in our economy already have most of their annual income committed either for necessities or for installment payments on prior purchases. Thus, there is no doubt but that the consumption potential among many families in the United States is becoming a quite inflexible structure.

As a cushioning effect against any sharp slide-off in business activity the Administration expects support from the many protective features such as unemployment compensation, price supports and bank deposit insurance. For basic support the present Administra-

Continued on page 38

*An address by Prof. Dulan at the Annual Meeting of the P. E. O. Sisterhood, Fayetteville, Ark., April 1, 1954.

INDEX

Articles and News Page

The Business Decline and Prospects for Early Upturn —Summer H. Slichter ____ Cover
Housing Prospects for 1954 and Thereafter—Harry Held ____ Cover
Factors Affecting the Trend of the Economy—Harold A. Dulan 3
Organic Investment—Ira U. Cobleigh ____ 4
Reasons for Unemployment—Roger W. Babson ____ 4
Oil and the Investor in Iran—A. Wilfred May ____ 5
Evolution of a Securities Trading House—Rudolf Smutny ____ 6
The Outlook for Electric Utility Common Stocks —Frederick W. Page ____ 6
United States Economy in Excellent Shape —Hon. Sinclair Weeks ____ 10
Let's Have a Ban on Deficits—Herbert Hoover ____ 10
Foreign Trade and United States Prosperity: The Siamese Twins—Gardner Cowles ____ 11
We Have Waited Too Long for Return to Gold Standard —Donald L. Kemmerer ____ 12
Basis of Sound Money—Ray B. Wiser ____ 12
Advantages of Return to the Full Gold Standard —E. C. Harwood ____ 13
Growth Prospects of Television—Frank Stanton ____ 15
A Stabilized Anthracite Industry Coming—Edward G. Fox ____ 17
Oil's Major Problems Today—Jno. G. Pew ____ 18
The Outlook for Nondurables—William H. Chartener ____ 19
Why Industrial Development Revenue Bonds Should be Taxed —Harry W. Wolkstein ____ 20
Improvement in the International Monetary Situation —Ivar Rooth ____ 22
Federal Government's Role in Hydroelectric Development —Jerome K. Kuykendall ____ 26
The New Stewardship in Securities Regulation —J. Sinclair Armstrong ____ 28

* * *

How Long, Oh Lord, How Long? (Boxed) ____ 5
Prospective Capital Expenditures Indicate Optimistic Outlook, according to Dexter M. Keezer of McGraw-Hill Publishing Co. ____ 14
Antibiotics and Social and Economic Problems Discussed by Selman A. Waksman ____ 20
Lewis P. Hammett Scores Aiming at Technical Military Superiority by Excess Secrecy ____ 20
Keith Funston and Edward McCormick Protest Proposal to Broaden N. Y. C. Sales Tax ____ 24
T. O. Yntema Sees Business Decline Coming to an End ____ 33
Frozen Food Industry Observes 25th Anniversary ____ 36
National City Bank Says Tax Revision Bill Benefits Individuals ____ 37

Regular Features

As We See It (Editorial) ____ Cover
Bank and Insurance Stocks ____ 43
Business Man's Bookshelf ____ 8
Canadian Securities ____ *
Coming Events in Investment Field ____ 8
Dealer-Broker Investment Recommendations ____ 8
Einzig—"Investment Deadlock in Britain" ____ 21
From Washington Ahead of the News—Carlisle Bargeron ____ 9
Indications of Current Business Activity ____ 47
Mutual Funds ____ 42
NSTA Notes ____ 8
News About Banks and Bankers ____ 31
Our Reporter on Governments ____ 30
Our Reporter's Report ____ 16
Public Utility Securities ____ 34
Railroad Securities ____ 46
Securities Now in Registration ____ 49
Prospective Security Offerings ____ 53
Security Salesman's Corner ____ 36
The Market . . . and You—By Wallace Streete ____ 16
The Security I Like Best ____ 2
The State of Trade and Industry ____ 5
Washington and You ____ 56

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Organic Investment

By IRA U. COBLEIGH

Enterprise Economist

A swift review of Hammond Organ Company from the day when its feature product was but a pipeless dream in the inventive mind of Laurens Hammond.

Whenever people talk about organs, outside a hospital that is, the first impression seems to be of a vast cathedral with powerful and swelling musical tones and harmonies emanating from hundreds of pipes of varying lengths and assorted altitudes. A very old and majestic instrument is this organ. Invented in Alexandria (Egypt) in the 3rd century B.C., the pipes were first filled with varying amounts of water, and the thing was called a "hydraulos." This type was standard till the Middle Ages, and had rather a pagan overtone, since it provided the mood-music at the Roman games for that demented sportsman, music lover and fanatic fiddler, Nero. Pneumatic organs, as we know them, first appeared perhaps as early as 400 A.D.; and there was a big and famous one built in Winchester Cathedral (England) about 950 A.D. It had 400 pipes, 26 bellows and needed two organists to play it. Within 300 years German variations and improvements resulted in three banks of keyboards and a pedal keyboard much like the classic consoles of today's cathedrals. And, until 1935, this, excluding some types of home, small range pump and pedal organs, was the standard organ. But today the most widely used organ is electronic.

Ira U. Cobleigh

To go back a few years, a most talented gentleman graduated from Cornell with an M.E. in 1916. His name is Laurens Hammond, inventor since age 14, with over 90 patents to his credit at the moment. In 1920 he patented a tickless clock which was later to become the background product for Hammond Clock Co., organized in 1928, and pioneer manufacturer of electric clocks. Then in 1922, a full 30 years ahead of his time and market, Mr. Hammond formed the Teleview Corporation which actually made and projected three-dimensional pictures. Only because it appeared too early in history did this depth picture pioneer misfire commercially.

Between 1930 and 1935 Hammond Clock Co. spent most of its time selling electric clocks, after first persuading some of the big electric power companies to get their generators operating at exactly 60 cycles — so the clocks would stay accurate. Hammond clocks stopped when the current went off — they didn't resume spinning when the juice came on —that would have given the customers a sluggish and incorrect time reading. Actually, at one point, Hammond was doing nearly three-quarters of the electric clock business in this country; but toward the middle 30's competition got terrific, patent suits were rife and some other line of products seemed indicated for sustained corporate progress. An automatic bridge table, which shuffled and dealt the cards electrically was introduced, and enjoyed some measure of success.

Then there came a day in 1933 when a strange flute-sounding "beep" was heard in the Hammond factory. It was, as you may have guessed, an electronic "beep," the first note in what was to become the sensational Hammond electric organ. A second-hand piano, with everything deleted but the keyboard, was deployed into laboratory action. A midget electric motor (1/100 of a h.p.) turned a shaft with 91 humped tonewheels on it. These wheels, in turn, set up electric current in a coil and, depending on the number of times the humps went past the coil, varying scale notes were created. The prototype model finally contained 8½ miles of wire, could duplicate the tones of a pneumatic organ with pipes 16 feet high; and this electronic Orpheus was only 4 feet high. It wouldn't get out of tune, and unlike the massive pipe job, was not disturbed by weather changes.

A king-size unveiling of The Hammond Electric Organ, held at Radio City just 19 years ago (April 15, 1935) started this magical music maker on its merry commercial way. 1,400 units were sold in 1935 at $1,250 minimum price, and from 1936 forward Hammond has made money in each and every year, and music for its stockholders the while. In 1937, the company name became Hammond Instrument Company; and in that year also came the only serious challenge to electric organ progress. Somebody (to wit and viz, pipe organ manufacturers) said it wasn't an organ at all! It didn't have pipes or a windpipe—hence 'twasn't an organ. A body of experts was gathered to settle the question. A pipe organ played certain pieces; the Hammond others. The net result was a confusion of the experts—they couldn't with certainty tell the difference. Hence, in due course the Federal Trade Commission decided the Hammond was an organ. It's been so ever since!

Building on the success of that organ, Hammond introduced the Novacord, a versatile but not-standard instrument played somewhat like a piano. It seemed to require, however, a special playing technique and while popular for a while, was discontinued from production in 1941. A more lasting stable mate to the organ was the Solovox, an electronic keyboard device which can be attached to a piano and, as a solo instrument, duplicates the tone and effect of trumpets, horns, clarinets, saxophones and members of the violin family. This Solovox is widely popular today.

During World War II Hammond went almost completely into precision electronics for the military, and the fertile brain of Mr. Hammond developed a control system for robot jet bombs of great strategic significance.

Postwar, the company introduced a spinet organ for homes and smaller church buildings, which has sold consistently well, and, in 1950, there was introduced the Chord organ, now advertised nationally. This amazing instrument is so designed that even persons with no musical training can, with a little practice, play many pieces with full harmony. All they have to do is play the air with one finger on the right hand, and touch a button with the left, which invokes a three-part chord to harmonize with the tune. The possibilites of this Chord Organ, as an instrumental outlet for the musical aspirations of thousands of eager but untutored amateurs, is enthralling. Every man, his own Liberace!

In 1953 the corporate moniker was again changed, this time to Hammond Organ Company, which more accurately describes the company's activities. About 75% of sales are to private homes and churches—the balance to schools, night clubs, hotels, broadcast studios, etc. While for certain larger churches and theaters, the Hammond organ may lack the volume and range of the big pipe organs costing anywhere from $10,000 to $50,000, in the wide popular market the Hammond has definitely taken over the leadership with its units priced from $975 to about $3,500. Hammond has sold over 35,000 organs to churches. Hammond is not alone in this electric organ field, but it does sell more than all the others put together. Wurlitzer is next, but of course that company turns out a very wide line of musical instruments. Baldwin follows Wurlitzer in electronic organ sales.

Production of Hammond instruments stems from four plants in Chicago, all owned; and sales (for fiscal years ended March 31) were $11.6 million in 1951, $16 million in 1953 and should exceed $20 million this year. Cash dividends have been paid faithfully since 1937 and the common was split 4-for-1 in 1937. There was a 100% stock dividend last year.

Management is under the direction of the founder and President, Mr. Laurens Hammond, with a younger man, Mr. S. M. Sorenson, as Executive Vice-President. Mr. Sorenson started out as office boy in 1931 and through the years has learned the organ business from console to credits.

For today's would be investor here, there are 746,608 common shares of Hammond Organ Company listed on American Stock Exchange and quoted at 26 with an indicated $1.50 dividend. Indicated 1954 earnings per share are around $3.25. Balance sheet position is excellent with a 6-for-1 current ratio (as of 6/30/53). Shareholders who entered the picture at $1 a copy in 1942 have had a wonderful ride.

Here's an unusual company that, as the lengthened, but most substantial shadow of a versatile inventor, Mr. Laurens Hammond, has advanced to leadership in its field, and offers to security buyers, music loving and otherwise, an instrument for investment in the form of a quite meritorious and growth laden common stock. If your own further research into this enterprise leads to an opinion in harmony with the above, then you, too, may conclude that Hammond is indeed an organic investment.

Reasons for Unemployment

By ROGER W. BABSON

Expressing view of unemployment figures are misleading, Mr. Babson gives as basic reasons for present number of unemployed: (1) our increased population; (2) larger number of women employed; and (3) increasing number of able-bodied persons over 65 years. Says because of greater use of labor-saving devices, the resultant unemployment "is due to prosperity—not to depression."

I am convinced that the present figures on unemployment are very misleading. With retail sales holding up reasonably well, these figures surely are not due to any so-called "Business Depression." The public must learn that we can now have both unemployment and reasonable prosperity at the same time.

Roger W. Babson

The basic reasons for the present number of unemployed are: (1) our increased population; (2) the large number of women employed; and (3) the constantly increasing number of able-bodied persons over 65 years of age. It can honestly be said that many in this older-age group are listed in the "unemployed" category who would not have been so classified some years ago. The vitamin pills taken by older people undoubtedly keep them in the "employable" ranks longer. There are about 7,000,000 more of these people now than there were 25 years ago!

The constant introduction of new automatic machinery results in both unemployment and continued prosperity. One of my associates just visited a chemical plant where three men are now doing the work of 80 men. Fertilizing plowed fields has been done by hauling fertilizer in bags to the field, opening the bags and sprinkling the fertilizer by hand. Now an airplane loads with fertilizer at the factory and carries it in bulk to the fields, where it is sprayed on the ground from the air. No manual labor, no bags, and better results.

Offsetting High Labor Costs

The rapid increase in self-service stores and coin machines is another illustration of how greater sales are handled with fewer clerks. This also reduces chances of loss to the stores from dishonest clerks who do not ring up sales properly. The practice followed by most modern supermarkets will be adopted by many stores in other lines. All these changes have been forced upon manufacturers and merchants by union labor leaders. And the resultant unemployment is due to prosperity—not to depression.

All these plans for saving labor were gradually building up throughout the Truman Administration. The labor leaders demanded higher wages; the consumers resisted higher prices; so there was only one thing for the manufacturer and merchant to do —namely, introduce automatic machinery both for producing and for selling goods. Furthermore, the nation is just starting on this new departure. To hold one's job in the future one must take a greater interest and do better work both at the bench and at the counter.

What Are the Facts?

The above facts are why I say that 1954 can be a fair year notwithstanding an increase in the number of unemployed. The following figures are interesting and important. At the top of the last big boom in 1928-1929, 1% of the population was unemployed. In 1932, at the depth of the depression, 9% of the population was unemployed. Today, with a population of 161,000,000 people, only 2% is unemployed. There will not be much unemployment when spring building gets into full swing.

What Is the Solution?

Readers will say: "But these unemployed people cannot buy goods unless they have wages. And, unless more goods are bought, unemployment will continue." But Washington has a solution, which is (1) an increase in the minimum wage for those who are employed; (2) a reduction in the legal hours for a working week. This would mean reducing the 40-hour week to 35 or 37½ hours.

My forecast is that there is no permanent solution of the problem. It will always be a race between the labor leaders, for higher wages or shorter hours, and the employers, for more automatic machinery. Sometimes labor will be ahead; other times the employers. Labor has been on top the past 20 years. Now the employers are having their turn. So it goes! Let us hope the employers will not overreach for at least another 20 years.

Joins Albert Theis

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John F. Koch has become connected with Albert Theis & Sons, Inc., 314 North Fourth Street, members of the Midwest Stock Exchange.

The State of Trade and Industry

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

A slight decline in over-all industrial output for the nation-at-large occurred in the period ended on Wednesday of last week and compared with the comparable week a year ago, production dropped about 9%.

Unemployment dipped fractionally with new and continued claims for unemployment insurance also reflecting a slight drop below those of the previous week.

In the week ended April 10, new claims for unemployment insurance jumped by 49,100 to 387,900, the United States Department of Labor reported. Thirty-six states reported increases with Indiana the only state reporting a decline of more than 1,000.

As a result of consumer spending holding close to last year's peak level, it has helped stem the downturn in general business, according to Louis J. Paradiso, the United States Department of Commerce's chief statistician. March quarter outlays of this kind ran at an annual rate of $230,000,000,000, he reported. This was only $1,000,000,000 below the record pace in the third quarter of 1953. It was $2,300,000,000 above the rate in the January-March period last year.

A reduction in the manufacture of durable goods in March brought about a "slight further drop" in industrial production according to the Federal Reserve Board's index. Output of the nation's mines and factories, as measured by the index, dipped to 123% of the 1947-49 average, the House-Senate Economic Committee disclosed in its monthly report to Congress. This compared with 124% in February and 125% in January. The record high was 137% in July, 1953. March production was down 9% from the like month last year, the committee reported.

Total production of goods and services in the March quarter set a yearly pace of $359,000,000,000. This was a drop of $4,500,000,000 from the rate in the preceding three months. But consumer expenditures maintained an annual gait of $230,000,000,000, unchanged from the final quarter last year.

Steelmaking scrap prices rose this week for the fifth consecutive week, according to "The Iron Age," national metalworking weekly. Increases raised "The Iron Age" steel scrap composite price 50 cents a ton to $25.67 per gross ton.

Ordinarily this would indicate that a substantial increase in steelmaking is just around the corner, but analysis of many interviews and field reports does not lead to such a conclusion at this time, states this trade magazine.

There is some well-founded hope that the ingot rate might edge up within the next month or two. The steel market is stabilized. And it now appears that it reached its low point last month. Yet it still lacks the zip needed to start a significant upward movement.

Producers point to increasing number of orders for "quick delivery" and nearing wage talks as potential stimulants, but steel buying psychology is still in need of a powerful stimulant before it can get off its back.

Barring a sudden darkening of the labor picture or increase in international tensions, the steelmaking recovery will probably be gradual and modest, it adds.

Scrap price increases so far seem more to reflect a correction within that industry itself than they do an upturn in steelmaking. After passing from scarcity to oversupply prices went into a long tail spin. It became increasingly uneconomic to collect material —especially in areas more remote from the mills. Result: Higher prices were needed to bring out the scrap. An analysis of the market bears out this conclusion, this trade authority notes.

While rate of new orders booked during April is not enough to boost production, it is at least equal to the rate of new business a month ago. The bulk of business placed now is for May delivery, although some June business is in and quick delivery requests may later boost May schedules after books would normally have been closed.

There's no question that steel order books have been through the wringer. Although this hasn't been very pleasant, it has at least made producers confident that their books are more representative of actual business, concludes "The Iron Age."

General Motors Corp. is increasing its April-June automobile production schedules by 5% and Chevrolet 10%, "Ward's Automotive Reports," stated on Friday of last week.

The move is requiring additions of overtime and production workers in many avenues of Chevrolet manufacturing and lifts the industry's January-June United States program to 2,966,000

Continued on page 41

Oil and the Investor in Iran

By A. WILFRED MAY

Weighing the effects of the anticipated oil settlement and rehabilitation, Mr. May concedes its indispensability to the country's economic recovery, but points out the permanent drawbacks to the safety of foreign capital ensuing from the nation's residual fiscal and political difficulties.

TEHERAN, IRAN—"Yes in the boom following the coming oil controversy's settlement, development of this country's huge natural resources will afford plenty of opportunity for investor profit. But, mark my words, the proceeds will remain in rials [the Iranian currency unit]. So only put money into Iran if you are prepared to remain here permanently." This was the surprising advice given to me regarding Iran's attraction to foreign capital by a top American oil executive now acting as adviser to the Iranian Government, and having a highly successful record in international investment.

A. Wilfred May

Settlement of the oil situation with the Consortium will of course serve the economy as an extremely bullish force. The flow of oil in the future as in the past is indispensable for several basic purposes:—(1) To support government expenditures and fill the gap from tax evasion; (2) To bolster foreign exchange, reducing the price of imports and maintaining the exchange rate; and (3) Keeping down unemployment.

Residual Negative Factors

But flies-in-the-ointment will still remain. Importantly it must be realized that the current de-confiscation and de-nationalization will have been accomplished only under duress. The confiscating spirit is there to remain; with other foreign lenders not having the bargaining power to overcome it.

And on investigation here I have found much to support my oil executive friend's forecast of currency un-transferability in the face of an oil re-flow. Even under the pre-Mossadegh favorable situation of budget-balancing with oil revenues, conversion presented some difficulties. Now the currency has become really soft. The budgetary expenses coupled with curtailed revenue since 1951, were financed until early 1952 by use of the foreign exchange reserves and a raiding of the government trust funds. These sources dried up in August, 1952, when the authorities turned to the printing press, and by August, 1953, increased the currency outstanding by 40%, secretly and illegally disregarding the legislature. From September, 1953 to the present the deficit (running in the proportion of 7.7 billion rials of revenue to 10.3 billion of expenses) has been compensated for by United State aid, which has mounted to $45 million in the current fiscal year, exclusive of a $23 million outlay for Point Four.

Oil Revenues Insufficient

Pertinent is this somber warning appearing currently in the local newspaper, *Tolu:* "The Government and the Majlis must take stock of the situation and realize that world conditions have greatly changed since the last war. The damage done by Mossadegh's Government has not yet been repaired and we are still faced with a budget deficit. There has been enough talk and the time has come to draw a sound plan for the future."

As a consequence, funds way in excess of the anticipated oil revenues will be required, no matter what the final deal with the oil Consortium.

And for the country's foreign trade restoration, extensive long-term credits are needed. Nibbles along these lines are already coming in from European countries, including the on-the-job Germans. With South America, goods are hardly exchangeable; Iran herself needs manufactured goods and wants to export raw materials.

Need for Capital Appreciated

It is fully realized here that foreign capital is required to build plant for export, at least to other soft currency countries. To this end, some nibbling at investment liberalization has already been engaged in. Last December a decree was passed by the Council of Ministers, tentatively to the effect that any foreign investment receiving approval by appropriate authorities, would have "the protection of law," and that further regulations would be issued. These regulations are now being worked out.

The working of the new investment laws in Greece, Turkey and Holland is being closely watched by government officials and businessmen here. The Dutch law, which provides that all net profits after taxes can be transferred, and that after three years all capital can be converted, is eliciting particular interest.

However it must be concluded as controlling that such indication of good intent as well as a re-inflow of petroleum currency, is counterbalanced by the destructive potentialities in the political area, as well as the overall economic exigencies.

American policy, holding that "nationalization of investment undermines the stability of the free world," has been clearly set forth to the Iranians by Ambassador Henderson. But it may be asked whether the Persian man-on-the-street or politician gives a whoop about the free world's stability.

How Long, Oh Lord, How Long?

"The United States did not give all these billions in aid merely to fill a so-called dollar gap. International accounting balance between ourselves and the rest of the world could have been brought about very quickly after the war had the United States not cared about the levels of living of the peoples of other countries. Had we not given any aid at all, balance would have been achieved, but at a low level of despair and much of Western Europe would in all probability now be Communist. In essence, the dollar gap is the expression and the measure of foreign aid. To say that aid, or even increased trade, is necessary in order to fill the dollar gap is an almost meaningless statement. The question, rather, is: 'What are the minimum levels of living in other countries consistent with the maintenance of a strong, large, stable, and safe free world.' "—Howard S. Piquet, Senior Specialist in International Economics, Legislative Reference Service, Library of Congress.

QUERY: How long must we subsidize these peoples in order to keep them interested in avoiding far greater hardships at the hands of the Kremlin than any they would have to endure without our aid?

Evolution of a Securities Trading House

By RUDOLF SMUTNY*

Senior Partner, Salomon Bros. & Hutzler
Members New York Stock Exchange

Mr. Smutny reviews the development and functions of a securities trading concern. Points out role of providing a continuous market for unlisted securities at the closest spread between bid and asked prices. Points out there is little narrow specialization in securities business, and activities of commission houses, traders and underwriters overlap. Describes development of large scale bond trading and the departmentalization resulting from it. Stresses need of a flexible trading organization, "geared to the times," and responsive to changes in investment demands. Describes operations of the "trading room," in which salesmen and traders must work in unison. Says trading is an art calling for: (1) slide rule techniques and (2) market intuition. Emphasizes important role of knowledge of market trends in successful trading.

The foundation of our firm—Salomon Bros. & Hutzler — is based on the premise, which we have followed meticulously in over 40 years of business experience, that we should always create and maintain the largest markets possible in high-grade securities, suitable for institutional investment, at the closest spread between bid and offer. In rendering this service to our customers, we have felt that profits will take care of themselves.

Rudolf Smutny

This, *per se*, is an unusual function for Wall Street. It is quite a different function from that performed by commission houses, either Exchange members, or over-the-counter brokers. It also differs from the characteristic business activity of firms who are primarily underwriters. Superimposed upon our trading activities, have been our participations in underwriting and private placements. Through this, we have become known, in addition to our many other activities, as the marketplace for finance companies' private financing.

To provide a continuous market, you have to "take a position"; that is, to go "long" for your own account as principal. It may also require you to go "short." For example, if a bank comes in and wants a half million bonds when all you have is $450M, you may have to go "short" of the $50M you lack in order to make the trade. Trading is simply maintaining a market in securities, a constant bid and offer, with all the attendant rewards and risks, as a normal everyday course of business.

I do not mean to suggest, of course, that the typical securities firm goes in for narrow specialization in any one type of Wall Street activity. Commission houses also trade occasionally, and trading firms engage in underwritings of all varieties. I do believe, however, that we are the only house that has constantly, and without any deviation from our original concept of doing business, maintained close markets in high-grade securities for institutional investors. Over the years, underwritings, both corporate and municipal, have come to play an increasingly important part in our own operations.

For the purpose of this discussion, a great deal of daily trading activity will be ruled out, such as the usual board and over-the-counter stock transaction, margin trading and commodity trading. We shall be solely concerned with large scale bond trading with institutional investors.

Large Scale Bond Trading

The bond market as we know it today is a fairly recent development in the economic history of our country. Back in 1910 when our firm was organized, the bond market was much less important in the national economic scene than it has since become. Consider the market for U. S. Governments, for example. Prior to the First World War, total Treasury debt came to less than a billion dollars. Federal budgets in those far-off, prewar, pre-depression, pre-Keynesian times never even approached the billion dollar mark in any one year. Private debt was enormously greater than public debt. Railroad obligations constituted the largest segment of the long-term bond market, public utility bonds came next, and those of industrial corporations ran a poor third. Taken all in all, the total amount of bonds available for trading was, by current standards, extremely meager.

On the other hand, neither was the demand for that relatively modest supply of long-term bonds at all comparable to that of the present day. Savings had not yet become institutionalized. Long-term portfolios tended to be as static as mortgage portfolios. Many bonds were non-callable and waves of refunding were infrequent. Direct placements were almost unknown.

Commercial banks in the pre-Federal Reserve era were extremely short-term minded—they had to be to meet the needs of business within the confines of the then existing constrictive currency system. As a result of all these factors, the volume of bond trading was lower by far than it is today.

However, there was a continuing institutional need for and a great deal of activity in placing time loans with various banks. Our firm commenced operations by servicing this need. As we became better known in the banks, we began to deal in bankers acceptances, which in those days were outstanding in much larger volume than they are today. From that we expanded into other high-grade short-term securities. We were then known as The Discount House of Salomon Bros. & Hutzler. We have always kept in close touch with the money market, and today deal in Federal Funds, thereby, you might say, "keeping our finger on the pulse" of the daily supply and demand for money.

The passage of the Federal Reserve Act in 1913 and the organization of the Federal Reserve System three years later introduced to the American banking scene a hitherto unknown degree of elasticity. The country's economy, spurred by the war abroad, began another burst of expansion. This, of course, required financing through bond flotations as well as by stocks. Banks then began to have more leeway in their investment operations. Savings banks and insurance companies participated in this movement, and the demand for long-term investments showed a corresponding increase.

By the time of the First World War, the bond market had begun to assume its present day form. In our firm, we were not only acting as money brokers and dealers in short-term investments, but as dealers in long-term securities as well. We had already become well known as dealers in equipment trust certificates. Now, as the volume of Liberty Loans and War Loans increased, we established a department to trade in U. S. Treasury Securities.

Our firm had now become departmentalized and was grouped in the following units — bankers acceptances and other short-term securities, U. S. Treasury obligations, railroad bonds and equipment trust certificates, and a sort of catch-all unit which we called the general bond department for all other categories of fixed income securities.

In the post-World War I period, the tempo of bond trading quickened perceptibly. Much of it, in contrast to today, was done on the Board, and two of our partners who maintained seats on the New York Stock Exchange spent all of their time on the floor of the Exchange.

At this time, too, foreign bonds made their first major appearance in our markets. Canadian borrowing in the U. S. expanded considerably, and in response to insti-

Continued on page 44

*An address by Mr. Smutny before the Institute of Investment Banking Seminar, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pa., April 15, 1954.

The Outlook for Electric Utility Common Stocks

By FREDERICK W. PAGE*

Vice-President of Tri-Continental Corporation

Investment company official traces comparable growth of mutual fund and public utility industries. Holding potential price appreciation is a principal objective in stock selection, Mr. Page maintains chief factors are the price-earnings ratio and the changes therein. Listing favorable and unfavorable elements in current outlook for utility stocks, concludes they will work gradually higher over balance of year, with some possible intermediate reaction. Believes sharp rise in bonds and preferred stocks has left them at a protracted peak.

The electric utility industry and the industry which I represent—the Investment Company industry—have had similar histories in many respects. In the 1920's we both were looked upon with great favor by investors, but in 1929 there was a complete turnaround in this respect. Following the stock market crash we both became political targets, and investors avoided our securities as they would a plague. You had your Public Utility Holding Company Act in 1935, and we had our Investment Company Act in 1940. The latter was patterned after the former in many respects. During this period we both were subjected to stricter regulation not only by the Federal Government, but by states as well. Following the war a new era dawned. Both industries returned to investor favor, and unprecedented growth set in. For your industry the dollar value of your gross plant increased 111%, and your operating revenues rose 102% during the eight post-war years. During the same period, net assets of the Investment Company industry increased 125% and the number of security holders rose 112%.

Frederick W. Page

Now the figures I have cited to measure your post-war growth are industry averages and, as any security analyst knows, there is not a utility company in the industry that does not beat the industry averages as far as growth is concerned. I will, therefore, cite figures on Florida Power Corporation which is truly a rapidly growing company. Florida Power's revenues have increased 243%—more than twice the rate of the averages—in the last eight years, and its number of customers has risen 123%.

Open-End Investment Company Growth

As compared to this showing, the open-end segment of the investment company industry has had an increase of 223% in net assets during this period, and the figure would be considerably higher if credit were taken for the substantial capital gains dividends that have been paid. The funds' security holders, who are their customers, have increased 224%. For the open-end companies, these are industry averages, and I could select individual companies with more impressive records. But I believe this is sufficient to show you that we are a fast growing industry.

The closed-end investment companies have been excluded from the above comparison because by their very nature their growth potential is limited. Perhaps I had better explain the difference between the open-end funds commonly called mutual funds, and the closed-end funds. To become a stockholder in an open-end company you buy stock directly from the company. The price you pay is the asset value plus a sales charge. When you sell your stock, you sell it back to the company at its then current asset value. Thus, the company is the sole market for its stock. New shares are constantly being sold through a wide distributing organization which largely accounts for the open-end companies' phenomenal growth.

Closed-end companies only rarely buy or sell their own securities. Their stock is listed on some stock exchange, and to become a stockholder you buy stock in the market from some other stockholder who wishes to sell. The price may be at a slight premium or at a substantial discount from its asset value, depending on the security and market conditions. Both the premium and the discount tend to fluctuate in relation to asset value, depending upon market psychology. Most companies have adopted a policy of paying out their entire realized capital gains. This policy together with the fact that they rarely sell new securities and sometimes retire outstanding securities explains their lack of growth in assets. As a matter of fact their assets were $42 million less at the close of 1953 than they were on Dec. 31, 1945.

The combined industry had net assets of approximately $5.1 billion on Dec. 31, 1953. Of this, the open-end segment accounted for slightly over $4.1 billion, and the closed-end companies accounted for $928 million. Thus, the open-end companies are not only the growth segment of the industry, but their pool of capital is over four times as large as that of the closed-end companies. Consequently they appear to be the ones in which you should have the greater interest. However, there is one point in favor of the closed-ends, and that is that they tend to be more permanent holders of your securities.

Private Individuals Main Owners

Private individuals still account for the bulk of common stock ownership. However, the importance of the institutional demand is growing rapidly due mainly to the growth of pension funds and investment companies. It has been estimated that in 1952 approximately $1.1 billion of new funds was invested in common stocks by various institutions. Of this amount, investment companies accounted for about 45%, pension funds for 36%, and all others for 19%. This is quite different than the situation of just 12 years ago when the total institutional demand amounted to only about $100 million with investment companies and pension funds contributing very little if anything to this total. On the basis that 20% of the institutional demand might be available for the purchase of utility common stocks, the 1952 demand of institutions could have absorbed over 50% of your common stock offerings for that year.

It seems obvious from all of this

*A talk by Mr. Page before the 21st Annual Conference of the Southeastern Electric Exchange, Boca Raton, Florida, March 23, 1954.

that investment companies have and will continue to have a strong and growing influence on the price level of your common stock. You must plan on their being among your largest stockholders. There may be times when they temporarily disrupt the market by substantial sales of your stock, but this will not knowingly occur at a time of public offering. By and large they will make good stockholders. They are well informed, and they understand your problems. They have common interests with you. They simplify your proxy solicitation, and they can be helpful to you in many ways if taken into your confidence.

Up to this point I have spoken in general terms about our industry and its significance to you. When I was asked to speak it was suggested that I outline what the institutional investor is interested in and what you could do to make your securities more attractive to that investor. I was also asked to answer that $64 question of what is the market outlook for electric utility common stocks. In turning to this phase of my talk, I will express merely my own observations and opinions.

Utility Investments

For the past twenty-one years I have been responsible for the utility investments in Tri-Continental Corporation and its three affiliated open-end companies — Broad Street Investing, National Investors, and Whitehall Fund. Tri-Continental with net assets of $176,000,000 is the country's largest closed-end investment company and accounts for 19% of the assets of this segment of the industry. Our three mutual funds had combined net assets of $73,600,000 as of Dec. 31, 1953, and accounted for about 2% of the open-end segment of the industry. For the most part we are common stock buyers, but we do own some bonds and preferreds. Our holdings of utility bonds amount to $8 million as do our holdings of utility preferred stocks. We have $47 million invested in utility common stocks, which amounts to about 26% of our total common stock investments. That is by far our largest investment in any one industry.

Appreciation Sought

It may be of interest to you if I cite some of the factors that we investigate and what it is that appeals to us about a specific stock. With all stocks that we buy, one of the principal objectives that we seek is potential price appreciation. Consequently we are looking for factors that will make the stock sell at higher prices some time in the future. Such factors may be higher earnings on a per share basis, improved dividends, or some development that may cause investors to appraise earnings on a higher basis. The potential price appreciation is then weighed against the risk that is involved before we make our commitment.

Of the three factors contributing to potential price appreciation which I have just cited, perhaps the most important and yet the most difficult to evaluate is the appraisal that investors are willing to place on the earnings of a specific company. This is commonly referred to as the price-earnings ratio. These ratios will vary widely by industries as well as by individual securities within an industry. For example, I have two stocks in mind. The first is estimated to earn $11.75 a share this year, and the second is estimated to earn $2.10. Based on these earnings the first stock should be selling at a price five times the price of the second, but the fact of the matter is that they are selling at approximately the same price. The moral of this is that the ratio is much more important than the earnings in establishing the market value for a stock. Furthermore, changes in price-earnings ratios can be far more important than the earnings showing in influencing market performance over a given period of time. In 1937 utility earnings were in a rising trend throughout most of the year, and yet utility stocks gave a miserable market performance because price-earnings ratios declined from 18 to approximately 12. The reverse was true in 1951. In that year earnings were barely stable, and yet the market for utility stocks was in a rising trend because the price-earnings ratio rose from slightly under 12 to over 14.

Primary Weight on Price-Earnings Ratios

Because of the extreme importance of price-earnings ratios, we place primary weight on these ratios. The preponderance of our purchases of utility stocks has been at times when ratios were low, and in selecting individual stocks we try to buy those selling at lower than average ratios. In my opinion this is more important than yield, although I recognize that many investors buy primarily on yield. However, I would rather buy at a low ratio a utility stock having a relatively low yield than one which had a high ratio and a relatively high yield. The former's ploughback of earnings would be proportionately large relative to both earnings and market price. Thus, not only would this stock have better prospects for increased dividends over the longer term, but the ploughback of earnings could have a twofold effect on the market price. If these retained earnings are used as a basis for the issuance of a proportionate amount of prior securities, and if the company earns a full return on its added property, the return on the retained earnings can be very attractive. Moreover, the amount of retained earnings reduces the amount of new common stock financing that might be required and thereby limits dilution. The result is a better trend in per share earnings, and a growth in earnings usually leads to a higher price-earnings ratio. Thus, with both the earnings in a stronger upward trend and with the price-earnings ratio probably expanding, the stock of a company with a good ploughback of earnings often has a double market whip. This obviously would not apply to a company that was unable to earn a reasonable return or to one that used the ploughback merely to build up the proportion of its common equity.

Of course, this retention of earnings can be carried to extremes. Although we are more interested in the earnings ratios, we do not ignore yields for we have stockholders who apparently like to receive dividends. The proper balance between payout and ploughback will vary by companies and will depend on many factors. I consider a payout of 80% and over too high in most cases. Exceptions would be companies that were earning a very low rate of return and expected rate relief, or companies that had very high common equity ratios and were willing to do their financing through senior securities. On the other hand, a payout of substantially less than 60% appears too low, for the resulting yield is usually inadequate.

Since I have placed so much emphasis on price-earnings ratios you may wonder how this concerns you. Ratios are established in the market by the consensus of opinion of buyers and sellers, and you may feel that it is not within your power to do anything to improve the ratio at which your stock sells. This is not so as may be more apparent if we go into the factors that influence these ratios.

Confidence is one of the most important factors affecting price-earnings ratios. In order to obtain a high ratio for your stock, there must be a high degree of confidence in your earnings as well as in the management. As far as earnings go, you are fortunate in having an industry noted for the stability of its earnings. This is why utility stocks sell at 15 times earnings whereas railroads stocks sell at 5 times. There are things that can be done to improve the stability of your own particular earnings. If your rate of return declines to inadequate levels, try your best to obtain rate relief. It is very discouraging to investors to see their stocks held back by poor earnings while others go merrily ahead. Avoid inflating earnings to a point where they are vulnerable to a sudden drop. I have in mind such things as your "interest charged to construction" policy. There is one utility whose credit for this item during

Continued on page 46

Dealer-Broker Investment Recommendations & Literature

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

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.

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.

Profit Taking vs. Bargain Hunting—Discussion—Peter P. McDermott & Co., 44 Wall Street, New York 5, 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.

Southeastern Railroads—Analysis (bulletin No. 159)—Smith Barney & Co., 14 Wall Street, New York 5, N. Y.

Steel Shares—Reappraisal—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Summer Time Chart—Chart of time differences in over 100 countries throughout the world as compared with Eastern Daylight Saving Time; also included is a map of standard time variations in the United States and a listing of States and communities observing Daylight Saving Time—Foreign Department, Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

Yields on Japanese Stocks — Tabulation in current issue of "Weekly Stock Bulletin"—Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

* * * *

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

Blaw Knox Co.—Memorandum—Walston & Co., 35 Wall St., New York 5, N. Y.

Brooklyn Union Gas Company—Annual report—Secretary, The Brooklyn Union Gas Company, 176 Remsen Street, Brooklyn 1, New York.

Burton Manufacturing Co. — Memorandum — Hill Richards & Co., 621 East Spring Street, Los Angeles 14, Calif.

Central Maine Power Co. — Analysis — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

[illegible] Chemicals Limited — Information — McCoy & Willard, [illegible] Federal Street, Boston 10, Mass.

Consolidated Rendering Co.—Analysis—May & Gannon, Inc., [illegible] Devonshire Street, Boston 10, Mass.

Cutler-Hammer, Inc.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is analyses of the **Chemical Industry** and **Providence Gas Company** and a leaflet of comment on **New York, Chicago & St. Louis, Bangor & Aroostook,** and **Central of Georgia.**

Thomas A. Edison, Incorporated—Annual report—Thomas A. Edison, Incorporated, West Orange, N. J.

Getchell Mine, Inc.—Special report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Hugo Stinnes—Circular—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Iowa Public Service Co. — Memorandum — Josephthal & Co., 120 Broadway, New York 5, N. Y.

Merck & Company, Inc.—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is an analysis of **National Theatres, Inc.** and a list of suggested stocks for new investors.

Midsouth Gas Company — Analysis — Womeldorff & Lindsey, Exchange Building, Little Rock, Ark.

National Life & Accident Insurance Company—Analysis—Clark, Landstreet & Kirkpatrick, Inc., 315 Fourth Avenue, North, Nashville 3, Tenn.

Ohio Edison Co.—Annual report—L. I. Wells, Secretary, Ohio Edison Co., 47 North Main St., Akron 8, Ohio.

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

Royal Dutch—Analysis—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Steep Rock Iron Mines Limited—Analysis—L. S. Jackson & Company, 132 St. James St., West, Montreal, Que., Canada.

Standard Oil Company—Annual report—Standard Oil Company, 910 South Michigan Avenue, Chicago 80, Ill.

Sun Ray Oil—Analysis—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is an analysis of **Sylvania Electric Products, Ashland Oil & Refining, National Gypsum, Public Service Electric & Gas,** and **Clinton Foods, Inc.**

Tri Continental Warrants—Bulletin—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of April 15, 1954 is as follows:

Team:	Points:
Leone (Capt.), Nieman, Gannon, Tisch, Greenberg	37½
Donadio (Capt.), Craig, Gronick, Bies, Demaye	37
Serlen (Capt.), Rogers, Gold, Krumholz, Gersten	36½
Burian (Capt.), Gavin, Clemence, Montanye, Whiting	36
Manson (Capt.), Jacobs, Topol, Weissman, H. Frankel	33½
Kaiser (Capt.), Hunt, Werkmeister, Swenson, Ghegan	33½
Klein (Capt.), Fredericks, Murphy, Weseman, Mewing	33
Bean (Capt.), Bass, Valentine, Eiger, Bradley	28
Krisam (Capt.), Pollack, Cohen, Smith, Strauss, Define	26
Growney (Capt.), Corby, Siegel, Voccolli, Lienhardt	24½
Hunter (Capt.), Brown, Alexander, Farrell, Barker	18
Meyer (Capt.), M. Meyer, Frankel, Wechsler, King	16½

200 Point Club		5 Point Club
Arnold J. Wechsler	222	
Joe Donadio	243	George Leone
Mike Growney	212	Hoy Meyer
Hoy Meyer	211	Roy Klein
C. Kaiser	200	Charles Kaiser

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia, will hold its Annual Summer Outing at the Whitemarsh Country Club, Whitemarsh, Pa., on Friday, June 11, 1954.

Harry W. Link, Jr. With A. M. Kidder Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Harry W. Link, Jr. has rejoined A. M. Kidder & Co., 139 East Flagler Street. Mr. Link has recently been local manager for Francis I. du Pont & Co.

A. M. Kidder Adds

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla. — Asher M. Newcomer is now affiliated with A. M. Kidder & Co., 16 South Palm Avenue.

Business Man's Bookshelf

Capital and Output Trends in Manufacturing Industries, 1880-1948 — Daniel Creamer — National Bureau of Economic Research, Inc., 1819 Broadway, New York 23, N. Y. (paper), $1.50.

Income Tax Treaties: A Comparison of Basic Provisions—Franz Martin Joseph—reprinted from the Twelfth Annual Institute on Federal Taxation—Mathew Bender & Co., Inc., Albany 1, N. Y. (paper).

Scope of Collective Bargaining—Robert D. Gray—Industrial Relations Section, California Institute of Technology, Pasadena, Calif. (paper); single copies complimentary; quantity prices on request.

What to Do About Recessions—Committee for Economic Development, 444 Madison Avenue, New York 22, N. Y. (paper); single copies available without charge.

COMING EVENTS

In Investment Field

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 14, 1954 (Pittsburgh, Pa.)
Bond Club of Pittsburgh outing at Rolling Rock Country Club, Ligonier, Pa.

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.

May 21, 1954 (New York, N. Y.)
Toppers annual outing at the Montclair Golf Club.

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 (Los Angeles, Calif.)
Bond Club of Los Angeles annual field day at the Wilshire Country Club.

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 Whitemarch Country Club, Whitemarsh, 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.

June 18, 1954 (New Jersey)
Bond Club of New Jersey annual field day at the Rock Spring Club, West Orange, N. J.

June 24-25, 1954 (Cincinnati, O.)
Cincinnati Municipal Bond Dealers Spring party.

June 25, 1954 (New York City)
Municipal Bondwomen's Club of New York annual outing at Rock Spring Club, West Orange, N. J.

Sept. 17, 1954 (Philadelphia, Pa.)
Bond Club of Philadelphia 29th annual field day at the Huntington Valley Country Club, Abington, Pa.

Sept. 22-26, 1954 (Atlantic City)
National Security Traders Association Annual Convention at the Hotel Claridge.

Sept. 23-25, 1954 (Minneapolis Minn.)
Board of Governors of Association of Stock Exchange Firms meeting.

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

With Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Jennings O. Stendal, Jr. has become affiliated with Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Stendal was previously with Frank Knowlton & Co. and Hannaford & Talbot and prior thereto was with Conrad, Bruce & Co. in Portland, Oregon.

Now With Sutro Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Horace J. Brown has become associated with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Brown was formerly with Guardian Securities Corp. and Francis I. du Pont & Co.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Bowman V. Kimber has become affiliated with Waddell & Reed, Inc., 1012 Baltimore Avenue. Mr. Kimber was previously with Looper & Co. and Prescott, Wright, Snider Co.

From Washington Ahead of the News

By CARLISLE BARGERON

It is doubtful that a more pungent argument exists against the present lack of balance of power in Washington than the current Government housing scandals. The situation is that neither the Republicans nor the Democrats are in control of the Government; there is dubiousness about the Republican Administration that is supposed to be in charge of the Executive Branch; that is to say, dubiousness as to whether it is really a Democratic or a Republican Administration.


Carlisle Bargeron

But be that as it may it is wholly ineffective in putting into effect a Republican program or of cleaning out the New Deal bureaucracy. In the first place if there were a clear control of Republicans in the Senate and in the House there is little doubt that the Administration would be Republican, maybe in spite of itself.

However, the situation is what it is and while it may suit some of our vocal citizens that the President is not a partisan, the housing scandals prove that a non-partisan Administration is not a very healthy thing to have, notwithstanding the thinking that it would be just wonderful if we could have a President and a Congress who were mindful only of the country as a whole and who, therefore, all saw alike.

But just where does the Government housing scandal relate to the too evenly balanced political situation in Washington?

Well, the scandal has been an open secret for years. I belong to a country club in which there are a lot of real estate men. They have long talked of this scandal, of how sharpers with an investment of only $100 or $1,000 moved in and got loans from the Housing Administration for $1,000,000 and $3,000,000, on a project which was to cost $200,000 less. I was never able to dope out why my fellow club members, being in real estate, didn't get in on the racket. I am loathe to think it was honesty on their part. For some reason or another they apparently just didn't have the knack. Yet you look back and it didn't take much knack.

When the Eisenhower Administration came in those things were known. What, however, is the Eisenhower Administration confronted with in view of the fact that although the General won handsomely there had been no clear-cut vote for the Republicans or against the Democrats, or against the New Deal corruption? Analyzing the outcome of the 1952 elections as the politicians and political analysts did, the people liked the glamor about the World War II General but they were not particularly dissatisfied with the Democrats. An appeal of the General's was that he was just as much a Democrat as a Republican.

In this light the Republicans, or the Eisenhower Administration, were confronted with the proposition of not making too many changes. Why, when they fired the New Deal telephone operator at the White House, it was a national story with all sorts of innuendos as to the Administration's motives.

To be the head of housing, the Republicans timidly chose former Congressman Cole of Kansas. Well, he had always been, in Congress, quite a critic of Government housing and rightly so. The Democrats, the ADA, the CIO, all the pinks in the country, set up an awful cry that the Republicans were out ot kill public housing. Instead of the Republicans saying they certainly were, they were in such an uncertain position that they began insisting they were really better public housing proponents than the Democrats. Mr. Cole emitted mouthfuls of utterances to the effect that although he had been a critic of public housing it was a law on the books and his predilections in the matter were to be of no moment to him; he was being given a solemn administrative duty and he swore on the Bible that was put up to him that he would administer the housing law in the spirit in which it was enacted.

So consider a man taking over the Housing Administration under such wraps. Had he said anything about the scandal which he saw the first day he entered upon his office there would have been an awful cry throughout the land from the Democrats, the ADA, the CIO and all the rest of the pinks, that it was just as they feared, Mr. Cole was an enemy of public housing.

It turns out that he waits for a year, for a year and four months, to spring what must have been clear to him when he was a member of Congress, certainly that must have been clear from the first day he took office as Housing Administrator.

Now, if the Republicans had come into power with a clear majority in the Senate and a clear majority in the House they could have, and undoubtedly would have, told the Democrats, the ADA, the CIO and the rest of the pinks to go to hell and gone on about their business of cleaning up.

Elected Directors

Emory T, Clark, President of Clark Oil & Refining Corp. (formerly known as Petco Corp.) has announced the election of Milo F. Snyder, Vice-President of Loewi & Co., Milwaukee and Ray Carter, Petroleum Broker and Consultant with offices in New York City, to the Board of Directors.

Rejoins Bacon, Whipple

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Donald D. Schubert has rejoined Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Schubert has recently been with the Milwaukee Company and Smith, Barney & Co.

U. S. Economy in Excellent Shape

By HON. SINCLAIR WEEKS*
Secretary of Commerce

After discussing U. S.-Canadian relationships and problems, Secy. Weeks reviews the Eisenhower Administration trade policy, the findings of the Randall Commission, and other economic conditions. Asserts the people of the United States are of one mind never to drift into an old fashioned depression, and "we are employing the power and persuasion of government to create an environment encouraging economic growth." Speaks of atomic power for peace under the Eisenhower Program. Stresses importance of free U. S.-Canadian trade, and a continuation of a joint friendship for the glory of freedom.

This gathering and similar exchanges between representatives of Canada and the United States are indicative of the mutual good will existing between us. We have our respective problems and it is helpful to describe and explore them together. But we have no problems which ever will break the bonds of our friendship.

Sinclair Weeks

Such amity amongst neighbors does not exist today in a part of Europe. We have seen once-independent nations devoured by a big neighbor—their sovereignty lost, their culture defiled and their anguished peoples scattered by forced migration. We witness nations on this side of the Iron Curtain in perpetual worry lest an invader lunge at their homes.

The might of the giant and the apprehension of its smaller neighbors create the tension which ruins the happiness and haunts the dreams of your friends and mine across the water.

This does not happen here on the North American Continent. There is no people here that has cause to fear any of its neighbors from the Circle to the Gulf.

It is customary when representatives of Canada and the United States gather for each to refer to the long years of peace along our unfortified frontier. It is fitting to repeat this Auld Lang Syne of brotherhood.

However, while geography, economic interests and mutual culture have made us close associates, in earlier days we have to confess to quite a few squabbles. But these differences were kept in proper perspective. We never allowed them to spoil genuine international fellowship.

The other day I reread a volume written by a famous historian of Massachusetts, my home state, the late Senator Henry Cabot Lodge, grandfather of Henry Cabot Lodge, Jr., Ambassador of the United States to the United Nations. It is entitled "One Hundred Years of Peace" published on the anniversary of the Treaty of Ghent and describes relations between our countries during this period.

The interesting feature of the account is that in the century from 1814 to 1914 we were forever getting on each other's nerves. Your ancestors and mine disputed fishing rights, navigation rules and boundary lines. Both sides sent armed bands to the frontier. Raiding parties burned ships. Hotheads fired shots in anger. "And," wrote historian Lodge, "it would require a volume of reasonable size to give a history of these border troubles"—which in fact, were not all settled until early in the 20th century. The point is, however, that we settled these differences without resort to arms.

But why drag out family skeletons at a demonstration of good will such as today's get-together?

Chiefly to prove this point: Despite grievances, which in some areas of this world could have degenerated into prolonged grudges, churned-up hatred and armed conflict, our two peoples have been too smart, too fair and too friendly to permit misunderstandings to be carried in memory or to be magnified into crisis.

Independent Nations, But in Partnership

Canada and the United States are two separate, independent nations, each minding its own business. But when the real chips are down our peoples instinctively respond to an unwritten pact of partnership. We were together as the Kaiser's forces attempted in vain to crush the democracies in the First World War. Together with our allies we hurled back the Axis and later defeated the Communist hordes in Korea. Together with our allies we defend the free world.

Together Canada and the United States stand guardian of our own continent and are solving the delicate problems of continental defense without encroaching upon one another's sovereignty. You know that should peril threaten Canada, you can count on the Stars and Stripes waving under your Northern lights. I trust that if the United States needs a friend in the hour of danger, we can look to the Maple Leaf forever.

In the economic area we have much in common. We rely on private competitive enterprise. We produce food and industrial products. We have a mutual headache in agricultural surpluses. We both are interested in trade, especially amongst ourselves, for we are each other's best customer.

The importance of this trade is apparent in the statistics. Total United States trade with Canada in 1953 reached an all-time record level of approximately $5,660,000,000. Almost $3,200,000,000 were our exports to you and about $2,460,000,000 we imported from you. This exceeded total United States trade with South America and, after excluding military aid, our total trade with the continent of Europe.

According to your records, Canadian shipments to the United States in 1953 represented 59% of your total exports. Imports from the United States were 74% of your total imports.

Another link between us is in the field of private investment. The total value of United States direct private investment in Canada at the end of 1952—the latest recorded estimate—was $4,593,000,000. United States investments, including reinvested earnings, in 1952 increased over the previous year approximately $621 million.

Along with your own capital, the money helped to finance hydroelectric power, chemicals, paper and allied products and machinery. Your discoveries of iron, copper, nickel and zinc and your large reserves of oil and natural gas are attracting risk capital. Your growing domestic market is encouraging our manufacturers to establish branch plants.

We are primarily dependent on you for nickel, asbestos, paperbase stocks and newsprint. You buy from us an extensive list of agricultural items, including fresh fruits, vegetables and raw cotton, and such manufactures as steel, machinery vehicles, chemicals and textiles.

We want Canada to be prosperous because we have a friendly interest in your well-being. Also we want you to thrive, and thereby continue to be our good customer. The same motives, I believe, impel you.

Therefore what can be done, apart from producing desired materials and goods, to increase trade across our border?

The whole question of foreign economic policy right now is being earnestly explored by the United States Government and by the business and labor community. But I will state several fundamental points which I believe presage increased mutally advantageous trade.

I
Eisenhower Administration Trade Policy

The Administration of President Eisenhower believes wholeheartedly in the promotion of profitable and equitable world trade.

You will recall that when your Parliament graciously welcomed the President last Nov. 14, he declared: "In the United States, there is a growing recognition that free nations cannot expand their productivity and economic strength without a high level of international trade."

Other Administration words and deeds bear out that the United States is not an economic isolationist and that it desires an extension of international trade.

II
Randall Commission Report

A commission of experts, including members of Congress, under the Chairmanship of Clarence B. Randall, recently released its report on foreign economic policy. That report has been under study by the Administration, the Congress and the American people.

It offered no short cut. But it did present the trade picture so clearly that the plan's various propositions and recommendations could be evaluated and adequately debated. As a result of the report and subsequent study, the President has designed a message to the Congress on Foreign Economic Policy.

As this message in turn is appraised by the Congress and the public, I am sure that legislative

Continued on page 37

*An address by Secy. Weeks before the Canadian Club of Toronto, Toronto, Ont., March 22, 1954.

Let's Have a Ban on Deficits!

By HERBERT HOOVER*
Ex-President of the United States

Pointing out inflation has not stopped and would not be stopped until deficit spending ends, former President of the United States declares government deficits "is the surest road to disaster in our system of free men and in our defense against the Communist horde." Scores pressure groups demanding excessive tax reductions, but holds our tax burden "has been more than the country can bear." Stresses reduced government expenditures as "real remedy," and concludes there are hopes for the future "if pressure groups and people will have patience." Calls for increased productivity.

I have no doubt that everyone in this town has been telling the editors what to do next. You would not expect me to accept your urgent invitation to speak unless I, like all the rest of the town, say something more about how to run your editorial job.

Herbert Hoover

This whole town is full of people with some kind of a cause for which they want your help. There are, in fact, more than 1,200 organizations or persons licensed under the law to pressure the Congress for some cause. Each of them employs a public relations man—or a dozen of them—to present their cause to editors with hand-outs. That makes life simple for you. You only have to add their hand-outs to those you receive from the Federal Departments to fill your columns — that is, in so far as paid-for advertising will permit. It also helps unemployment, because you must engage a lot of bright young men to sort out two or three thousand daily hand-outs.

There are four varieties of these hand-outs. The first are designed to bring good to somebody. Those require a double check. The second variety of hand-outs come from those who believe they need something from the Federal Treasury. They should be subject to violent suspicion. The third group want their particular taxes reduced. They should have sympathy tempered with perplexity. There is a fourth pressure group who want to reduce government expenditures. There are only two of these organizations in addition to Senator Byrd. Their proceedings are righteous. They are popular in the abstract.

Certainly each of you will agree as a broad generalization that all of the first three hand-out groups—plus the governmental ones—ought to relax. That is, except of course for the particular cause you favor. And you will bear with me if I casually mention that if there are enough of these exceptions, the dynamics of this generalization as to mass force for reducing expenditures has about the power of goose feathers.

But I do not want to leave the impression that all civil organizations and government agencies with a cause and a hand-out are evil. They are an essential expression of free men. Moreover each of their organizations and each of their hand-outs are specifically authorized by the First Amendment to the Constitution. I said the First Amendment.

A National Problem

Be all this as it may, on this occasion I wish to discuss a grave problem which needs your urgent consideration and service. That is, the deficit in the Federal Budget.

I have been assigned a job of finding methods and policies of economy and increasing revenues. I, therefore, view this town with an anxious eye.

With the exception of two years, we have diligently maintained the practice of a deficit for 23 years. For the fiscal year ending June 30, 1953, the deficit was $9.4 billion. We began to be more cheerful when, due to the valiant efforts of President Eisenhower, Secretary Humphrey and the Adminstration generally, the Budget provided a reduction of the deficit to $3,300,000,000 for the fiscal year ending this June 30. We even became more cheerful when their budget proposals for next year showed a decrease of a further $400,000,000. It seemed we were on our way to the sunshine of a balanced budget the following year.

But the disciples of more spending and still lower taxes are having their way. Until Congress completes its surgical operations on the budget the position will not be precise. But it is already clear that the deficit for this year ending 76 days hence will be larger than the Budget estimate. For next year, instead of $2.9 billion, it will rise to a minimum of $5 billion; and if the George Amendment passes, the deficit may rise to $7.5 billion or possibly more. This does not take into account what Congress may do by way of appropriations. But here again if the demands of pressure groups have their sweet way the situation will be even worse. Some people have expressed the horrid thought that it may reach $9 billion.

In fact, by my inquiring mind and my adding machine, I detect that the hand-out brigade would chain you to this treadmill until death.

I can, however, give you a partially cheerful note. The hand-out philosophy at one time was "tax-and-tax, spend-and-spend." Now the tax end of the formula is "cut taxes, cut taxes," but the "spend-and-spend" end is still alive. That is a philosophic improvement, but it does not cure the deficit. There needs to be a fundamental change of ideas or there is no end of deficits.

Where the Editors Come In

This is the place where you come in. You are familiar with the whole gospel of balancing the budget. I don't need to tell you the elements of deficit economics, or the theology of deficit salvation, or the future damnation from this economic sin.

But I wonder if it would not help the country if you again would spell out for your readers what really happens from a Federal Government deficit. It needs to be done in such elementary terms that any grammar school youngster can get it—also many elders.

And I am going to take three minutes of your time to spell it out myself—although I know the repetition will not be front page news like quarrels over hunting Communists.

Obviously one of three things must happen from a Federal

Continued on page 39

*An address by former President Hoover before the American Society of Newspaper Editors, Washington, D. C., broadcast over the American Broadcasting Company network, April 17, 1954.

Foreign Trade and United States Prosperity—The Siamese Twins

By GARDNER COWLES*
Publisher of "Look" Magazine
Publisher, "Des Moines Register."

Asserting Americans are still curiously isolationists in economic thinking and are still clinging to the whim that we can permanently export more than we import, prominent publisher urges American businessmen to revolutionize their thinking about the evil of high level of imports. Advocates change in our tax laws so as to stimulate the flow of American investment abroad, and says everything possible should be done to increase world trade generally, including a relaxation of our ban on East-West trade in Europe.

I want to talk about world trade and its importance to our domestic prosperity. I want to try to convince you that world trade is not an incidental appendage of our domestic prosperity but a vital cog in our whole economic structure. If world trade declines, our domestic economy will shrink—with dire results for our whole American foreign policy.

Gardner Cowles

Earlier this year I visited Spain, Portugal, South Africa, Kenya, Egypt, Syria, the Lebanon, Israel, Greece, Italy, France and England. I talked with dozens and dozens of businessmen in each country, with government officials, and with local newspaper editors.

Without exception they were not interested in talking about Russia. They were actually not too concerned about the intentions of the Soviet Union. What they were worried about was the question: "Is the United States going to have a depression?" Each had a very personal interest in that question because each realizes that if we have a depression, the impact on his country will be violent if not catastrophic. The size of the U. S. economy has become so gigantic and we over-shadow the trade of the world to such an extent, that a 10% decline in the economy of the United States could cause a 30% decline in many other countries. Most of them are much more directly dependent on exports and imports than is the United States. But I want to try to prove to you today that we in the United States are also vitally dependent for our prosperity on a high level of world trade, and should world trade sharply decline, we at home will catch it in the neck very quickly.

The American businessman has learned, especially since 1940, that we can't wisely live alone in the world politically. We need friends and allies. That is why we are in the United Nations. That is why we created NATO. That is why we have the Pan-American Union and treaties and alliances stretching from Australia to Japan, from Norway to Turkey, and now to Pakistan. As a nation we have shed isolationism in our political thinking and in our military thinking.

"We Are Isolationists in Our Economic Thinking"

But we Americans are still curiously isolationist in our economic thinking—and this is the Achilles heel of our present foreign policy. Matched against our military and political needs, our world trade policy doesn't make sense. Indeed, our economic policy contradicts and undermines our military strategy and our political goals.

We keep telling ourselves we need allies for political and military reasons. We say these allies must be strong industrially and financially. Yet, we continue anachronistic policies which strangle world trade and prevent our allies from becoming strong. Our trade policy operates to keep our allies poor, and dependent on an American dole.

For, as a nation, we still cling to the naive notion that we can permanently export much more than we import. We foolishly think that somehow we are better off giving the rest of the world billions of dollars of aid each year, taxing all Americans heavily to provide these billions—instead of building world trade, including imports into the United States, which can let our allies earn the dollars they need with which to buy our goods.

For years we have been paying for our own exports. If this sounds fantastic, just look at the record of the past 40 years:

In the First World War, the United States gave Europe $17 billion in goods.

In the 1930's Roosevelt bought gold at an inflated price, totaling $17 billion, and most of it came out of Europe.

In the Second World War, lend-lease shipments, exclusive of Russia, totaled $40 billion.

In 1944-45, through UNRRA and other agencies we gave Europe $8 billion.

Then came the British loan of $3¾ billion.

This was followed by three years of the Marshall Plan costing about $12 billion.

And now we have had two years of grants in aid, off-shore procurement of military items, etc., totaling about another $8 billion.

So when you add it all up you find that in the 37 years since 1917 we have given Europe about $125 billion, about 40% in war goods and 60% in economic aid, or on the average about $3⅓ billion per year.

What Should Be Done?

I am persuaded that if we want to maintain a high level of exports—and I think a high level is necessary for our own domestic prosperity—then I think we have only two choices: Either to continue to give Europe about $3½ billion a year; or revolutionize our thinking about the evil of a high level of imports, change our tax laws so as greatly to stimulate the flow of American investment capital abroad, and do everything possible to increase world trade generally including a relaxation of our ban on East-West trade in Europe.

It seems to me responsible American businessmen have an obligation to think this problem through:

(1) What will happen to our domestic prosperity if our exports sharply decline?

(2) Are we willing indefinitely to subsidize by gifts the rest of the world to the tune of $3½ billion a year so as to hold up our exports?

(3) What are the implications to our domestic economy if we drastically change our trade and world investment policies so as to maximize imports and do the things which will cause American investment capital to flow round the world?

Some of you may feel enough thought is already being given to these basic questions, but I don't. It is true the Eisenhower Administration is asking Congress to extend the reciprocal trade agreements act, asking for authority to cut selected items in our tariff 5% a year for three years, asking for simplification of our customs regulations. But almost every informed observer feels the most the Administration will get from Congress this year is maintenance of the status quo. That isn't good enough, in my opinion.

The fact that the Congress is apparently unwilling to make even minor concessions toward freer world trade is proof that the businessmen of the United States don't perceive the importance of world trade, don't realize our prosperity substantially depends upon it, don't understand that our present foreign policy will fail if the level of world trade declines.

Importance of Exports

Now, just how important are our exports? In 1952, we exported $15 billion of goods, equivalent to 9% of all goods produced in the United States that year and 4½% of our total production of both goods and services. Our exports provide employment directly or indirectly for some four million persons in the United States.

Exports are major for many sections of our economy. From 25% to 50% of our entire production of cotton, tobacco, corn and wheat is exported. In 1952, for example, we exported 30% of our earth-grading machinery, 23% of our tractor production, 22% of our sewing machines, 13% of our refrigerators, 16% of our trucks and busses. I could go on giving similar percentage figures on hundreds and hundreds of products.

I think we can all agree these exports are important if not vital to our prosperity. Clearly our economy would benefit from an expansion of our exports. For, if we develop a larger foreign market for our products, as well as a greater market at home, our total production and employment will rise.

Yet, every observer is agreed our exports will sharply decline if we cease foreign aid, if we continue to restrict imports, and if our overseas military expenditures taper off. A vast majority of the experts agree the most helpful solution—although by no means a total solution—would be a drastic reduction of our tariff done in such a way as to convince the rest of the world the move is permanent, not temporary.

How seriously would a drastic reduction in our tariff affect our American market?

Of our total imports of approximately $10.8 billion, some $6 billion consists of products which now enter free of tariff duties and import quotas. Of the remaining $4.8 billion of imports, however, only about $3 billion are subject to import quotas or to tariffs sufficiently high to have an appreciable effect on the volume of imports. So it is this $3 billion we are talking about when discussing a drastic reduction in the tariff. By how much would the $3 billion expand if there were no tariff hurdle?

The best experts agree that a complete and sudden removal of tariffs—which I am not recommending except on a gradual basis over a period of years—would result in an increase of imports of from $800 million to $1.8 billion per year. The increase would be divided about half agricultural products, about half manufactured products. Even the larger estimate of the probable size of the increase in imports with the complete elimination of tariffs amounts to less than ½ of 1% of our present gross national product.

Is this such a terrifying figure when our population is growing faster than ever before and when our domestic demand for manufactured products is increasing on the average of 4% per year?

The best estimate is that if our tariff were suddenly completely removed, resulting in increased imports of approximately $1.8 billion per year, we would see as a maximum a $300 million reduction of annual output in our domestic industries competing with imports. There would be a loss of perhaps 45,000 jobs. But if the tariff were reduced 10% a year and only eliminated entirely after a decade, the best estimate is that there would be very little over all displacement of domestic production.

To be sure some few industries would be seriously hurt by a sharp reduction in the tariff. But would it not be better to have the Federal Treasury temporarily aid those injured companies and their employees and help them shift to other products, than to continue a high tariff policy which injures our whole domestic economy and jeopardizes our whole foreign policy?

Some few domestic industries essential in time of war would be hurt by greatly lowered tariffs, but they can be maintained by giving them peace-time orders from the defense department and funds for research to keep them in a state of readiness. This is far cheaper to all of us than to keep up the tariff wall.

More Investments Abroad Needed

American capital invested abroad is another way of permitting foreigners to get the dollars needed to buy our exports. But direct private long-term foreign investments by U. S. companies have averaged only $1.3 billion per year since the war, and one-half of this total represents re-invested earnings. We should obviously try to stimulate U. S. pri-

Continued on page 43

*An address by Mr. Cowles at the Second Annual Management Conference, sponsored by the School of Business and the Executive Program Club of the University of Chicago, Chicago, Ill., April 17, 1954.

We Have Waited Too Long For Return of Gold Standard

By DONALD L. KEMMERER*
Professor of Economics, University of Illinois

Dr. Kemmerer, pointing to loss of purchasing power of about 5% a year during last 13 years, says we have already waited too long to stop the momentum of inflation by resumption of a full gold standard. Contends resumptions have "practically" always succeeded and concluded "we can have unilateral resumption, we can do it alone."

Our present dollar will buy only about half what the 1939 dollar would. For 13 years (1939-52) it lost 5% of its remaining value each year. In 1949 it flattened out, then started down again. It flattened out again in 1953-54, but there is no assurance it may not start down again. Mr. Martin said Monday that we should not go onto a gold coin standard until matters got worse. They are bad enough now. Our citizens have lost billions of dollars as a result of what we have done already. The French waited in 1926 until their franc had lost 85% of its pre-war purchasing power before they returned to a full gold standard. By then it was very difficult to stop the momentum of the inflation. We should not wait so long. We have waited too long now.

Donald L. Kemmerer

Admittedly we are better off as regards our money than most nations are today. But, as the French say, "In the land of the blind, the one-eyed man is king." Chiefly for that reason we have been the monetary leaders in the currency darkness of the past generation. We could do much better; we could regain the other eye, so to speak. And we could certainly do very much better than the weak version of a so-called gold bullion standard we now employ. A gold bullion standard is sometimes described as a gold standard in which the only coin is a bar worth, say, $8,000. In a real gold bullion standard wealthy citizens at home as well as the foreigners abroad can get gold bars from their government in exchange for their paper money or any bank credits due them. Under our gold bullion system only the foreign central banks or treasuries can get gold bars. If we had a true gold bullion standard, this discrimination would cease. In fact, Congress might make the bars rather small so that the average citizen might demand them as well as the rich man. That is what I am asking now when I urge you to set up a gold coin standard.

Let me describe some major advantages of the old coin standard, in the light of financial history. As long as we had a metallic coin standard, we never had an unbalanced budget for more than four years in succession (1841-44) except in wars. In 1934 we acquired the present weak gold bullion standard. Since 1934 we have had 13 years of peace and 7 years of war. You expect unbalanced budgets in war, so let us leave 1941-45 and even 1951-53 out of the record. But we have had 13 years of unbalanced budgets in the 15 peace years—more than ever before in our financial history. If we had had a gold coin standard, Americans would long since have begun to withdraw gold in the face of regularly unbalanced budgets and rising prices. I feel sure you Senators realize that. That would have brought ever greater pressure on the government to balance the budget and to relieve the public's anxiety about the dollar. But with our domestically inconvertible currency, the American citizen is unable to ask for gold coin and to bring any such pressure on his government.

My second reason for favoring a gold coin standard is this. If you put gold coins in circulation, you give this country a genuine and full-fledged gold standard. You put an end to talk of devaluing the dollar or of raising the price of gold. Once gold coins are in circulation in the hands of millions of people, it becomes much more difficult to devalue the dollar. A government contemplating any such action would have to make excuses to the people, it would have to face court cases that would go clear to the Supreme Court and it would incur financial dishonor. No administration would incur such risks lightly; it would be excusable only in the most severe national emergency.

Why then do our Treasury and central bank officials want to keep the present domestically irredeemable money? They say that "now is not the time" to change to a gold coin standard. Gentlemen, my specialty is economic and financial history. This winter I have spent literally hundreds of hours looking into the history of specie resumption. I have studied instances in the United States, Britain, France, Italy, Austria, Russia, Japan, Chile, and elsewhere. Two facts are true about almost all of these cases of specie resumption. First, some Treasury officials and central bankers have always been fearful that resumption would not succeed and that the hoarders would come and take the gold. The performance of Mr. Burgess and Mr. Martin is completely in character with what I have found in other countries and other times.

Second, resumptions have practically always succeeded. There was considerable fear in 1879 in this country that the resumption would fail, although in this case Secretary of the Treasury Sherman felt confident. Yet many banks resumed two weeks ahead of the official date. On Jan. 2, Resumption Day, flags were out in New York, and the Sub-treasury opened at 10 a.m. with a salvo from the Navy Yards. Fifteen clerks stood behind piles of gold coins, ready for the rush of "hoarders." One man "was standing in line" to get gold. It was half an hour before another came. Less than a dozen came before lunch and a few more in the afternoon. More gold was deposited in banks that day than was withdrawn. The Treasury's gold supply that year increased instead of decreased. Resumption was such a "dull party" as news that it vanished from the front pages after the first day.

Any resumption you voted would be an especially easy one, different from any the world has ever seen. It would be only a domestic resumption. We have had foreign convertibility now for 20 years. You are being asked only to give Americans the same privilege of demanding gold that you grant to foreigners. The United States is in a better position today to resume coin payments than any nation I have studied. We have only half as far to go—there is only domestic convertibility to accomplish. We have 60% of the world's monetary gold. We have more gold back of our money and our demand liabilities than we had in the 1920's.

There is every reason why we can have unilateral resumption, why we can do it alone. We do not have to wait until other nations are ready to resume. That has never been the practice in the past. This idea that we must wait until other nations are ready is a fiction of the last 20 years that the Treasury seems to want to perpetuate in its temporizing slogan of "now is not the time." In the past, it has always been a financially strong nation that has taken the lead. The others have followed along as soon as they felt able. That was true after World War I when we led the way in 1919. It was true after the wars of the mid-nineteenth century. It was true way back after the Napoleonic wars.

The history of resumptions is that countries resuming specie payments usually attract gold rather than lose it. They make themselves better places to invest money. As a young man just out of college in 1927 I saw some of this first hand. My father, known then as the "money doctor," advised a dozen nations on returning to gold. I accompanied him on several such trips. One reason that some of these nations wanted to return to gold was to attract foreign capital to themselves.

*From a statement by Dr. Kemmerer before the Subcommittee on Federal Reservee Matters of the Senate Committee on Banking and Currency, Washington, D. C., April 1, 1954.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on April 16 offered $4,695,000 of Chicago & North Western Ry. 2⅞% equipment trust certificates, maturing annually May 1, 1955 to 1969, inclusive. The certificates were offered at prices scaled to yield from 1.65% to 3.00%, according to maturity.

The issue is to be secured by the following new standard-gauge railroad equipment estimated to cost not less than $5,868,750: 25 Diesel electric road switching locomotives; 3 Diesel electric switching locomotives, and 25 caboose cars.

Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

Associated with Halsey, Stuart in the offering are: R. W. Pressprich & Co.; Freeman & Co.; Wm. E. Pollock & Co., Inc.; Gregory & Son, Inc.; Ira Haupt & Co.; The Illinois Co.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; and F. S. Yantis & Co. Inc.

Du Pont to Admit

Julia W. Campbell will be admitted to limited partnership in Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on May 1st.

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William H. Gannon has been added to the staff of Investors Planning Corp. of New England, Inc., 68 Devonshire Street.

Two With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Ruston F. Lodi and Ray M. Sargent have become affiliated with Palmer, Pollacchi & Co., 84 State Street.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — William L. Evans has become associated with E. F. Hutton & Company, 111 West 10th Street.

Basis of Sound Money

By RAY B. WISER*
Gridley, Calif.

After describing factors of an unsound money policy which are damaging to the nation's economic health, Mr. Wiser outlines what he terms axiomatic facts relating to sound money. Holds only item still rationed and discriminated against throughout free world is the U. S. dollar, and says free currency convertibility would throw new markets open to the United States. Wants ban against free market for gold removed

A sound money policy affects all phases of our economic life. The converse is likewise true. Whatever the nation's money policy is, it is closely related to production on the farm, in the mine and in the factory; to agricultural and industrial sales, at home and abroad; to commodity prices; to the behaviour of the stock market; to investments; to interest rates and their influence on business expansion or contraction; to the market price and value of government bonds; to exports and imports; to employment and unemployment; to living standards; to the entire nation's economic health, in all of its ramifications; and to our country's politically-organic future, in its broadest sense.

Ray B. Wiser

In other words, if the money policy underneath our economy is sound, it will maintain an ever-increasing service structure above it. If the money policy underneath our economy is not sound, the structure above it is in jeopardy. And that is one condition this nation cannot afford, for reasons which are too obvious. As everyone knows, we have enemies within as well as outside of our gates.

Sound Money Is Honest Money

Now, what do I mean by the phrase, "a sound money policy?" What are some of the factors which subscribe to an unsound money policy?

Let us analyze them. Let us illustrate what they do to us—what they have done to us.

If we can agree that the factors of an unsound money policy are damaging to the nation's economic health, and retardant to the nation's normal growth and expansion, then it should be comparatively simple and easy to apply remedial cures, some of which are before you in the form of legislative measures.

One might liken this Committee to a group of expert physicians, diagnosing the case before it, determining the cause of the ailment, and prescribing the curative remedy.

Historical experience in the field of monetary economics reflects these patent and axiomatic facts:

Hard vs. Soft Money

(1) A sound money policy should be neither "tight or hard," nor "soft or liberal." It should not fluctuate from one extreme to the other. It should not represent what is commonly known as "hard" money. Nor should it represent what is commonly known as "soft" money. A sound money policy should be stable. It should be geared to a definite medium of exchange, completely free from all "managed" controls, rationing, restrictions of its free usage, and various other governmental prohibitions and inhibitions, whether by decree or otherwise.

*Statement by Mr. Wiser to the Subcommittee of the Committee on Currency and Banking, U. S. Senate, Washington, D. C., March 31, 1954.

Gold-Base For Sound Money

(2) A sound money policy should define the character of the standard upon which it is based, which in our case, of course, is gold; and it should ultimately establish the American paper dollar in terms of a fully-convertible gold basis. A sound money policy should establish gold as the common denominator for determining an exchange ratio. This gold, this medium of exchange should have an actual value that reflects truly current wage and commodity price levels.

Gold Reserves

(3) Theoretical values are not sufficient. Our stock-pile of gold should be the basis of the issuance of our payer money; our credit; the size of our national debt; governmental budgets; governmental spending; the volume of "money" in circulation; the character of our interest rates—all on a completely free basis; that is, not subject to manipulation in one direction or another.

Convertibility

(4) The convertibility of our own gold and its freedom from a governmentally managed currency, should ultimately extend to the English pound sterling, the German mark, the French franc, and to the currencies of all of our allies in the fight for economic and political freedom; in the fight against totalitarianism.

A Possible Program

A colossal program? To be sure. An impossible program? Not at all. A visionary program? Why? Have we ever shrunk from the hard task, the difficult job, the stupendous undertaking? No. America fears nothing so long as America knows she is right.

View-Point of Other Enterprise Countries

Permit me to interject, at this point, the thinking of an eminent foreign economist, to demonstrate that the view-point I have expressed is not ours alone but is conclusively endorsed by one of our strongest allies. Last November, Dr. Ludwig Erhard, Federal Minister of Economics in the new Germany, addressed the internationally-known Commonwealth Club of California on the topic of greater and greater cooperation between his country and the United States — cooperation mutually beneficial to us and to the Germans; cooperation immeasurably helpful in the battle against Communism. Here are some excerpts from his brilliant address:

"During my stay in this country, I have talked convertibility to many of your leading citizens, but this certainly does not mean that I would contemplate any one-sided step in this direction by Germany alone. I just wanted to explore the attitude of the United States in this matter, so as to be able to assess the chance of future developments. When I speak of convertibility on the widest possible basis, I mean to say that as a minimum, this exercise should include the dollar, the pound sterling and the currencies of those European countries already participating in the Coal and Steel and Defense Communities.

"It seems to me we should have convertibility first and then free-

Continued on page 45

Advantages of Return To the Full Gold Standard

By E. C. HARWOOD*

Director, American Institute for Economic Research

Mr. Harwood lists among advantages of having nation's currency redeemable in gold coin on demand: (1) prevention of further depreciation of dollar's buying power; (2) insurance against a flight from the dollar; (3) preservation of confidence in the dollar; (4) the inhibition of unwise fiscal and banking policies; (5) assurance of equitable treatment to both parties to long-term contracts; (6) preservation of value of life-insurance benefits and social security pensions; (7) stabilization of wages through a steady buying power; (8) encouragement of investment and savings; and (9) assurance to all segments of population of the benefits of increased productivity.

The advantages of returning to the full Gold Standard with the nation's currency redeemable in gold coin on demand are as follows:

(1) To prevent further and indefinitely prolonged depreciation or loss of the dollar's buying power.

(a) Redeemable promises to pay presumably would not be issued as recklessly as irredeemable promises might be, in fact usually have been. Throughout the course of history, governments relieved of fulfilling their promises to redeem currency on demand sooner or later have taken advantage of such an invitation to reckless irresponsibility.

E. C. Harwood

(b) The fixed amount of gold in each dollar has a relatively stable purchasing power in the long run. Specifically, when not disturbed by wartime inflations, the exchange value of gold has remained remarkably stable for generations. Changes in prices based on gold usually have been gradual rather than seriously disruptive.

(c) When prices continue rising in a country on the gold standard, gold tends to move out from the reserves securing currency and bank deposits, thereby limiting or preventing the further expansion of credit and the subsequent rise in prices.

(d) I have here an exhibit which summarizes the experience of 20 principal nations since 1790. Managed currency experiments have always failed.

(2) To obtain the best available insurance against a flight from the dollar with a resulting distorted boom on the one hand and against severe and prolonged unemployment on the other hand.

(a) The scare buying in July-August, 1950, and January, 1951, provided a slight indication of what a real flight from the dollar might mean. A more hectic business boom attributable to loss of confidence in the dollar and a rush to buy before prices rose further could be expected to collapse. This is what has happened after every such flight from a currency in recorded history.

(b) The United States has experienced many business cycles, but none of the business declines that occurred while the gold standard was firmly established were prolonged for several years at low levels. The Nation's few extremely severe and prolonged depressions occurred when the gold standard had been suspended or its continuation was seriously in question. (In this connection, it is important to note that economic recovery in 1932, measured by the index of industrial production, began in August and by December was well under way in spite of the uncertainties engendered by the political campaign of that year.) The record of history suggests that firm adherence to the gold standard can be more helpful than any other monetary means of restoring prosperous business conditions. (Of course, no monetary standard can **prevent** a readjustment if economic equilibrium has been disturbed by excessive speculation, overexpansion, or other maladjustments; but firm adherence to the gold standard apparently has **always** facilitated business recovery once the maladjustments have been corrected.) See "Supplement A" for supporting data.

(3) To preserve confidence in the dollar.

(a) Gold is universally accepted as a medium of exchange. Even when practically all nations of the world have been "off the gold standard" as far as domestic redeemability was concerned, they have sought gold; and the people of the world, whenever there was widespread fear of monetary depreciation, have done likewise.

(b) Gold is universally recognized as a valuable substance that does not deteriorate in storage.

(c) The fact that all currency is convertible into gold should assure for that currency virtually the same value in exchange and acceptability as gold itself. Such was the nation's experience for the several decades that the United States adhered to the full gold standard.

(4) To inhibit unwise fiscal and banking policies that might jeopardize the future of the nation.

(a) The wiser and more far-sighted of the nation's citizens who saw the dangers in unsound fiscal or banking policies could demand gold, and Treasury and bank officials ordinarily would act with awareness of this fact.

(b) A possible resulting outflow of gold would force the Federal Reserve authorities and the government to reconsider the unwise policies.

(c) Instead of depending on the wisdom of a selected few who might err disastrously (and who did err disastrously in 1927-29), the nation would provide freedom of action for the many hundreds or thousands of its wisest citizens who presumably can best foresee the probable effects of unwise policies and so act as to counteract those policies. In the absence of the combined judgment of a multitude of keen and experienced observers, there would be no effective check on unwise policies until they had resulted in serious disaster. **No truly wise monetary authority or fiscal policy maker should wish to be without such an important guide to policy any more than a sensible automobile driver would discard the speedometer and brakes.** For 93 years, by closely watching the gold indicator and adjusting policies accordingly, the Bank of England contributed greatly to the stability and prosperity of England.

(5) To assure equitable treatment to both parties to long-term contracts.

(a) Although the buying power of the dollar may be distorted temporarily either by unsound credit expansion (inflation) or the collapse of such unsound credit expansion (deflation), in the long run the exchange value of gold varies relatively little; no other medium of exchange as yet has proved to be so stable.

(b) When both parties have a fixed standard unit as the measure of their respective obligations, they can judge the risks involved far more accurately than when their contract promises are stated in the necessarily vague and fluctuating terms of a managed currency.

(6) To assure that life insurance benefits, pensions, and Social Security benefits shall have some real worth comparable to the sacrifices people make to obtain those benefits for themselves and their dependents.

(a) Continued depreciation of the dollar at the rate of the past decade would virtually destroy all such forms of family protection within the lifetime of the average individual. This is what has happened in France since 1915, and in important respects the monetary policies followed since 1933 in the United States have paralleled those of France.

(b) Only a firmly fixed metallic standard has been found satisfactory as a means of assuring the real worth of such benefits. Such is the verdict of history to date.

(c) Already, the thrifty citizens of the United States including 88,000,000 holders of life insurance, plus those who have savings deposits and United States savings bonds have lost a total of $158,000,000,000 in purchasing power since 1939.

(7) To assure all those who labor that higher wages will be higher in real buying power rather than a monetary illusion.

(a) Only if labor has a fixed and simple standard of value free from the misconceptions attributable to a depreciating currency can labor judge the real value of its present gains and possible future pension benefits. All the efforts of those who labor to obtain social security benefits and company pensions will be fruitless if the depreciation of the dollar continues at the rate of recent years.

(b) Lord Keynes, who was a leader among the advocates of a so-called "managed irredeemable currency" openly avowed that his scheme was a means of deceiving those who labor and who neither pretend to understand nor are in a position to take advantage of the vagaries of "managed" irredeemable money. Only the shrewd speculator and the man of great wealth can expect to profit in the long run from "managed" irredeemable money.

(8) To tear away the veil of the "money illusion" and facilitate the economic calculations essential to ordered progress.

(a) An inflation-stimulated boom is not sound prosperity. There have been several such booms in the nation's history, and all have been followed by severe depressions. Never have the managers of a "managed irredeemable money" been able to create a sound and lasting prosperity.

(b) The manufacture of deposits and currency based on Government debt and non-commercial bank loans does not create real wealth. Such procedures only delude those who strive to measure and exchange wealth and invite overspeculation; fancied gains are lost in the inevitable depression aftermath.

(c) Insofar as the depreciation charges of business are based on prices lower than those currently prevailing and are inadequate for the replacement of capital equipment, business profits are in part illusory; they reflect a hidden consumption of capital.

(d) Taxes based on illusory gains are destrictive of real wealth. They hamper the sound growth of the economy; and such continued growth seems to be essential to survival.

(9) To encourage investment and assure a rapid resumption of investment whenever savings accumulated.

(a) When assured of the future value of their savings, men have confidence and are willing to invest. Such confidence and the resulting long-term commitments facilitate orderly progress.

(b) When they have a fixed standard and a redeemable currency the future of which is not being questioned, men can judge when "bargains" are available and act accordingly. Probably this accounts in part for what appears to be the invariable tendency for firm adherence to the gold standard to hasten recovery from business depressions.

(c) When there is no fixed standard and redeemable currency or its future is in question, men have an inadequate basis for judging within close limits when "bargains" are available. Consequently, they hesitate to make commitments, and while potential employers hesitate the unemployed wait in Government induced idleness. Such was the nation's experience during the money-juggling years of the 1930's after 1932. "Supplement B" explains how the gold standard ameliorates recessions and hastens business recoveries.

(10) To assure to all segments of the population the benefits of increased productivity.

(a) In the absence of a fixed monetary standard and a redeemable currency the pressure for continued inflation tends to rob those citizens who have the least economic power of the only resources they have. The widows and orphans, the elderly and the ill in health are virtually defenseless against the ravages of a depreciating dollar that diminishes the buying power of their savings and depreciates the values of life insurance and annuities.

Technological progress, given a fixed monetary unit and sound fiscal and banking policies, ordinarily would result in gradual lowering of costs and prices that would benefit all consumers. Especially beneficial would this be for those whom most men strive hardest to protect, their

Continued on page 32

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

Prospective Capital Expenditures Indicate Optimistic Outlook

1954 capital expenditures for manufacturing at second highest level on record, exceeded only in 1953, indicated by McGraw-Hill survey made under direction of Dexter M. Keezer. These boom plans in face of anticipated decline in sales (of 2%) termed unprecedented, indicating surprising degree of economic strength, and efforts to get business through stepped-up competition, as well as confidence in the future. Largest outlays to be concentrated in automobile and petroleum industries.

Manufacturing industry plans to spend as much for new plants and equipment in 1954 as it did in 1953. Manufacturers plan to increase their capacity by 4% in 1954, and by another 9% in the following three years. These results of the seventh annual McGraw-Hill Publishing Company's survey of business's plans for new plants and equipment were announced this week by Dexter M. Keezer, Vice-President and Director of the McGraw-Hill Department of Economics which conducted the survey.

Dexter M. Keezer

Almost every major manufacturing industry has increased its plans since last Fall, despite an expected 2% decline in sales this year.

Other highlights of the annual survey are:

Plans Approach All-Time High

(1) Industry as a whole (including manufacturing, mining, electric and gas utilities, communications, railroads and other transportation) plans capital expenditures this year of $21.5 billion, about 4% lower than the all-time record in 1953.

(2) Over the 1955-57 period, industry already has preliminary plans to spend an average of $17.5 billion a year for new plants and equipment, a level within $2 billion of the high 1950-53 average. Actual expenditures may be substantially higher than the current estimates if plans are revised upward as they have been in the past.

(3) Industry's plans are geared to rising sales over the long term. But the plans also portend increasingly severe competition. On the average, manufacturers expect their individual company sales in the period 1953-1957 to grow three times as fast as industry sales.

(4) A majority of manufacturing companies would increase capital expenditures if depreciation allowances are substantially increased.

Businessmen Show Faith in the Future

One reason for industry's continued plans for heavy investment in new plants and equipment seems to be that businessmen are looking beyond the current let-down in sales to new growth in the future. Although manufacturers, as a group, expect sales to decline about 2% in 1954, they believe sales will pick up in later years. By 1957, the average manufacturing company anticipates its sales will be up by 12% over the 1953 level, although as a group, manufacturers think industry sales will increase by only 4% between 1953 and 1957.

Greater Competition Seen

Comparison of these expectations with the results of last year's McGraw-Hill survey shows individual firms plan to meet their sales goals by competing harder, despite less optimism about industry prospects. Last year, businessmen reported that they expected total sales by manufacturing industry to grow by 10% between 1952 and 1956 but expected their own company sales to grow by 13%—about one-third faster. Now they plan to beat their industries' sales growth by three to one.

This prospect of sharper competition shows most clearly in the plans of non-electrical machinery makers; individual machinery companies think that their own sales will increase five times as much, on the average, as the sales of their industry. Except for the steel industry, companies in every major field of manufacturing think they will get ahead of their competition by '57. Even in the transportation equipment industry, where sales are expected to decline, individual firms report their own sales will fall considerably less than industry sales.

The planned expansion in capacity, 13% by '57, is particularly significant, because in most years estimates of changes in capacity have proved more accurate than advance estimates of dollar capital expenditures. Last year, for instance, businessmen reported plans to increase capacity in manufacturing by 7%—and they hit that figure exactly. Chemical and electrical machinery companies (with food companies, the three industries which in '53 increased capacity by the exact figure they had planned, neither more nor less) plan the largest increases in capacity in 1954-57. Transportation equipment companies, including aircraft, expect to expand substantially this year, but at a slower rate over the following three years. Companies that are expanding capacity rapidly are mostly those with new products for consumers, like electric appliances or new types of machinery for civilian industry. In contrast, some industries that grew fastest during the '51-53 defense build-up are now cutting annual capacity additions. Only three major industries—steel, petroleum refining and transportation equipment—expect a markedly slower rate of expansion than that seen for all manufacturing in '54-57.

$12.3 Billion for Manufacturing

Manufacturing industries now expect to spend $12.3 billion for new plants and equipment in 1954, about the same as last year. Petroleum, food, machinery, electrical machinery and automobile companies plan to spend more than in 1953, with auto makers expecting the largest increase — 29%. The chemical, steel, textile and transportation equipment industries plan to spend less for new plants and equipment than they did last year, as do the majority of other manufacturing industries.

Among nonmanufacturing industries, mining companies and electric utilities are planning to increase capital spending in 1954; but railroads, airlines and gas utilities plan to spend less.

Although experience indicates that businessmen usually underestimate their capital expenditures for periods longer than one year, investment plans for future years are a significant guide to industry's intentions. Two manufacturing industries — chemicals and textiles — already have plans to spend more for new plants and equipment in '57 than they expect to spend this year. Railroads and petroleum refiners plan capital spending in 1957 at levels that are relatively close to those expected in '54.

Competition and Capital Spending

That more intense competition is in the offing is indicated by the division of capital spending plans between expansion and replacement and modernization. Business is putting greater emphasis on modernizing or replacing older plants as an aid to cost cutting — an essential for many companies that want to prosper in the competitive period ahead.

Last year, manufacturing companies used 48% of their capital expenditures for expansion, 52% for replacement and modernization. This year, they expect the share for modernization to rise to 57% and, under present plans, to reach 61% of capital expenditures in the 1955-57 period. As might be expected, the greatest shift shows up in industries that are slowing their rate of expansion.

Depreciation Policy

By an overwhelming margin, manufacturing companies report they usually reinvest all their depreciation allowances in new plants and equipment. Asked what they would do if depreciation allowances were substantially increased, about 55% answered that they would spend more for new plants and equipment. This answer was most common in the machinery, transportation equipment and electrical machinery fields which are among the industries that expect the greatest competitive pressure in the next four years.

Thirty-one per cent of manufacturers report they would rely less on outside funds if they had greater depreciation allowances, while 27% would reduce outstanding debt. Many companies would use such funds in more than one way.

Research Important Factor

Research developments — new products, new processes, new machines—will be important factors in a competitive period. Electrical machinery companies expect to spend nearly three-quarters as much for research as for new plants and equipment in '54, and chemical, other machinery and transportation equipment companies plan to spend at least one-third as much. At the other end of the scale, research spending planned by the steel industry is only 4% as much as for capital expenditures. Although only limited conclusions can be drawn from reports on research spending because many companies were unable to answer the question, it may be significant that two of the industries that spend the most for research in relation to capital expenditures and sales—chemicals and electrical machinery—are the two that expect the greatest sales growth between 1953 and 1957.

Leeway in Investment Plans

If business conditions change, manufacturing companies say they have considerable leeway, both up and down, for adjusting capital spending plans. There is more leeway for spending to go down than up from the 1954 level; manufacturing industry as a whole reports its current program is about 15% below the maximum that could be spent under ideal conditions and nearly double the minimum it would spend if sales dropped badly.

For the 1955-57 period, however, there is a little more room for increases than for decreases with the average amount of capital spending now planned just about half way between industry's maximum and minimum estimates. Steel, textile and food companies report the greatest leeway for increasing spending from the '54 level to take advantage of technological developments, while the transportation equipment, electrical machinery and steel industries have the greatest leeway to reduce spending if sales decline. For the longer period, transportation equipment as well as steel, food and textile companies have the greatest room for expansion with aircraft companies stating they could spend three times what they now plan for '55-57 if they could take advantage of technological opportunities. Steel, machinery and chemical companies would cut capital spending most if sales fell badly, but even these industries say they would not cut it by more than 50% below the level already planned for '55-57.

Charles F. Watson, Jr.

Charles F. Watson, Jr., partner in Watson, Alloway & Co., New York City, and a member of the New York Stock Exchange since 1906, passed away at the age of 71 after a long illness.

Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Frank M. Exum has been added to the staff of Harris, Upham & Co., 523 West Sixth Street.

Joins Milton Powell

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Neal D. Barker has joined the staff of Milton C. Powell Co., Security Building.

With First Southern Inv.

(Special to THE FINANCIAL CHRONICLE)

BOYNTON BEACH, Fla. — Thomas W. Lawton is now with First Southern Investors Corporation, Southwest First Avenue.

With Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Loren W. Sloan has joined the staff of Cruttenden & Co., 316 North Broadway.

With Hunter, Prugh Firm

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio—Mary L. Liebhard has joined the staff of Hunter, Prugh, Ball & Davidson, Inc., Winters Bank Building.

C. E. Wheelwright

C. Edward Wheelwright, Elizabeth, N. J., manager for F. P. Ristine & Co., passed away at the age of 80, after an illness of several months.

Growth Prospects of Television

By FRANK STANTON*
President, Columbia Broadcasting System, Inc.

CBS executive describes growth and development of his company and its expansion into the field of electronics and phonographic records. Reports each passing year sees further expansion of electronic application and predicts, by 1957, 90% of nation's families will have television sets. Reveals 29 million people already have television receivers, and 227 new TV stations were started in 1953. Speaks optimistically of future of color television and its value in advertising. Estimates advertising on television in 1953 was $700 million and predicts it will rise to $1¼ billion by 1958.

Columbia Broadcasting System started out 27 years ago as a radio broadcaster and confined itself to this role until 1938, when the company entered the recording field by acquiring an organization now known as Columbia Records. At about the same period, CBS was simultaneously engaged in the early pioneering work of television and electronic research. After the war, as you know, it entered actively into the field of television broadcasting and less than three years ago extended its activities into receiver and tube manufacturing.


Frank Stanton

Today Columbia Broadcasting System, Inc. is made up of seven separate organizations. I stress the word "separate" because we are committed to a decentralized philosophy of operations; and I underline "organizations" because I believe our record is the result of men, not bricks and mortar, machinery or patents. These separate units of CBS are: CBS Radio and CBS Television—the broadcasting divisions which operate stations as well as networks; Columbia Records; CBS-Hytron—the electronic tube and transistor manufacturing division; CBS-Columbia — the radio and television receiver manufacturing division; CBS Laboratories—the electronic research and development division; and CBS International—the export sales division.

A Growth Potential

At this point it would be superfluous on my part to do more than call your attention to the inherent growth potential of this collective area of CBS activity, intertwined as it is with the entire field of electronics. Only the surface of this potential may be said to have been scratched. Each passing year sees the further expansion of electronic application. Each year more and more of the tools and instruments of our homes, factories, and business organizations are being electronically transformed. By now, radio is a veteran in the use of electronics, having been one of the first industries to exploit its magic. But the fact that radio is a veteran compared with the electronically equipped automobile should not raise doubts about its present vigor or future strength.

Such doubts have been uttered at different times during recent years, but they have invariably come back to plague the doubters. Most of you will recall that with the advent of television many authoritative voices sounded the death knell of radio as an advertising medium. What actually happened, of course, was that radio went on to achieve new records in the sale of time and the sale of radio sets. This forward movement is clearly reflected in the experience of CBS Radio.

When the CBS Radio network started operating in 1927, it was then the smallest in terms of gross sales of time of the three networks in existence. Some 10 years later, by 1936, it had become the largest of the four nationwide networks. During the following 13 years it shared this leadership on fairly even terms with its nearest competitor. Since 1949, CBS Radio has moved steadily ahead with gross time sales in 1952 running about 25% higher than those of its nearest competitor, and 35% higher in 1953. The figures for the first two months of 1954 disclose CBS Radio's gross sales are running at the rate of 50% higher than those of its nearest competitor.

Sales volume is one of the two basic yardsticks for measuring the effectiveness of any advertising medium. The other is circulation which can be stated in terms of program ratings or popularity. Today CBS Radio broadcasts nine out of the 10 most popular evening programs and 10 out of the 10 most popular daytime programs.

In spite of the advent of television, radio maintained its continuous pattern of growth, with each year's sales exceeding those of the previous year, a pattern that has been broken only twice in its history, in 1933 and 1938. Last year's aggregate time sales of all radio stations and networks established an all-time record of nearly half a billion dollars, about $25 million higher than 1952. It is true that since the advent of television there has been some downward movement in the gross time sales of network radio, but this has been over-balanced in the aggregate figures by the continued upward movement of spot and local sales of time.

Nothing, it seems to me, illustrates the continuing vigor of radio more dramatically than the fact that during the entire period of television's phenomenal growth, virtually two radio sets have been sold for every television set purchased. Today 98.1% of all U. S. families own one or more radios. Altogether these families own a total of 115 million radios of which more than 12 million were purchased in 1953.

Television's Growth

Compared with radio, however, television's growth has been nothing short of explosive. The first eight years of radio ending in 1930 found 13 million sets in American homes. Today at the conclusion of the first eight years of television, 29 million American families own television receivers. Each year since 1949 has seen an increase of between 5 and 7 million television families, and this rate of growth shows every evidence of continuing until all but 5% to 10% of the families in the country have at least one television set. This condition of approximately 90% saturation can be expected roughly by the end of 1957.

The growth in the television population has been, of course, closely associated with the growth of television stations. From the beginning of television to the end of the freeze imposed on the building of new stations by the FCC in September 1948 and terminated in April 1952, 108 television stations have come into being. These 108 stations located in 63 leading markets brought television within range of about two-thirds of the country's population. Since the end of the freeze, new stations have been appearing, rapidly extending television service to most of the rest of the population and affording a greater variety of programming to those areas that were already served before the freeze. Some 21 new stations appeared in 1952 and some 227 appeared in 1953. There are now about 380 stations on the air in 230 communities. About 70 more stations can be expected to go on the air in the course of the calendar year bringing the year-end cumulative total to about 450 stations.

Altogether there are approximately 750 station channels either already on the air or applied for. Not all of the applications can be expected to be taken up. It can be anticipated that by the end of 1957 there will be about 650 stations in over 300 communities. It is interesting to note that a line-up of about 60 stations will be sufficient to cover about 75% of the total television homes in the country. Virtually complete coverage of television homes will require a line-up of approximately 225 stations.

The maintenance of viewing hours on television has occasionally been the subject of pessimistic speculation. When television was new the number of hours of daily viewing per set found by numerous studies was so high that it was felt that once the novelty of owning a television set had worn off there would be a substantial decline in the hours of viewing. The reality has proved to be the opposite. In December, 1950, the average set was estimated to be turned on for about five hours of viewing per day. Three years later the surveys indicate an average of 5.2 hours of viewing per set per day. It is my belief that the added visual dimension of television prolongs the factor of novelty almost indefinitely, if only because it involves the texture of human personality far more deeply and inseparably than does radio. This texture is of infinite variety and interest. Intensive studies of a selected community indicate that there is no tendency for the viewing of any particular group to decline. The stability in the amount of time devoted to television viewing has encouraged and been supported by the extension of the hours of programming.

Color Television

The advent of color can be expected to act as a stimulant both to advertising and viewing insofar as color communicates more comprehensively and adds immeasurably to the immediacy and realism of black and white. It invests persons, places and products with greater clarity and desirability, as advertisers who have had experience with four color reproduction in magazines are quick to testify. Color tells more in less space—clearly a distinct advantage on home television screens.

Advertising expenditures on television have followed closely the curve of television set ownership. These expenditures approximated $700 million in 1953 which represented about a 40% increase over 1952. Assuming the continuation of the past relationship between advertising expenditures and television set population, I believe we can look forward to aggregate television advertising expenditures of the order of $1¼ billion by 1957 or 1958 at the time of 90% set saturation.

The acceleration of CBS Television's growth has been greater than that of the industry as a whole. During the period 1949-51, the CBS Television network obtained 30% of the aggregate network television gross billings. In 1952 CBS Television's share rose to 38%; in 1953 and currently CBS Television has been running well over 40%. This growth has been part of a rapidly growing total and is reflected in the fact that CBS Television's gross billings in January, 1954, were one-hundred times greater than those of the corresponding month of 1949. In 1953 CBS Television moved from second to first place in television network billings.

The CBS Television network grew from 22 stations in January, 1949, covering an area containing one million television homes, to a network of 169 stations in 1954, covering an area of 29 million homes. Within the next four years the network can be expected to grow to over 200 stations covering substantially all of the 40-odd million television homes that are anticipated well before Jan. 1, 1958.

As in radio, program leadership has been a significant force in the growth of CBS Television. During the Fall-Winter season of 1951 the CBS Television network divided the 10 most popular evening programs evenly with its major competitor. However, the following season (October, 1952-April, 1953) CBS Television captured a majority of the top 10 programs and maintained this position of leadership during the past season (October, 1953-March, 1954). In this connection it is worth noting that CBS Television's program "I Love Lucy" was the most popular program on the air during 1953, gathering a weekly average audience of 44 million viewers, the largest number ever to be assembled on a regular basis. But what is equally significant is that while both of the major networks were virtually sold out at night, CBS Television took the initiative by moving into daytime programming with such effectiveness that in

Continued on page 40

*An address by Mr. Stanton before the Central States Group, Investment Bankers Association of America, Chicago, Ill., March 31, 1954.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market ran into moments of trouble this week, including a selling spell heavy enough to force the tickers behind floor transactions in the week's initial session. It was the second sell-off of sizable dimensions this month but was well enough absorbed so that the industrials have held above 300 on every single trading day after working across the line late in March. The rails continue to show a similar consistency but on the other side of the line in that they repeatedly try to best the 1953 high but have been turned back time after time.

* * *

As usual, the seven-month old lag by the rails gets a measure of blame every time the industrials go through a correction. But the fact remains that the industrials have been able to work uphill some 60 points, or roughly 25%, despite the drag the carriers have set up. In short, what corrections have arisen so far are thoroughly in order and the market, as represented by the industrial shares, has yet to show signs of topping out.

* * *

Blue Chips Still Doing the Work

Despite many predictions, secondary issues have yet to come into popularity and it has been the blue chips that have had to do the work largely alone. In fact, despite the push of the averages into an area only seen once before in history—back in 1929—the textiles, brewing issues, variety stores and some of the autos give all the appearances of a bear market performance quite the opposite of the feats being achieved by such as General Electric, du Pont, Bethlehem Steel and most of the Standard group of oils.

* * *

More New Lows

Some of the minor indicators can be taken either way. But there has been a persistent increase in the list of new lows for half a dozen sessions in a row as a couple of new issues a day join the repeaters seeking lower ground. Prominent among the new lows are Falstaff and Pfeiffer in the brewing group, J. P. Stevens, Beaunit Mills, Celanese, Viscose, Goodall-Sanford and Kayser in the fabric and clothing fields, Studebaker and Hudson in the motors.

* * *

The motors, as a matter of fact, have been having some trying times throughout, General Motors alone showing something of an inclination to stand its ground. The independents have all been dragging anchor, and an expected poor first quarter report by Chrysler has kept the group off balance. Packard's president seems even a bit more cautious than most of the independents in grouping all quarters of this year in a "year of adjustment" for his company while the others have been looking ahead to better results in later quarters.

* * *

So far the auto mergers haven't been as influential marketwise as the mere talk about them prior to the official news. The Willys-Kaiser union hasn't been able to change the figures over to black ink, and the officials now see the turning point due no earlier than July when the beneficial effects might become apparent. Any benefits from the Hudson-Nash merger are even further away.

* * *

EPT's End Stimulating

Momentary strength has been imparted to some of the blue chips as the first concrete results of the end of an Excess Profits Tax become apparent. For such as General Electric, du Pont and U. S. Rubber, first quarter net increased well although sales were off somewhat by 8, 6 and 16% respectively. These issues by no mere coincidence have long since exceeded their "fabulous" highs of 1929.

* * *

An even more glaring show of persistent bearishness is a group of a dozen or so issues that have been falling steadily for four years or longer while the average tacked on well past a hundred points. Included in this group is the one-time speculative favorite, Bon Ami B. From 32 at the end of 1949, it dropped to 24 by 1950, 16 at the end of 1951, 7 in the windup of 1952 and fractionally lower last year. This issue sold as high as 101 in 1946. Its companion issue, the A stock, once a near-blue chip, dropped resolutely from 116 in 1947 to less than 22 at the end of 1952 but then steadied a bit and has held above 23 throughout 1953 and so far this year.

* * *

While the Bon Ami issues are, perhaps, an extreme illustration of what happens when newer products catch up with a company not particularly noted for diversification, there are other persistent losers around that haven't so convenient an alibi, including International Shoe, Alexander Smith, Charles E. Hires Co., Holland Furnace, John Morrell and Affiliated Gas.

* * *

The Bullish Selectivity

The persistent five-year improvement in the industrial action naturally helps paint the other side of the picture somewhat brighter. But the issues able to close out each year at a successively higher level since the 1950 break on the start of the Korean War comprise only a scant five dozen out of something like 1,050 common stocks that trade regularly. Aircrafts and chemicals predominate, du Pont and Vick Chemical, Boeing and Bell Aircraft appearing in this select group. An odd member of this group, considering the sour overall rail performance recently, is the Denver & Rio Grande Western Railroad which emerged from reorganization in 1947. Starting at a shade over 30 at the end of 1949, it has worked its way steadily uphill and the present standing around 66 represents an all-time high for the issue.

The Papers, Uraniums, and Steels Outstanding

One group that stood out particularly this week in desultory markets was the paper division. International Paper has been in the forefront of the group for some time, forging to new highs rather repeatedly. It is within reach of attaining the same price tag the old stock reached prior to a 2-for-1 split in 1949 and subsequent stock dividends of 25% in 1950 and 10% last year, a rather worthwhile as well as uncommon improvement.

* * *

Champion Paper & Fibre has shown an ability, at times, to be rather volatile and, in addition, has a steady advance record of several years' standing. It has been posting new highs each year since its 2-for-1 split in 1951, repeating the same pattern the old stock set after the previous 2-for-1 division in 1946. The issue holds something of a title for stock splits by virtue of its 7-for-1 division in the bleak mid-Thirties. Meade Corp. was another making the new high list this week, again on a push to an all-time high.

* * *

Uranium issues continue to capture the imagination of investors leading to some rather wide swings in Vanadium Corp. and Climax Molybdenum. Vanadium, available for around $20 as recently as 1950, pushed ahead to around three times that price and Climax which could have been bought for a shade over $12 in 1950 worked to some issues, and Vanadium particularly, have had to cope with some sizable skepticism which, with short covering, have given them a good but occasionally erratic market life.

* * *

Steels have been giving a good overall account of themselves although they had to take a share of the blame for the week's selloff as a wild rumor raced around that all estimates of first quarter operating results were far more optimistic than the facts warranted. When no valid source for the rumor was found, however, they steadied again.

[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.]

Our Reporter's Report

The new issue market is still suffering from a rather severe case of indigestion growing out of a conflict of ideas among underwriters and institutional portfolio chiefs on the matter of yields and prices.

Several syndicates have terminated their agreements on recent issues within the last fortnight and accordingly turned loose the bonds involved to permit them to seek their own levels more or less.

But even with this drastic action there has not been any marked reduction in the backlog of unsold material which has been building up in most directions. Buyers apparently are not in a mood to be driven or coaxed.

Rather the latter contingent, who are just as keen in judging values as the people who do the underwriting business, quite evidently are willing to wait on the market and let the seasoned list render its own verdict.

It still appears to be like waving a red flag in front of a bull to bring out a top grade bond at a yield of less than 3%. Although another attempt in that direction this week was rather coolly received, the record is studded with instances where, in the light of subsequent developments, today's seemingly high price tag turned out to be a bargain.

Some of the major underwriting firms which normally take on the job of organizing groups to bid for a given issue are finding some of their associates a bit on the stubborn side these days when a price is suggested which means "going through" the magic 3% yield basis. Much of this reluctance is due to the fact that people whose business takes them to syndicate group meetings find that practically all of those appearing at such sessions are "involuntary investors" in at least one piece of business.

The next fortnight promises to be a relatively busy period for investment bankers what with something like $150 million in new corporate bonds due up for bids.

Largest of these is Commonwealth Edison Co., of Chicago's $50,000,000 of new bonds on which bids will be opened next Tuesday forenoon. The following day will bring out bids for $15,000,000 of bonds of Utah Power Co.

And in the ensuing week a total of upwards of $90,000,000 of new issues, mostly bonds, will be up for competitive bids. Largest of these is New Jersey Bell Telephone's $2,000,000 issue followed by two $20,000,000 undertakings, one for Cleveland Electric Illuminating Co. and the other for Wisconsin Electric Power.

The May calendar of prospective new issues was swelled substantially by the application of the Public Service Electric & Gas Co., to the New Jersey Public Utilities Commission for authority to issue and sell $50,000,000 of new bonds and 249,942 shares of preferred stock.

The company plans to apply the proceeds received from the sale of the new preferred to redemption of a like amount of outstanding 4.7% senior stock.

Funds realized from the sale of the new first and refunding mortgage bonds will be used to finance additions and improvements to the properties.

A Stabilized Anthracite Industry Coming

By EDWARD G. FOX*

President, The Philadelphia and Reading Coal and Iron Co.

Head of leading anthracite concern reviews recent developments in the anthracite industry and points out difficulties and problems. Says efforts are being made to solve these problems, and a reestablishment of a Production Control Plan is needed, and substandard anthracite produced by coal "bootleggers," though not prohibited, should be identified by close policing. Assures retailers that it will be safe and economical for them to stock-up during summer months.

The Anthracite Industry, like many other industries today, is beset by difficulties which are deep-seated and wide in scope. I am sure nobody would have the temerity to claim that he had found or devised solutions to its many problems. There are solutions—of that I am confident—but they will be found and made workable only by constant effort, ingenuity and research, by day-to-day application of sound business principles, and by cooperative meetings such as this on both the retail and producer levels. This meeting today, and other similar meetings, indicate steps are being taken in the direction of solving these problems. No one retailer or no one producer can solve these problems alone. This is a subject of vital importance to all of us, and also to the ultimate consumer, and I welcome the opportunity of discussing it with you. If this question had been asked at any time within the last ten years, I doubt if it would have received very serious consideration. It has always been the custom for the retail coal dealer to fill his bins during the summer months, and producers became accustomed to this sound principle and governed their businesses accordingly. Why, then, has it become a timely question today? Let us observe the recent history of the Anthracite Industry.

Edward G. Fox

Over the past several years, the Anthracite Operators had geared themselves to a maximum wartime production. All available producing units were pressed into full-time service. Lately, the market began to settle into normalcy and producers stored those sizes not in great demand, so that production could be continued on those sizes which continued to be short on the market. This resulted in a storage of 2,350,000 tons of coal, principally the chestnut, pea and No. 1 buckwheat sizes, hanging over the market. This also represented a cash outlay on the part of the Operators in an estimated amount of $25,850,000.

During this same boom period in Anthracite, there sprang up in the region a group of producers formerly known as bootleggers, who produced without giving consideration to quality or weight and, with a short-range viewpoint, dumped on the market a sizable tonnage of low-grade substandard coal which today has grown to 10% or more of the anthracite market; and unfortunately this tonnage is predominantly in the sizes which adversely affect the retail coal dealer. For the most part, this tonnage is being produced by opportunists who have taken advantage of an economic situation to employ miners at a substandard wage, and who are obliged to work excessive hours. This same group has seen fit not to pay into the Health and Welfare Fund for the protection of the future of these employees. Also, the non-payment of other obligations, which must be borne by the standard producers, provided this type of operator with means of dumping on the market a large tonnage of coal at a price below that at which an operator who meets his legal obligations can operate at a profit. Unfortunately, this situation still continues and the household consumer, retail dealer and operator are victims of this parasite.

*An address by Mr. Fox before the Greater Philadelphia Fuel Conference, Philadelphia, Pa., April 7, 1954.

The storage of large tonnages of coal at the expense of cash in the anthracite industry, plus the inroads made by some producers of low-grade anthracite, created a situation which led to a belief on the part of some operators that they could unload this stock coal, recover cash, overcome the competition of substandard coal, and obtain a greater portion of the business by reducing the price below that of other producers. This step was taken in the belief that other operators would not move to meet this price competition — a rather silly opinion. This resulted in a price war in 1953 which cost this Industry not less than $20 millions without materially changing the percentage production position of any one company. This situation, naturally, created an uncertainty in the minds of the retailers as to whether or not at any time during the year, coal was being purchased at prices to their best advantage, and also left doubt as to the stability of the suppliers and the whole future of the industry.

But my purpose is not to recite the past problems of the Industry except to say that in my humble opinion, a definite constructive program has been established, and initial steps in this plan have been taken to overcome these problems. Anthracite operators are gearing themselves to a production which is in keeping with today's market, so that this production can be maintained with a justifiable profit to the producers. To my mind, the greatest step in meeting all of these problems is the reestablishment of the Production Control Plan on an up-to-date realistic basis. I might say that the Production Control Plan, which came into being in the early 1940's, has not been changed in its basic principles, but changed in detail to meet the present day problems.

This plan does not prohibit the production of substandard coal, but does provide that this low-grade anthracite shall not be placed on the market without the full knowledge of the retail purchaser or the ultimate consumer. All sub-standard anthracite must be identified as a low-grade product. The Industry will be closely policed, and violators of this portion of the plan will be dealt with according to Law. Slate and bone will not be sold as coal—nor pea coal as nut coal—without the full knowledge of the purchaser. Operators will be restricted from overproducing the market, and no one producer will be favored. Any tonnage shipped from the coal in storage as of March 29, 1954—the effective date of the plan—will be charged against produced tonnage. It is a good and a workable plan, and will have the effect of stabilizing the Industry.

To answer specifically the question concerning summer "fill-ups," it is doubtful if in any year this question could have anything but an affirmative answer. However, I appreciate that the year just past could leave considerable doubt in the minds of some dealers.

We are all familiar with the value of summer buying from a quality standpoint. During the winter, production is different at the mines. Both incoming raw coal and outgoing prepared coal are subjected to snow, frozen rain and constant change of temperatures—all of which contribute to the creation of conditions in which it is more difficult to prepare a perfect product in winter than in the summer months. Quality is an important factor in purchasing during the summer months. This is generally known throughout the dealer trade. Buying during the summer season also assures the retail dealer of a supply of coal for the winter months. It is true that the present tonnage of some sizes in storage may give a feeling of security to the dealers on the question of supply during the winter months—but bear in mind that the full range of sizes is not now in storage and this may result in a scarcity of the sizes most in demand this coming winter.

Having coal of all sizes in bins and ready for the winter demand, no matter how great, is just a matter of plain good business judgment. Today there is no excuse for slow delivery either by producer or by retailer—a full supply of coal on hand in all sizes permits undelayed delivery.

It is not my intention to be presumptuous enough to advise a group of retail dealers, many with long years of coal business experience, how to merchandise their product. But it cannot be denied that a storage of top-quality coal obtainable in summer, held in yards and ready for immediate delivery, indicates good business procedure.

Summer buying by the retail dealer should be carried on to the ultimate consumer, relieving the dealer of the problem of idle equipment in the summer and overworked machinery and manpower in winter, which results in higher costs due to machinery breakdown and labor overtime payments.

It is appreciated that this summer buying requires an outlay of cash somewhere along the line—either by the household or industrial consumer, by the retailer, or by the producer. However, today's merchandising by most companies in the coal business makes provision for assistance in financing this summer buying to stimulate year-round trade.

Some of you may consider that the advantages given for summer buying to this point are more or less academic. The decision of retailers on summer buying rests largely on whether or not purchases are being made at the best opportunity from a price standpoint.

Keeping in mind the financial losses sustained by the major producing companies last year and the history behind the industry, it is almost impossible to imagine any lower prices than those published by the reputable companies at various times during the past several weeks. It is important to note that those prices on domestic sizes are almost $2.00 less than the spring prices and approximately $2.50 less than the fall prices of 1953, the year in which tremendous losses were suffered by the major producing companies.

To compensate for those losses, the cost of production has been somewhat lowered, but with a fixed labor cost there exists a floor below which the cost of production cannot be reduced.

If losses were sustained at 1953 prices, which were considerably above the presently existing prices, with little opportunity then of meeting costs, is it not reasonable to assume that greater losses would be had if the present prices were to continue through the year?

The new spring prices announced by my company were an effort to establish a realistic point from which progressive advances could be made to fair average prices by fall to promote consumer buying and better working time at the mines.

It will probably be true this summer as in years past that the usual tonnage of substandard coal will continue to be offered to the trade at lower prices made possible by deliberate failure on the part of its producers to meet their just and legal obligations, but this type of tonnage, low in quality, shall unfortunately always be a detriment to this industry.

Greater realization must be had by the dependable producer segment of the Anthracite Industry and this increase in price must come in 1954.

Is it not also reasonable and common sense to assume that prices through the year 1954 will gradually climb above the spring circular until the prices this fall will be at a level which will assure an average yearly price, so that producers will at least reach a break-even realization. Unless this is done, the producer will place himself in a very difficult financial position and may jeopardize his very existence.

In conclusion and to summarize, I feel quite confident that the summer buying program which has long been an established practice in the Anthracite Market is more desirable in the year of 1954 than during any recent year of the industry's history.

F. Burton Smith Opens Own Office

F. Burton Smith

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — F. Burton Smith has opened an office in the Florida Bank Building to engage in the securities business. Mr. Smith has been associated with Leedy, Wheeler & Alleman, Inc. for many years.

H. I. Fullerton Joins Bache in Columbus

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Howard I. Fullerton has become associated with Bache & Co., 30 East Broad Street. Mr. Fullerton was formerly local manager for Westheimer and Company and prior thereto was President of Fullerton & Company, Inc.

Oil's Major Problems Today

By JNO. G. PEW*
Vice-President in Charge of Production, Sun Oil Company
Vice-President, American Petroleum Institute

Among the major problems facing the petroleum industry, Mr. Pew lists: (1) the question of oil imports; (2) the problem of competitive costs; (3) the attempts to organize a national union of petroleum employees. Holds counter measures are required to prevent domestic oil production industry from being undermined and ruined by imports, and deplores threat of oil workers to form a nation-wide union.

The American Petroleum Institute is the greatest voluntary service organization of its type in the world. Its activities are varied and vast. Its single function is that of helping the oil industry to solve the many technical and operating problems which confront us. Its benefits are many and accrue not to the oil industry alone but to other industries and to the general public. I think its outstanding feature is the fact that it provides an area for cooperation among people of different companies without in any way lessening the degree of competition existing among those companies. I am proud to be associated with the API, and I am sure you feel the same way.

Jno. G. Pew

One of the most difficult problems to confront and confound our industry in recent years is the subject of oil imports. I have talked about this subject several times before, and I hope no one has had reason to say of me what a colored gentleman said of his wife when he appeared before a judge.

"Jedge," he said, "I've just got to have me a divorce. I can't stand to live with my woman another day. All she does is talk, talk, talk."

"Well," the judge asked, "what does she talk about?"

"That's the whole trouble, Jedge. She don't say."

I hope to make clear just what I have to say about imports. In a nutshell, it is this: we have a national oil policy adopted by the National Petroleum Council, the API, the Independent Petroleum Association of America, Mid-Continent Oil and Gas, Tipro, and other organizations, as well as by individual companies and operators. That policy, in essence, says that imports may supplement but should not supplant domestic production.

The question arises, how is the line to be drawn between imports that supplement production and imports that supplant it?

The answer is clear enough. Imports supplement our domestic production when they help us to meet that part of our country's total demand that otherwise perhaps could not be satisfied. I think most of us are agreed that a limited amount of imports is necessary for this purpose at the present time. We recognize the possibility that domestic producers might not be able to satisfy the requirements of domestic consumers and of petroleum exporters and at the same time comply with conservation laws and the request of the military for standby production capacity as a defense measure.

But when imports capture a part of the domestic market that domestic producers could themselves satisfy without violation of sound conservation practices, that is another story. Evidence of this is apparent whenever it becomes necessary to restrict domestic wells significantly below maximum efficient rates to avoid the waste.

Increase in Oil Imports

That is the situation today. Imports have risen from 377,200 barrels a day in 1946 to 1,049,700 barrels a day in 1953, an increase of 178%. According to a recent Bureau of Mines forecast, imports will rise another 46,000 barrels a day in 1954. As a result of this great increase in the size of imports, many domestic wells cannot be operated at peak rates consistent with sound conservation requirements. States — notably Texas—have restricted the rates at which wells can be produced. This prevents waste, which is beneficial to all, but unfortunately it also, in effect, makes possible the supplanting of domestic production by imports. And that is precisely what is occurring.

In other words, we see the violation of the oil policy that the oil industry broadly once pledged itself to uphold.

And we are witness to a strange paradox. Domestic producers are being threatened with disaster at the very time that they are setting new records for enterprise, industry, and achievement. For the fact is, in 1953 we drilled more wells than ever before, produced more oil than ever before, and raised our proved reserves of oil in the ground to new heights.

I do not use that word "disaster" lightly. When a tanker entered the harbor at Houston recently and discharged Middle East crude oil within sight of Texas oil wells, the writing on the wall became obvious to all.

That single tanker discharged the equivalent of one day's production from less than 20 Middle East wells. But its load represented a day's production from about 5,000 average Texas oil wells. Think of the implication of those facts for a minute and judge for yourself the seriousness of the threat posed by imports.

The situation is plain to see. Because of high rates of production, Middle East oil can undersell domestic oil, particularly at refineries along the seaboard.

The problem grows more critical every day. The restriction of domestic wells cannot provide a long run solution to the import problem. In the first place, as Texas loses position in the market, she will become less and less effective as a counterbalance to expanding imports.

In the second place, Texas producers cannot long stand the strain of operating at 10% or 15% below maximum efficient rates of production. They have rising costs to face and financial obligations to meet. They need the income from their wells to maintain and strengthen their ability to safeguard our nation in the event that a world emergency should result in the loss of oil sources in the uncertain Middle East.

And in the third place, adjustment of production allowables to domestic demand was never intended as an instrument to counterbalance excessive imports. This practice was adopted in some states as a conservation measure designed to husband our resources below ground and to end above ground waste.

All who are familiar with some of the practices which occurred before conservation measures were adopted know how valuable those measures have been. They have served — and they continue to serve—the best interests of domestic producers and the country as a whole. I favor the adoption of conservation laws by all oil producing states. And I would like to express my respect and admiration for the three administrators of the conservation authority of Texas. I know those men personally, and I believe they are three of the finest public servants one can find anywhere.

But still, the fact remains, the reduction of allowables below maximum efficient rates, although sound in principle and valuable in practice as an internal measure, does unfortunately add up to conceding the domestic market to imports without a fight.

Counter Measures Needed

It seems obvious to me that counter measures are required to prevent the domestic oil production industry from being undermined and ruined by imports. Perhaps if domestic producers could operate at levels more nearly approaching maximum efficient rates, imports would not find such ready access to available storage, and they might be curtailed rather than be poured on the ground.

In the meantime, appeals have been made to importing companies, requesting that they exercise restraint in the quantities of their imports. One company on the East Coast and another on the West Coast have heeded the appeals. Others thus far appear to have ignored them.

Many have urged that efforts be made to reduce production and transportation costs, so that domestic producers might compete on a cost basis with foreign oil. That, of course, is highly desirable. But the producing cost advantages of wells that average 5,000 barrels a day in the Middle East over proratable domestic wells that average in the neighborhood of 40 barrels a day are so obvious that only a very hopeful man could see a long run solution in this approach.

Some have endeavored to secure the passage of Federal legislation designed to protect the domestic industry. They have pointed out that such protection is justified by the national defense requirement for a ready domestic oil industry. And they have asserted that unless support is obtained, living standards of oil production workers and the economic stability of oil producing states will be placed in serious jeopardy

Delay in attacking this problem brings no advantage to domestic producers. The bigger the percentage of the market obtained by importers, the harder it will be to dislodge them and reestablish the national oil policy that was once so generally agreed to.

Many people would like to be helpful in solving this problem, but not all have effective ideas about what should be done. They are like the young lady who attended a first aid class one night. Later, driving home along a dark street, she saw a man lying face down on the side of the road, so she stopped her car and ran back to him, reviewing her first aid course in her mind as she did so. Remembering not to move him, she loosed his tie and his belt and then, not knowing what else to do, began giving him artificial respiration. She was working hard at it, when the man looked around and said:

"Look, lady, I don't know what you have in mind, and I'd like to cooperate. But can't you see I'm busy holding a lantern in this manhole so my friend can see to work?"

Threat of a National Labor Union In Oil Industry

There has been another development of major interest that should be included in a review of significant happenings. I refer to the effort which is being made to organize a central union in the oil industry.

Before I begin to discuss this subject, I want to make it clear that I have no bias against employee organizations. I favor collective bargaining, and I believe that labor organizations, if they are properly conducted, can be helpful in advancing the best interests of employees and employers alike. I do discuss it because my responsibility as API vice-president is to bring before you matters of major concern to you and your industry.

To those who are familiar with the oil industry's long record of progressive leadership in matters of labor-management relations, the proposal to change present bargaining arrangements is difficult to understand. Lots of folks think that strong unions arise because a need for them is felt to exist—that is, because workers are underpaid, or mistreated, or denied their rights. Is that the case in the oil industry?

The facts are readily available from the United States Bureau of Labor Statistics. They show that in 1953 petroleum refinery workers on the average were paid $2.32 an hour as compared with an average $1.77 for workers in all manufacturing industries. The average weekly earnings for refinery workers were $93.90 as compared with $71.57 for the average manufacturing worker.

Crude oil and natural gas production workers on the average were paid an hourly wage of $2.21 and earned $90.36 a week. Anthracite coal miners, by way of comparison, earned an average of $2.48 an hour, but since they had an average of only 29.3 hours work a week, their weekly wage came to $72.51. Bituminous coal miners had 34.4 hours work and a weekly wage of $85.38 on the average.

I could give you more statistics on wages, but I can save time by simply saying that oil refinery and production workers are among the best paid employees in industry.

They also receive very favorable non-wage benefits. Statistics based on a survey of 736 companies have been compiled by the United States Chamber of Commerce to show how large the non-wage costs of labor are in various industries. These costs include legally required payments, such as Old Age and Survivors Tax, and the costs of benefits such as vacations and stock purchase plans, insurance, and so on.

According to the statistics for 1951 (the latest available), the per employee cost of non-wage benefits averaged $644 annually for all industry. The average was $975 annually for petroleum refinery workers. That figure of $975 was the highest of any of the 20 industrial categories listed in the study. No comparable figures were given for oil production workers, but I am sure they would compare more than favorably with refinery workers.

That oil workers have stable employment and are not, by and large, unhappy with their working conditions is reflected by the fact that labor turnover in petroleum refining is less than 1% a month. For manufacturing industries generally the rate of turnover averages above 4%. These, too, are United States Bureau of Labor Statistics figures.

Now, if oil workers are already receiving favorable wages and benefit payments, have stability of employment, and are not discontented about their working conditions, why should there be interest in a central union? That interest exists is clear from the fact that reportedly 149 delegates from 31 unions, purportedly representing 212,400 oil industry employees, met in Philadelphia on Feb. 15 to discuss merger into a central organization. If the claimed representation is correct, the interested unions have membership in plants accounting for an estimated 58% of the present United States refining capacity, according to a report appearing in "Oilgram" on Feb. 19.

I hope that all oil employees who are being asked to decide upon the adoption or rejection of the proposed Oil and Chemical Workers International Union will think long and seriously about whether a need for such a union actually exists. I hope they will consider whether or not any supposed advantages from such a union are preferable to their local autonomy.

I do not conceive of your or my selfish interests as being opposed to the interests of oil workers. We all have a mutual interest in the happiness, contentment and well being of employees and in the productivity and profitability of our companies. To further this mutuality of interest, it is management's responsibility to demonstrate fairness, consideration, and a willingness to compensate true worth.

Questions for Managers in Oil Industry

Now, we who have managerial responsibilities in the oil industry should ask ourselves a few questions. Are we making our best effort to understand workers' problems and to help solve them? Are we doing our best to allay the personal frustrations that develop when workers feel they are not receiving individual recognition for their efforts? Have we been as conscientious as we should be about taking care of minor grievance matters that arise from day to day? Are we keeping workers informed through an adequate communications program? Do we listen to what they want to tell us?

Negative answers to questions such as these can provide a partial explanation as to why, in the face of high wages, steady employment, and favorable benefits, some employees might wish to see a change in collective bargaining arrangements in this industry.

It seems to me that we should all — employers and employees alike—we should all make a fresh appraisal of the subject of labor-management relations. The kind of thinking that was done in the Thirties and the Forties is already outdated. We have sufficient knowledge of human relations at our disposal to work out methods of achieving a new relationship based on mutuality of interest and economic justice. The old system based on force and conflict is rapidly becoming obsolete. Already there is evidence that the new system is emerging; when it comes fully into view both the old-fashioned union-hating employer and the old-fashioned employer-hating union will be a thing of the past.

We in the oil industry have long had a reputation for pioneering in the field of industrial relations. If I could have one wish now, it would be that we move more swiftly in improving the human relations aspects of work situations at all levels of our industry. . . .

We are indeed very fortunate to be associated in an industry that offers the variety of challenges and rewards that this one does. We are a part of the most fascinating business in the world. The things that have been accomplished in the past are little more than pointers to the even greater things remaining to be accomplished in the futurue. In addition to the self-satisfaction that comes from achievement in our work, we have the even deeper satisfaction of knowing that we are making an essential contribution in the service of our fellowman. I congratulate you—as I congratulate myself—on being so fortunate as to be an oilman.

*From a talk by Mr. Pew before the Rocky Mountain District Meeting of the American Petroleum Institute, Casper, Wyoming, April 8, 1954.

The Outlook for Nondurables

By WILLIAM H. CHARTENER*
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McGraw-Hill Publishing Company, Inc.

Describing "nondurables" as goods used by consumers and not generally by industries, Mr. Chartener finds "nondurable goods" production and sales have fared better recently than durable goods, but points out both "nondurable" and durable goods industries must reply on improvement in general business conditions to bring them back to 1953 levels.

The term "nondurables" is actually more a statistical convenience than an accurate description of the products it embraces. Some day an expert commission studying government statistics may feel sufficient discomfort over the departure of this use of the word "nondurable" from Webster's definition to come up with a better term.

W. H. Chartener

Plastics are nondurables, yet they last as long as the "durable" automobiles and refrigerators in which they are used. Synthetic fibers are nondurables, but within the past few weeks one leading producer of men's nylon sox decided they were so durable that there was little future in manufacturing them. Government investigators have found an enormous cache of army overcoats ordered years ago by over-eager supply officers that proved far more durable than mortar shells. Even food, properly processed, can be fully as durable as its metal container; and a "nondurable" paper container will preserve it quite as well in cold storage.

Characteristics of "Non-durables"

The products made by the nondurable goods industries, however, do have some fairly general characteristics which distinguish them from durable goods. These characteristics are of value in appraising the business outlook for the nondurable goods industries.

In the first place, most of the end products of these industries are used by consumers rather than by other industries. For some, such as food, beverages, tobacco, apparel, and certain petroleum and coal products, there is a reliable consumer demand which cannot long be deferred. There is still a range for variations and shifts in consumer demand, however, and within this range the nondurables can be keenly sensitive to the income and the whims of consumers. Also, some very important nondurables, such as industrial chemicals and paperboard, are closely keyed to general industrial activity.

Another characteristic of most of these industries is their heavy reliance on raw materials, some of which go through only relatively simple manufacturing processes before reaching the consumer. This makes them far more responsive to changes in raw material prices—such as those of food, natural fibers and crude oil—than are the machinery industries.

A third characteristic is that most of the products of nondurable goods industries are fairly standardized and are easily stored. This is a constant invitation to inventory problems when anticipated high levels of demand fail to materialize.

Finally, many—but by no means all—of the nondurable goods industries are enjoying persistent growth trends. This is obviously the case with the chemical and petroleum industries. It was true of tobacco until the rumor got around that this nondurable product might make its consumers less durable as well. Food and beverages benefit from that other popular growth product—babies. Textiles and apparel might share this benefit also, except for the rise of synthetic fibers.

How "Non-durable" Industries Have Fared

Almost any generalization that can be made regarding the industries bracketed as "nondurable goods" in an effort to distinguish them from the durable goods industries would be subject to important exceptions. Nevertheless, the two groups have fared somewhat differently in the current business decline, and they have somewhat different prospects for the remainder of this year.

The Federal Reserve Index of Industrial Production, adjusted for seasonal variation, reached its peak of 138 last May and has been falling since July. It has dropped to 123, or about 11%. Durables have fallen from a peak of 157 in August to 135, a decline of 14%; while nondurables fell from a peak of 123 last May to 113, holding steady at that figure in recent months, for a decline of only 8%.

No Early Recovery

For the two groups as a whole, there is nothing now on the horizon to indicate either any substantial recovery before the end of this year or any appreciable further decline below present levels. The magnitude of the business decline from last year's peaks would require a very considerable rise in the second half of this year to pull the year as a whole up to last year's record business activity. On an annual basis industrial production, measured by the Federal Reserve Index, in 1954 will probably be about 10% below 1953, with durables off about 15% for the year as a whole and nondurables off only about 5%. This does not allow for much change from present levels in either direction during the rest of 1954.

Both durables and nondurables have been plagued by inventory problems since last summer. The change in the inventory picture—from a high rate of accumulation last spring to a gradual reduction of inventories in recent months—has shared with the drop in defense spending most of the statistical blame for the general business decline. The working off of manufacturers' inventories appears to have proceeded at a significant rate in both durables and nondurables.

Quite a different situation exists, however, in the sales picture. Manufacturers' sales fo nondurables are off only about 5% from the levels of last spring, while the sales of durables have dropped roughly 15%. For an analysis of inventory figures (deficient as they are) to have much meaning, they must be considered in relation to sales figures. Looked at in this way, the inventory situation in nondurable goods has a far healthier appearance than that in durable goods, and it holds out a better prospect for early recovery in production.

This is not to say that nondurables are likely to shift suddenly into a period of inventory accumulation similar to that of late 1952 and early 1953. For one thing, there is no price incentive. Rising prices are an inducement to build up inventories, and except for such isolated annoyances as coffee prices, the outlook is for continuance of fairly stable prices. Another absent factor is a bullish sales outlook for the months immediately ahead. While there is no widespread pessimism among businessmen, there is also no feeling evident that is comparable to the wave of enthusiasm which accompanied Eisenhower's victory in 1952.

The inventory outlook for nondurables, in short, is that manufacturers' stocks appear to have become pretty well adjusted to slightly lower sales levels. Production levels, which have been curtailed in many lines to trim inventories, should now be sustained by consumer demand which remains—relative to durable goods at least—reasonably healthy.

Some Individual "Non-durable" Goods Industries

In touching on the outlook for some of the individual industries in the nondurable sector, we can free ourselves from some of the uncomfortable generalizations imposed by the larger grouping. Attention should be called, in particular, to some of the nondurables which are not consumer products in a direct sense.

Paper, when used for containers, is tied very closely to general industrial activity. The same is true of industrial chemicals, fuels for industrial use, and many rubber products. Tires, other than replacement sales, are tied to new automobile production. Entirely within the nondurable group, the apparel industry accounts for much of the demand for textiles. The textile industry, in turn, is a major customer of the chemical industry.

All these interindustry relationships mean that nondurables — despite the general characteristic of being consumer goods — must rely on improvement in general business conditions to bring them back to 1953 levels.

With the outstanding exceptions of apparel and tobacco, however, the industry groups producing more directly for consumers have not suffered much of a decline. The groups where declines have been relatively small — food and beverages, paper, printing, chemicals and petroleum and coal products—enjoy fairly steady consumer demand. Gasoline stocks reached a state of oversupply during the winter months, but the opening of the traffic-jamming season will bring a speedy end to this problem.

Both because of increasing population and the long-run rise in favor of new products in the nondurable groups, growth trends should reassert themselves in the coming months and lead to substantial improvement. The small drop in chemicals can be regarded only as a breather before continued expansion.

The textile and apparel groups have been hard hit. But the working off of inventories and numerous encouraging signs at the retail level point to early recovery in these industries. Consumers have proved responsive to price reductions and sales promotions in several lines. Textiles have the additional auspice of an overdue turn in their production cycle, which has had an average duration of two years in the past. A turn in textile production, by the way, has preceded every cyclical change in industrial production since 1919. (Unfortunately for those in the forecasting business, however, a turn in textile production just as frequently has not been followed by a shift in the direction of general industrial production.)

The tobacco industry, finally, has its own special problems. It must watch not only the stock market and the multitude of statistical agencies serving modern American business, but also the reports of the American Medical Association. Unlike other industries, who wish economists could see a little more clearly into the future through the haze, the tobacco companies would just as soon not see their own particular brand of smoke blow away.

*An address by Mr. Chartener before the Joint Meeting of Savings Bank Officers Association, Brooklyn, N. Y., April 15, 1954.

Canadian Dealer Registers In Pennsylvania

On April 13, 1954, Gus H. Corolis, sole proprietor of G. H. Corolis & Co. of Toronto, Ont., became the first Canadian to be registered as a Dealer in Securities in Pennsylvania. Mr. Corolis' firm is also registered as a Broker-Dealer with the United States Securities & Exchange Commission.

Peninsular Telephone Stock Underwritten

Peninsular Telephone Co. is issuing to its common stockholders rights to subscribe at $32 per share to 131,836 shares of additional common stock at the rate of one share for each five shares held of record on April 20, 1954. The rights will expire at 3:30 p.m. (EDT) on May 5, 1954.

The offering is being underwritten by a group of investment firms headed by Morgan Stanley & Co. and Coggeshall & Hicks.

Proceeds of the sale will be applied to a construction program which calls for gross expenditures of about $12,600,000 in 1954. The major projects include installation of additional toll positions in various exchanges; installation of equipment to establish nationwide toll dialing at four service centers, thus putting the company's entire system on nationwide toll dialing, and installation at various exchanges of inter-toll dial equipment to provide 144 additional toll circuits for nationwide dialing.

The company' which has been operating since 1901, serves about 100 communities in Florida, including Tampa, St. Petersburg, Clearwater, Lakeland, Sarasota, Bradenton, Winter Haven, Plant City, Bartow and Lake Wales. It serves over 215,000 stations through 43 automatic central offices as compared with over 138,000 stations five years ago. Peninsular believes it is the first company operating exchanges over a wide area to have installed exchange automatic central office equipment throughout its system.

Operating revenues have increased from $8,314,404 in 1949 to $14,593,155 in 1953. In 1953 net income applicable to the common stock was $1,531,736, equal to $2.32 per share on the common stock.

The additional shares offered will be entitled to the quarterly dividend of 45 cents per share payable July 1, 1954 to holders of record June 10, 1954.

Common stock to be outstanding after this sale will be 791,017 shares. Also outstanding are 340,000 shares of $25 par value preferred stock and $18,000,000 of funded debt.

Why Industrial Development Revenue Bonds Should Be Taxed

By HARRY W. WOLKSTEIN*

Certified Public Accountant, Newark, N. J.

Asserting the issuance of revenue bonds by municipalities to afford subsidies and taxation exemption to industries threatens to destroy both our tax structure and the competitive free enterprise system, Mr. Wolkstein urges Revenue Code be amended to impose income taxation upon income derived from this class of securities.

In a statement which I submitted to the House Committee on Ways and Means on Aug. 6, 1953, I called attention to the growing economic war among our individual States and municipalities across the country in competing unfairly with one another for new industries by offering them special subsidies in the form of donations of land and buildings, leasing plants at nominal rentals, and full or partial tax exemptions.

Harry W. Wolkstein

Unless these questionable tax avoidance plans are halted by closing the tax loopholes existing within the Internal Revenue Code, we shall surely witness the undermining of our country's taxing structures and our system of competitive enterprise with the end result of State Capitalism and Socialism facing all of us. As part of these income tax avoidance plans, a number of municipal governments in certain States have managed to lure new industries away from other States by means of constructing new plants for them through the issuance of tax-exempt industrial development revenue bonds, which bonds are not backed by the full faith, credit and taxing power of the issuing government.

Within the past three years New England, New York and New Jersey have lost a large number of industries that have moved to the South, having been lured there by the unfair bait of donated plants, real estate tax exemptions, and nominal rentals. Our Federal laws seriously criticize unfair competition among private industries engaged in interstate commerce; however, our present Federal income tax laws actually serve to encourage the aforementioned unfair and highly questionable competition among our individual State Governments for new industry.

In response to a recent test case that I brought before the Commissioner of Internal Revenue pertaining to industrial development revenue bonds that were issued in 1952 by the City of Florence, Ala., for the benefit of Stylon Corporation in the amount of $1,300,000, the Commissioner issued a ruling that, under existing laws, the interest on such revenue bonds was exempt from income tax unto the bondholder, despite the fact that the city in no way pledged its faith, credit or taxing power.

Accordingly, in my testimony before the House Committee on Ways and Means, I recommended that Section 22(b)(4) of the Revenue Code be amended to impose income taxation upon the interest of such industrial development revenue bonds. On Jan. 20, 1954, Representative Reed, Chairman of the House Committee on Ways and Means announced that the committee had agreed to amend the Revenue Code to remove the existing Federal income tax exemption with respect to the interest received on future issues of these bonds of State and local governments in such cases where the bonds are not supported by the full faith and credit of the issuing government. It appears that his announcement was followed by pressures from certain local and State governmental officials to the effect that such an amendment to the code would serve to interfere with the sovereignty of their State and muncipal government.

As a result of these pressures, the Internal Revenue Code of 1954 as finally enacted by the House of Representatives in February contains a new Section 274 which disallows as a deductible expense any rental payments made by a private industrial firm to . . . "a State, territory, possession of the United States, or a political subdivision thereof, or the District of Columbia, as payments for the use or occupancy of property acquired or improved by such State or territory with the proceeds of any industrial development revenue bond. The bonds covered by this section are any obligations issued to finance the acquisition or improvement of real property which is to be used to any substantial extent by nonpublic lessees for manufacturing articles which do not pledge the full faith and credit of the issuing authority for the payment of interest and principal . . . a public utility producing electricity or gas would not be 'manufacturing articles.' . . . Obligations issued for the acquisition or improvement of real property used principally for recognized governmental purposes shall not be considered industrial development revenue bonds even though a minor portion of the property may be availed of for manufacturing purposes incidental to the primary activity for which the entire property is used. . . . The section applies only to rental payments paid or accrued on property acquired or improved with the proceeds of any bonds issued after Feb. 8, 1954."

I respectfully urge the members of the Senate Committee on Finance to vote favorably upon Section 274 of the Revenue Code of 1954. This new section of the code will prevent a manufacturer from taking unfair advantage of his competitors through these lower operating costs and unfair tax deductions, resulting from his enjoying the benefits of the local government's tax exemption.

I believe it is necessary, however, to stress the fact that the new Section 274 solves only part of the public financing problems that are attached to industrial development revenue bonds. Under Section 274, a person owning such bonds will not be compelled to pay income tax on the interest which he received on these questionable bonds—bonds which in reality are no more than commercial bonds with the fictional veneer of municipal obligations. If the issuing city is in no way financially responsible for these questionable bonds, then how can we define them as governmental obligations entitled to the privilege of income tax exemption? The bondholder cannot look to the municipal government for security, his only collateral being the rental income which the manufacturer will pay to the city, the financial stability of the manufacturer, and the industrial property.

In issuing these bonds for the purpose of constructing industrial property, the city is engaging in a proprietary purpose in competition with taxpaying private enterprise. And, may I note that the U. S. Supreme Court has ruled in cases involving the States of New York, South Carolina and Ohio that ". . . whenever a State engages in a business of a private nature it exercises nongovernmental functions, and the business though conducted by the State is not immune from the exercise of the power of taxation which the Constitution vests in Congress."

I respectfully call to the attention of the members of the Senate Finance Committee that our Federal Government cannot continue to extend the privilege of income tax exemption unto the interest on these industrial development revenue bonds for the following reasons:

(a) Such practice is in contravention of public policy.

(b) It amounts to discriminatory taxation, since it forces remaining taxpayers to shoulder an inequitable share of the Federal income tax burden.

(c) It violates the equal protection clauses and the due process clauses of our Federal Constitution.

(d) It serves to encourage local governments to subsidize private industry at the expense of other municipal governments and State governments and other tax-paying corporations.

In the event of a major economic depression, we shall probably witness a widespread default in these industrial development revenue bonds with an impairment of the credit of these local and State governments.

It is my further opinion that, since these industrial development revenue bonds are not secured by the full faith, credit and taxing power of the issuing authority, these securities should be subjected to the control and jurisdiction of the SEC in order to protect the investing public of our country.

*Statement by Mr. Wolkstein before the Senate Finance Committee on Section 274 of the Revenue Code of 1954, Washington, D. C., April 12, 1954.

Trust Co. of Georgia Memorial Award

ATLANTA, Ga.—The Robert Strickland Agricultural Memorial Award for distinguished service to agriculture in Georgia during 1953 was presented to the Citizens Bank, Vienna, at the annual meeting of the Georgia Bankers Association.

The Citizens Bank received a large bronze plaque depicting the dawn of a new era of agricultural progress in Georgia, and a $2,000 scholarship to any college of agriculture in the University System of Georgia. The Vienna bank will in turn select a worthy student from Dooly County to receive the scholarship.

The award, including the scholarship, is sponsored each year by the Trust Company of Georgia in memory of the late Robert Strickland, President of the Trust Company until his death, and former President of the Georgia Bankers Association. Mr. Strickland was an outstanding leader in the agricultural and industrial development of the state during his lifetime.

Maltz & Co. Forming N. Y. S. E. Firm

Maltz & Co., members of the New York Stock Exchange, will be formed effective May 1, with offices at 120 Broadway, New York City. Partners will be Alfred Greenwald, Exchange member, Louis L. Maltz and William J. Patterson, General Partners, and Morris S. Becker and Dorothy B. Maltz, limited partners. Mr. Greenwald and Dorothy Maltz are Partners in Greenwald & Co.

Antibiotics and Social and Economic Problems

Dr. Selman A. Waksman, Nobel Prize winner in Medicine, points out prolongation of life through use of antibiotics has led to problems of employment, of old age, of insurance, along with others of a similar nature.

Dr. Selman A. Waksman, Chairman of the Institute of Microbiology of Rutgers University and recent Nobel Prize Winner in Medicine, told the Public Health Forum of Brooklyn College on April 6th that the increasing use of antibiotics and the consequent saving and prolongation of human life is creating new economic and social problems.

Selman A. Waksman

"The rapid and extensive use of antibiotics, and the consequent saving of human lives," Dr. Waksman stated, "have given rise to a number of new problems of an economic and sociological nature. As diseases of childhood have gradually disappeared, as the average life of man has been prolonged, as certain diseases have been virtually eliminated, new problems have risen. These are of an occupational nature, problems of employment, of old age, of insurance, and of a similar nature. As mortality from tuberculosis has been relegated from the first or second to the tenth place in the mortality list, many clinicians are beginning to speak not only of the control but of the elimination of this disease. On the other hand, since the morbidity rate has hardly been affected, the question of sanatorium beds, of ambulatory treatment, of public health hazards resulting from the development of resistant strains come forward to require our attention."

Concerning the future of antibiotics and the problems arising from their expanded use, Dr. Waksman added:

"Much progress has already been made, but more is to come. There is great need, for example, for antibiotics active against fungus diseases, against the smaller viruses and pathogenic protozoa, and against neoplasms. The search for new antibiotics will, therefore, continue. New approaches will be found and new screening procedures will be developed. Many substances will be discovered which will prove to be better than those we know at present, or which will act upon diseases not susceptible at present to chemotherapy. More profound knowledge of the physiological and biochemical mechanisms of action of antibiotics upon bacteria, viruses, and other pathogenic organisms may help to clarify the still obscure aspects of their mode of action, and thus possibly lead to the discovery, or even to the synthesis, of new and better chemotherapeutic agents.

"Cognizance must also be taken of the new economic and social problems which result from the greater saving of lives of the growing population and from the increase in the average age of survival of the human race."

Scientist Scores Aiming at Technical Military Superiority by Excess Secrecy

Professor Louis P. Hammett, Professor of Chemistry at Columbia University, says precautions for military secrecy have been on an exaggerated scale, and it would be playing part of the ostrich to suppose our enemies are technically incompetent.

In the course of an address at a General Meeting of the American Chemical Society in Kansas City on March 27, Louis P. Hammett, Professor of Chemistry at Columbia University, contended that in our efforts to maintain military superiority against our enemies, by superiority in weapons, we are exaggerating precautions against betrayal in the future.

Louis P. Hammett

"There is a common misapprehension," he said "that we should now have unquestionable superiority if there had not been treasonable betrayal of military secrets in the past, and that we can maintain such superiority as we now have by multiplying our precautions against betrayal in the future. I do not in any sense argue against the precautions, but I think their value is often overestimated because of the common habit of underestimating the potentialities of research. It does no good to preserve one's own secrets if the enemy's technical advances makes the secrets obsolete, especially if our own advance is hampered by hysterical rather than by wise enforcement of precautions.

"It would certainly be playing the part of the ostrich to suppose that our enemies are technically incompetent if, as Vice-President Nixon reported the other day, they gained only from three to five years in their nuclear bomb program through the wholesale betrayal from which we suffered. It would be equally stupid to overlook the evidence that they are making enormous expenditures in wealth and in man power in the form of applied and developmental research on actual and potential weapons. If, as Assistant Defense Secretary Quarles says, Russia is turning out graduate engineers at twice as great a rate as the United States, how long do you think it will be before the five years' advantage they have gained from treason will seem a drop in the bucket of their accomplishment in overtaking us?

"It seems clear then that both as members of the human race and as citizens of a particularly fortunate community we must seek to support and defend man's right to the search for knowledge and to foster every possible way of prosecuting the search. In this search man has found two generally useful methods of attack, which are usually classified as on the one hand fundamental or basic, and on the other hand applied or developmental. These are terms which I have come to dislike very much, partly because I think their use obscures a more important classification, but mostly because the terms have become entangled with unfortunate and unnecessary judgments of value. In their extreme form these become the snobbery of the theorist who claims to be unhappy if his discoveries turn out to have any practical value and the contrary snobbery of the practical man who claims that his only motive in the search for knowledge is dollars and cents."

T. C. Henderson Co. NYSE Member Firm

DES MOINES, Iowa — T. C. Henderson & Co., Inc., established in 1930 with offices in the Empire Building, announce they have acquired a membership on the New York Stock Exchange which makes them the only resident member firm in Iowa. The membership became effective April 15, 1954.


T. C. Henderson

The membership is in the name of Theodore C. Henderson, and his son Stacey R. Henderson is the Allied Member.

Mr. Henderson announced that Frank Nowlin, Resident Manager of Thomson & McKinnon's Des Moines office for the past five years, will be associated with them, effective May 3, 1954, as Manager of the Listed Securities Department.

T. C. Henderson & Co., Inc. has leased additional space on the second floor of the Empire Building to take care of their larger facilities which will include a Board Room with individual booths for their officers and account executives for private consultation with their clients. A larger library will also be installed for their clients' use. When these facilities are completed the company will have one of the largest and most modern brokerage offices in Iowa.

Associated with T. C. Henderson & Co., Inc. are: Eli A. Petersen, Vice-President and Sales Manager; G. D. Kaufman of Cedar Rapids, T. J. Landstorfer and K. C. Shreve, Vice-Presidents; O. D. Penn, Assistant Vice-President; Stacey R. Henderson, Secretary-Treasurer; E. P. Kearns, Assistant Secretary, and Helen Walker, Assistant Treasurer.

The company has branch offices in Sioux City and Burlington, Iowa. The Resident Manager of the Sioux City office is Karl Sauer, and Carl Kleinkopf is Resident Manager of the Burlington office.

Account executives of the firm are: James Beall, Dubuque; John Dudley, Chariton; Lester H. Flower, John Hunt, J. J. Kelly, Robert Dickinson, Richard Hollingsworth and Mrs. June Ainley, Receptionist, all of Des Moines.

Messrs Kaufman, Petersen and Shreve are all members of the T. C. Henderson 20-year Club. Petersen joined the firm in 1943, Kaufman and Shreve in 1933.

Carl C. Plambeck, veteran security analyst, will continue as Manager of the statistical department. T. C. Henderson & Co., Inc., manages the investment portfolio of Supervised Shares, Inc., Iowa's only mutual investment company, founded in 1932 with assets of approximately $2,000,000.

T. C. Henderson & Co., Inc., will continue to provide investors with every facility for dealing in stocks and bonds listed on all the major exchanges as well as those dealt in over-the-counter markets. The firm will also continue its aggressive distribution of leading Mutual Fund Shares as well as providing the capital needs of smaller Iowa corporations.

Investment Deadlock in Britain

By PAUL EINZIG

Dr. Einzig ascribes the investment deadlock in Britain to prevailing high level of taxation, combined with the continued unofficial restraint on dividend increases. Points out taxation in Britain is only slightly lower than under the previous Socialist Government, while public expenditure is running at a higher level. Holds Socialist pressure in Parliament has prevented the Conservative Government from restoring conditions encouraging private investment.

LONDON, Eng. — During the course of the budget debate Mr. Gaitskell, Chancellor of the Exchequer in the Labor Government, criticized the government on the ground that in the past year the total capital expenditure on investment in private industry amounted to £14,000,000 only. It is a negligible amount, indicating virtual stagnation. Most of the investment was done by the government or by nationalized industries. But it is not for Socialists to blame either the government or private enterprise for the inadequacy of private investment. For it is entirely due to the prevailing high level of taxation, combined with the continued unofficial restraint on dividend increases. The government and the nationalized industries are spending the taxpayers' money. It is easy for them to embark on ambitious plans of investment without regard to the degree to which profits are likely to justify the cost. Private firms, on the other hand, have to pay attention to the prospective yield of the amounts to be spent on new plant or the extension of existing plant.


Dr. Paul Einzig

So long as non-stop inflation was proceeding there was a strong inducement to invest, in spite of high taxation and dividend limitation. For industrial producers could not go wrong. In a sellers' market they had the reassuring feeling that, whatever they may produce it would be sold at a profit, owing to the rise in prices. Error of judgment, or bad luck, merely meant smaller profits or slower turnover. Owing to the reduction of the risk attached to enterprise, investment was considered worth while in spite of high taxation and dividend restraint.

During the last year, however, the rising trend of prices came to a halt. It ceased to be safe to assume that prices would continue to rise. Indeed the possibility of a relapse in the price level had to be envisaged. In the circumstances high taxation and the maintenance of dividends at an unduly low level reduced to a minimum the inducement to invest. Since there was, to say the least, a possibility that losses might be incurred, or at any rate profits might decline materially, private enterprise no longer considered the level of taxed profits and dividends sufficiently high to make it worth while to spend on expansion of plant.

The position is that the Conservative Government has failed almost completely to reverse the anti-Capitalist attitude inherited from the Socialist Government. Taxation is only slightly lower than under the previous government. British industry remains gravely handicapped by excessive taxation, at a time when the reviving German industry is receiving substantial tax reductions. Public expenditure is running at an even higher level than under the Socialists. There has been no sign so far of the much-heralded economy drive to which the Conservatives had committed themselves. The cost of social services continues to rise. During recent months the authorities actually embarked on a drive reinforcing the taxation rules adopted against businessmen by the Socialist Government. Expenses allowable for taxation purposes are now interpreted in a sense even less favorable to enterprise than they were three years ago.

The truth of the matter is that, given universal suffrage and overfull employment, such is the balance of power that the Socialists are in effective control irrespective of whether the government in office is Socialist or Conservative. The difference is that, having power without responsibility since they relinquished office in 1951, the Socialists are forcing the Conservative Government to go in many respects even further than they themselves would have gone if they continued to hold office. At any rate Socialist pressure in Parliament and in the country has effectively prevented the government from restoring conditions in which private enterprise feels justified in committing itself to investment on a large scale.

This explains to a large degree Mr. Butler's "standstill" budget. Even though the new "investment allowance" it contains may make some difference in the long run, in itself it is not expected to make much difference in the immediate future. The complete absence of tax reductions, in spite of the improvement of the general situation, has caused widespread disappointment in the country. Taxation remains at a prohibitive level. The only way in which the government could reasonably expect investment to increase in the circumstances would be through a resumption of non-stop inflation. But in this respect at any rate the government has departed from the policy of its predecessor. Inflation has been halted, and the government aims at preventing its resumption. Hence its reluctance to grant tax concessions which would increase the purchasing power of producers and consumers, leading to a rise in prices.

Another reason why Mr. Butler decided in favor of his unpopular "no change" budget is the uncertainty of the American outlook. There is no means of knowing which way business trend in the United States is likely to move, and how it is likely to affect business conditions in Britain. Rather than risk doing the wrong thing, Mr. Butler preferred to do nothing. By this he earned the praise of economists who think that from a theoretical point of view he was right. But from the point of view of political psychology he was certainly wrong. This is already indicated by the striking increase of the Socialist vote at the Edinburgh by-election which took place two days after the budget statement. Quarter of a century ago Mr. Baldwin lost a general election because of his "no change" economic program. The view is held that, even if Mr. Butler felt he could not afford to give away anything on balance, he should have raised some taxes and reduced others. The public expects the Chancellor to make changes in his budget, and the absence of any noteworthy changes —whether for fear of the Socialists or of the uncertainty of the American business outlook—is resented. It may or may not be good economics, but it is certainly bad politics.

Halsey, Stuart Group Offer Utility Bonds

Halsey, Stuart & Co. Inc. and associates yesterday (April 21) offered $12,000,000 West Penn Power Co. first mortgage bonds, series P, 3%, due April 1, 1984, at 100.50% and accrued interest, to yield 2.975%. Award of the issue was won by the group at competitive sale on Tuesday on a bid of 100.10%.

Net proceeds from the financing, together with other funds of the company, will be applied toward the cost of the construction program of the company and its subsidiaries.

The series P bonds are subject to redemption at regular redemption prices ranging from 103.50% to par, and at special redemption prices receding from 100.60% to par, plus accrued interest in each case.

West Penn Power Co. is a public utility company engaged in the production, distribution and sale of electric energy in 18 counties of western and north central Pennsylvania. In addition, the company operates its Lake Lynn hydro-electric station in West Virginia. Substantially all of the operating revenues of the company are derived from the sale of electricity.

For the year 1953, the company and its subsidiaries had consolidated electric operating revenues of $62,434,196 and consolidated net income of $10,845,539. In the previous year, consolidated electric operating revenues were $57,720,679 and consolidated net income was $10,410,193.

Also participating in the offering are: Bear, Stearns & Co.; Dick & Merle-Smith; Hornblower & Weeks; Wm. E. Pollock & Co., Inc.; The Milwaukee Co.; Van Alstyne, Noel & Co.; Heller, Bruce & Co.; Mullaney, Wells & Co.; Robert Garrett & Sons; Schwabacher & Co.; Thomas & Co.; Aspden, Robinson & Co.; Fauset, Steele & Co.

Mellor Director

Geoffrey R. Mellor, partner of W. C. Langley & Co., has been made a Director of the Second Canadian International Investment Company, Limited, closed end investment trust.

Improvement in the International Monetary Situation

By IVAR ROOTH*
Chairman of the Board and Managing Director
International Monetary Fund

World Fund executive reviews progress in international monetary reserves and the balance of payments situation, and holds in 1953 the world economy was in a more satisfactory state than at any time since the end of World War II. Stresses widespread improvement in gold and dollar reserves, and lists factors that are leading to a more favorable payments situation throughout the trading world. Tells of role now being played by the International Monetary Fund in improving world economy, and discussing relations between the International Monetary Fund and the United Nations.

1953 was a year in which the world economy was in a more satisfactory state than at any time since the end of the war. World trade recovered from its temporary decline during 1952. Its volume was approximately the same as in 1951, when the fillip given to trade and production everywhere by the Korean boom raised world trade to a very high level. The balance of payments position of a great many countries in 1953 was strengthened and during the year there was a noticeable improvement in the reserves of many countries. In the aggregate, and excluding the United States, the gold and dollar reserves of countries outside the Soviet bloc increased by the equivalent of approximately $2.5 billion, or by about 12%. Most areas shared in this improvement, although there were many individual exceptions. In some countries the improvement was insignificant, and in a few there was a sizable depletion of official reserves during the year. The ratio of total reserves to imports has significantly increased in most countries which, in the report submitted by the Fund to ECOSOC last year, showed a ratio of less than 50%. Reserves in the form of gold and dollars have similarly improved during the last year for almost all the countries where such reserves were particularly low at the end of 1951.

Ivar Rooth

The widespread improvement in gold and dollar reserves occurred mainly as the net result of transactions with the United States. The aggregate amount of dollars supplied by the United States was about $20 billion: $12 billion for imports of goods, $6 billion for invisibles (which includes large payments by the U. S. Government abroad) and capital movements, and $2 billion for economic aid. The large supplies of military equipment (over $4 billion) which the U. S. supplies to foreign countries are not included in these figures. Out of this $20 billion, countries found it possible to use about $2 billion to strengthen their reserves. Of this, about half was acquired in the form of gold from the United States, the other half appearing as an increase of dollar balances kept on deposit in the U. S. by foreign monetary authorities.

Furthermore, official gold stocks received a substantial portion of new gold production, as the demand for gold by private hoarders throughout the world declined. This decline was reflected in a fall in the price of gold in free markets. The prices paid for private purchases of gold, expressed in U. S. dollars, show now only a negligible premium above the official price of U. S. $35 an ounce. Gold sales by the U. S. S. R. also added, toward the end of the year, to the reserves of certain countries in Western Europe.

The generally improved reserve position in 1953 did not result from new or tighter restrictions. On the contrary, it reflected an international financial position more nearly in equilibrium than that of any other postwar year. As a result of these developments, the outlook for the attainment of convertibility for the main currencies has improved. In a number of countries one step after another is being taken to increase the area of effective convertibility. Discrimination in trade is being reduced. A more extensive use of foreign-held balances has been permitted. Some international commodity markets have been reopened. In many quarters active thought is being given to policies which should ensure a still closer approach to convertibility. Recently a number of important documents have drawn attention to the movement toward international equilibrium and to the possibility of action toward the further liberalization of trade and exchanges. For instance, the communique of the recent economic conference of the British Commonwealth stated: "The growing confidence in sterling and increasing strength and flexibility of the economies of the sterling area countries have enabled them to make progress in the move towards expanding trade and freeing currencies." The Annual Report of the Board of Governors of the Federal Reserve System in the United States stated: "Most remarkable has been the widespread evidence of growing belief in the possibility of linking together the free world countries in a broadened market economy with fewer barriers to trade and investment." And in its last Annual Report, the National Bank of Belgium said: "Within the limits of its competence, the Bank thinks it has succeeded during the past few years in creating the preliminary conditions essential for the establishment, on the basis of a fixed rate of exchange, of genuine convertibility of the Belgian franc, implying the liberalization and consequently the expansion of international trade."

Factors in More Favorable Payments Situation

Several factors have played a role in the favorable development of the payments and reserve position. As a result of improvements in their agricultural production, other countries have been able to rely less on U. S. supplies; this was one of the most important factors in the decline of U. S. agricultural exports last year. For similar reasons the demand for U. S. exports of coal has also fallen. There are, however, other temporary factors the disappearance of which would again create a dollar gap, and some of these I should like to mention. Discrimination has on the whole been reduced, but many countries restrict some imports from the dollar area in order to protect their dollar position. U. S. military expenditure abroad—including such items as troop expenditure and purchases outside the United States of goods and services to be used by U. S. and associated forces —continues at a high level, and economic aid by the United States, while reduced, was still an important element last year. U. S. imports remained high in 1953. They are somewhat lower now. It is, of course, not posible to forecast how these various elements will develop in the present year. In view, however, of the high rate of reserve accumulation in 1953, even a somewhat reduced level of U. S. imports need not in 1954 prevent foreign countries as a whole from adding further to their gold and dollar holdings in their transactions with the United States.

The recent tendency for U. S. imports to decline has been caused by a reduction of general activity in the U. S. since the middle of last summer. Since the end of the war there have been recurrent fears that the U. S. economy might suffer a depression which would undoubtedly have serious consequences for the rest of the world. The part played by the U. S. is indeed uniquely important. Over the last eight years the rapid progress of the U. S. economy has provided a strong upward stimulus to the world economy. With respect to developments in the immediate future, I do not want to make any forecast; but I do want to stress the importance of the intention expressed by the U. S. Government to act rapidly and decisively should the situation tend to deteriorate further. The determination of the U. S. Government, as that of the governments of many other countries, to take the necessary anti-depression measures should justify the general expectation that, though some individual countries may have special difficulties of their now, there will be no major interruption in the growth of the world economy.

While assistance from the United States was still an important factor in the world payments position during the past year, the improvement that was then recorded reflected in the main a decline in inflationary pressures in deficit countries. More and more countries are now using the instruments of fiscal and monetary control to steer as closely as possible a course that will ensure both a high level of employment and balance of payments equilibrium.

In spite of these achievements, it cannot be said that the financial and payments situation is satisfactory in all countries. The general situation, however, is now quite unlike that of the first years after the war. The payments problems that now present themselves are primarily the problems of individual countries. In these countries, for one reason or another — the demand for imports substantially exceeds the amounts available from export earnings. The most frequent reasons are inflation and reduced demand for primary products in export markets. In all these problems the Fund has a direct interest including the problems raised by sharp fluctuations in the earnings of raw material exporters. I shall, however, not touch upon them further today as they have been discussed at a previous meeting and will be discussed in the committee.

Part Played by International Monetary Fund

With this brief sketch of economic trends in 1953 as a background, I may now turn to the part played by the Fund in this situation. Our activities in 1953 showed an increase over recent years. We sold more exchange ($230 million) than in any other year except 1947. We also received more gold and dollars through repurchases ($168 million) than in any previous year. The Fund's sales of exchange in 1953 involved six members, three in Latin America (Brazil, Chile and Bolivia), two in Europe (Finland and Turkey) and one in Asia (Japan). In general, the policies that govern the use of the Fund's resources have been more fully developed, and the Fund has thus gradually become better equipped to assist members that are faced with temporary balance of payments difficulties. The policies on use of resources and on stand-by credits that had been put into operation on an experimental basis in 1952 have been established on a more permanent basis. The facilities for stand-by credits have been developed so as to be more effective especially in connection with the achievement and maintenance of convertibility.

In some of our transactions new ground has been broken in various directions. Fear has sometimes been expressed that the limitation of drawings by any member to 25% of its quota in a 12-month period would seriously limit the usefulness of the Fund in helping to solve the exchange problems of its members. However, both in the transaction with Turkey and in the stand-by facilities recently granted to Peru, the Fund waived this limitation. Such waivers are provided for in the Articles of Agreement to take care of the exceptional requirements of a member, but they had never before been granted by the Fund.

The credit of $12.5 million granted for a year to Peru in February 1954 for the stabilization of its currency was the first Fund stand-by arrangement for a period longer than six months and the first with a member with a fluctuating exchange rate. With it was combined a $12.5 million stabilization credit from the U. S. Treasury and a $5 million credit by a U. S. private bank. As a result of these transactions Peru has been given access to resources which, together with the internal measures that are planned, should permit the maintenance of Peru's almost complete freedom from restrictions on trade and payments.

In the past few years an increasing proportion of our transactions has been with the less developed countries. The Fund's financial assistance to these countries does not mean that its resources are to be used to finance their development programs. For that purpose, long-term finance is required and, if domestic resources are inadequate, it may be made available by the IBRD, the Export-Import Bank, or by private investors. When attempts are made to push ahead with development more rapidly than is consistent with the limited resources, domestic or foreign, available to the country, inflationary pressures result. But even when no such attempt is made, development sometimes leads to temporary balance of payments difficulties. The Fund is always interested in the problems of all its members and in giving not only advice, but financial assistance when a member is taking appropriate steps to balance its economy.

In 1953, as in other recent years, the Fund's opportunities for useful contacts with its members have steadily grown. Members that continue exchange restrictions and discriminations have an obligation to consult every year with the Fund. During 1952 and 1953 we have been almost constantly engaged in these consultations, which have covered more than 40 member countries. A very large part of our work has been centered around these activities, and it has involved both staff missions to the countries and visits by country representatives to the Fund. Some of these consultations have led to a simplification or relaxation of restrictive and discriminatory systems. A further important aspect of the consultations is the opportunity afforded for a fruitful exchange of views on actual and possible economic policies. Some of the Fund's financial transactions with members have developed out of our consultations with them. It is our expectation that the experience gained through consultations will help the Fund to play a constructive role in assisting the efforts of members to maintain or establish convertibility.

In this connection I would like to speak in more detail about the Fund's program of service to members through its technical missions. This is not covered in great detail in the reports which you have before you, and perhaps warrants greater emphasis here at ECOSOC. In the calendar year 1953, the Fund sent its own missions for consultations and other purposes to 21 member countries, and cooperated with other international agencies in missions to four others. Of these 25 missions, 11 were to countries in Latin America, five to countries in the Far East, five in the Middle East and Africa and four in Europe. The questions covered in such contacts involved such matters as exchange control policy and administration; central bank policies, administration and organization; and improvements in statistics. In addition to these missions, Mr. Cochran has in the past year visited 17 of our member governments in Latin America, Asia and Europe. I have been in four member countries in South America in January and February 1954; and we hope to make visits to many more members before the end of the year.

It may be of interest to you to see one of the published reports of a Fund mission—that to India, entitled "Economic Development with Stability." I will ask the Secretary to distribute copies to you shortly. You will understand that the nature of our work with member governments does not often allow publicity. In this case, however, the Indian Government believed that those interested in its development plans should have available this analysis of its financial and economic implications. It has itself published our mission's report.

Fund-UN Relations

Finally, there are two matters involving Fund-UN relations which I should like to touch on. First, at its 16th Session the ECOSOC made certain suggestions regarding the future form and content of the reports of the specialized agencies. While I recognize that these suggestions were directed principally to those agencies which prepare special reports for the Council, we have nevertheless given close consideration to them, as we will to the remarks made on this subject in the opening days of this current session.

Then, at the 15th Session of the Council the Fund, amongst others, was requested to look into the question of possible discrimination in the field of transport insurance. We are doing so, in consultation with our members. But our enquiries have not yet been completed. There is, as yet, insufficient evidence to indicate whether such discriminations are, in fact, significant factors in world trade. Before next year we hope to have the benefit of further information on this from GATT and from nongovernmental sources.

Before closing I wish to record our appreciation of the close and pleasant relationship that exists between the Secretariat of U. N. and the Fund staff. We have many tasks in common. Both at headquarters and in the regional secretariats, we have found great friendliness and full cooperation. We have tried to offer the same in return.

*A statement of Mr. Rooth before the Economic and Social Council of the United Nations, New York City, April 12, 1954.

Stock Exchange Executives Protest Proposal to Broaden City Sales Tax

Keith Funston, President of the New York Stock Exchange, and Edward T. McCormick, President of the American Stock Exchange, appear at hearing of New York City Board of Estimate to point out danger of more taxation forcing securities business to other markets.

At a public hearing before the New York City Board of Estimate on April 14, Keith Funston, President of the New York Stock Ex-

G. Keith Funston E. T. McCormick

change and Edward T. McCormick, President of the American Stock Exchange issued statements protesting strongly against the proposal to broaden the City's sales tax to cover services as well as sales of merchandise.

In his statement Mr. Funston said:

"It would be short-sighted for the City to impose a 3% sales tax on services. Its inevitable result would be to drive business out of the City—even to the extent that business organizations themselves might move. I urge you not to dismiss the possibility lightly. Recall three years ago that eight investment trusts moved out of the City when the tax on financial businesses increased beyond a reasonable point. Recall that not one has returned despite the belated rescision of the tax rate increase which drove them out. What has already happened on a small scale will happen on a larger scale, if the sales tax on services is imposed.

"I would like to tell you what I believe the effect of the proposed new tax on services would be on the securities industry of New York.

"It would cause serious diversion of securities business to other markets.

"It would give a competitive tax advantage to over-the-counter markets, as against Exchange auction markets.

"It would provide further basis for complaint by investors that our tax laws are designed to penalize saving.

"It would add to the growing feeling of many in the financial community that an area of operation more favorable than New York City will have to be found.

"It would adversely affect the economy of the City. By reducing the volume of business in the City, it would reduce payrolls, rent rolls and the taxes of the City itself — which are fundamentally dependent upon business volume.

"Let me make it clear that all of these things would not happen overnight — although they may happen faster than some of us think.

"The New York Stock Exchange is a national, not a local institution. It does about 70% of the share volume of all stock exchanges in this country. The American Exchange also located here does another 16 or 17%. Some people are misled by these statistics into thinking that the supremacy of the New York markets can be maintained against all odds. Seventy percent of Stock Exchange commission business comes from non-residents of the City. Seven percent originates in metropolitan financial institutions — banks, investment trusts, trustees of pension funds, etc., who could easily shift their business elsewhere. Only 23% of our commission business comes from individuals resident in the City.

"Business is brought to the Stock Exchange by 614 member firms many of whom have offices all over the country. In addition to being member firms of the New York Stock Exchange many of these firms are also members of Stock Exchanges in other sections of the country—Midwest, Boston, Philadelphia, Detroit, Pittsburgh, San Francisco, Los Angeles, and others. Our members are not obliged to place their business in New York. It is their free choice to place the business wherever it is most advantageous or most profitable.

"Seven hundred and forty-two of the stocks listed on our Exchange—and these are our most active stocks which account for more than 82% of our trading volume—are also traded on one or more of the Exchanges outside of New York. The same network of private telephone and telegraph wires that connect the out-of-town offices of our members and correspondents to this Exchange connect practically all of the same offices to the other Exchanges.

"The point I want to make is that it would require no new expensive facilities to divert business to other security markets. The facilities are all there—they are the same facilities that now bring the business to New York. The orders would merely flow to the other Exchanges over the same wires.

"There already is what we consider substantial diversion. These other Exchanges used to trade primarily in local issues. Today, the great majority of their business is in stocks listed on the New York Stock Exchange. Boston, for example, does 85% of its total business in our stocks; Midwest, 70%; Philadelphia, 91%.

"Our ability to compete rests on three factors—service, reputation and cost. We know we give superior service—that we provide broader and better markets—and we believe we enjoy the highest reputation. We are already operating, however, with several definite cost factors of taxation against us, which this threatened new tax would aggravate.

"First, there is the high level of City real estate assessments on business property. The City assesses Wall Street frontage at one of the highest rates in the City. I might mention that the Stock Exchange pays more just in City real estate taxes, than it pays in all State and Federal taxes, including income taxes, combined. Our total City taxes last year were about 6½% of our gross income and 18 times our net income.

"The City Tax on Financial Businesses, a substantial portion of which is paid by members and member firms on the Stock Exchange, yielded the City last year $8,200,000. This tax has been increased in recent years beyond any other City tax—700% since 1946. The most recent increase was its doubling two years ago.

"The State stock transfer tax is another serious handicap to our ability to compete on even terms.

"My fear about a further 3% tax is that it will, in many cases, be just enough to induce investors to place their orders in other markets. We know our business is hurt by the State stock transfer tax. This would be another tax of the same sort—payable by an investor only if his order is executed in New York City.

"In the Mayor's budget message my concern over this tax was questioned in view of the fact that the tax would be passed on to the investor. Frankly, I was shocked at the cynical implication that the Exchange should not worry so long as it is the investor who pays the bill. Five million people own stocks listed on the New York Stock Exchange; 75% of these people have incomes of under $10,000; 34%, of under $5,000.

"I am concerned that $4 million to $6 million would be added to the costs of using our facilities. And to the extent that investors will regard the imposition as unfair and unwarranted and will seek to avoid it, I am concerned—seriously concerned — about the effect on our business.

"The budget message implies that a 3% tax of $1.20 on the $40 commission involved in the purchase or sale of $5,000 worth of stock would present no hardship to the brokerage industry. The percentage the tax bears to the total transaction value is meaningless. What is important is the competitive relationship of the total charges in New York compared to what the customer must pay elsewhere. A $41.20 charge in New York versus a $40 charge in Chicago may well be the cause of siphoning a great deal of business from New York to Chicago.

"The securities brokerage business is a low margin of profit, high volume business. Therefore, even a minor diversion of business could make the difference between profitable and unprofitable operation for many of our members. And in speaking of the effect on our members, I am thinking also of the 21,000 employees they have in New York and of their present payrolls of about $100 million a year.

"I mentioned that this tax would not apply to over-the-counter security transactions made on a principal basis. The Stock Exchange competes for business today not only with regional exchanges but also with over-the-counter dealers who buy or sell directly to customers and whose compensation is in the form of a price differntial or profit. Dealer transactions would not be subject to this tax. The result would be that security business done in one form—the brokerage form—would be more heavily taxed than the execution of the same business in another form.

"I take seriously the threat that this tax would drive some service business establishments from New York. A service organization doing business by mail or by phone is much easier to move than a manufacturing establishment or a retail store.

"Of our 614 member firms and corporations 439—or over ⅔—are located in New York. About 100 have branches outside the City. The tax would place the 300 without branches in a disadvantageous competitive position with other members of the Exchange and encourage them to move outside the City or to establish outside branches.

"The New York Stock Exchange and its members want to stay in New York and to continue to do business in New York. We do not want to move. Neither do we want our customer to direct his business elsewhere. The customer is going to make that decision. We want the privilege of staying in New York without having to penalize our customers, or being penalized ourselves for bringing business to New York. And we want the great City of New York to remain the financial and commercial capital of the country."

McCormick's Protest

The statement of Mr. McCormick, on the behalf of the American Stock Exchange follows:

"On behalf of the American Stock Exchange and its several hundred members, I wish to voice a strong protest against the current proposal to broaden the sales tax base by the inclusion of services provided by our members to their customers.

"As you no doubt know, financial business in this City is at present subject to the extraordinary tax on gross financial business. Moreover, a tribute by way of a transfer tax must be paid to the State on every securities sale. Those who engage in the securities business in this City are consequently already shouldering a double load of taxes, a dual burden not carried by their competitors in other financial centers.

"You must be aware of the fact that a large proportion of the securities traded on this Exchange and the New York Stock Exchange are also traded on other competing exchanges throughout this country and in Canada. It is conservatively estimated that, at the present time, more than 80% of the dollar volume of securities trading on the regional exchanges is in securities traded on our New York exchanges. This trend of trading away from New York could indeed become alarming if the City should adopt this additional tax, for it should be self-evident that brokerage customers, free to buy or sell securities on any exchange, will transact their business where it can be done the cheapest, all things being equal.

"In this connection, it is important that you know that not only local brokers and dealers in financial centers outside New York, but also local government bodies, have carried on an aggressive campaign to divert securities business from this area. In Massachusetts, for example, former Tax Commissioner Long customarily sent to each taxpayer, with the annual state tax report form, a written request that the taxpayer effect his securities transactions on the Boston Stock Exchange. Moreover, the Commissioner, in the interest of enhancing the growth of securities business done in Massachusetts, recommended that the State Legislature abolish the stock transfer tax in that state. And, the State of Illinois, the locale of the Midwest Stock Exchange, has refrained from adopting any such transfer tax. This is indeed a sharp contrast to the thinking and actions of our own government officials who not only do nothing to aid our business but, with myopic indifference to its future, propose tax upon tax that would destroy our competitive status.

"In my opinion, this proposed tax, if adopted, will have the ultimate direct effect, not only of reducing the sum total of business done in this City by those who must bear the tax, but of causing the removal of business organizations to other, more favorable, tax climes, thereby cutting appreciably the amount of income and number of jobs available in this City.

"To the brokers in the City who have been endeavoring by every means in their power to reduce costs and stimulate customer interest, the proposal is indeed a crippling blow.

"I trust that on sober reflection you will conclude that the securities business and its customers should not be subjected to this additional assessment."

W. H. R. Gould With Courts in Atlanta

ATLANTA, Ga.—William H. R. Gould has become associated with Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange. Mr. Gould was formerly associated with the National Association of Securities Dealers in Atlanta.

John J. Kenney Joins Mason-Hagan, Inc.

RICHMOND, Va.—John J. Kenney has become associated with Mason-Hagan, Inc., 1110 East Main Street, members of the Richmond Stock Exchange, as Vice-President. Mr. Kenney was formerly with Harris, Upham & Co. in Durham, N. C. Prior thereto he was an officer of J. Lee Peeler & Co.

Planned Estates of Calif.

FRESNO, Calif. — Planned Estates of California is engaging in a securities business from offices in the Rowell Building. Loren S. Smith is a principal of the firm.

Transmittal Securities

Transmittal Securities Corporation has been formed with offices at 11 Broadway, New York City, to engage in a securities business. Otto H. Hartfield is a principal of the firm.

Continued from page 2

The Security I Like Best

capital (after deducting priorities and reserves);

(c) $8.38 of heavily depreciated fixed assets.

The table given on page 2 classifies the company assets and provides details of its major holdings:

The major holdings are low-cost producers with huge reserves and the scope of these properties embraces copper in Rhodesia, lead-zinc and copper in Southwest Africa, molybdenum and potash in the United States and lead-zinc-silver in Mexico. The company's own operations comprise metal trading, smelting, and refining; also, in time, the wholly-owned Southwest Potash Corporation should contribute substantial earnings.

Barring a deeper and more protracted recession than currently anticipated, the earning power of American Metal should be well sustained since after two years of declining markets for lead and zinc the general climate for these two basic materials appears to be improved, while a moderate decline of copper prices from current levels would be at least partially offset by the flexibility of costs in Roan Antelope and Mufulira (where heavy royalty payments are tied to the copper price) and by the recent relief from United Kingdom taxation.

Thus American Metal's investments constitute an excellent group of prime nonferrous metal mines available at a discount of over 50%. The company and its affiliates are actively engaged in world-wide exploration and development projects which supply an element of long-term speculative interest and growth. Commitments in oil and gas properties and drilling, started several years ago, are progressing.

Federal Government's Role in Hydroelectric Development

By JEROME K. KUYKENDALL*
Chairman, Federal Power Commission

Pointing out only 21% of the nation's hydroelectric power capacity has been developed, of which half was financed by private interests, and the remainder through public projects, Mr. Kuykendall estimates that if full use of our hydroelectric potentials were accomplished, the output of total electrical power could be doubled. Reveals large increase in applications for licensing of water power projects in last three years, and states there is ample opportunity within the framework of Federal Power Act for a partnership of private and public interests in power development.

The Federal Power Commission staff estimates the aggregate capacity of hydroelectric power sites in the United States, developed and undeveloped, to be nearly 109 million kilowatts, or slightly more than all generating capacity — steam, hydro, and internal combustion — now in operation. Over the years, development of this enormous power potential has proceeded, slowly at some times, rapidly at others, until at present about 23 million kilowatts of generating capacity, roughly 21% of the total potential capacity, have been installed in numerous power plants throughout the country. Half of this development has been accomplished through privately financed projects and half through public projects.

J. K. Kuykendall

The importance of developing this source of literally inexhaustible energy is easily demonstrated in terms of conservation of fuels used for the production of electric power. For example, the annual output of constructed hydroelectric plants is equivalent to the usable energy recoverable from the consumption of over 64 million tons of coal a year, or more than 11 billion gallons of petroleum, or about one and a half trillion cubic feet of gas. These are large and important savings, representing, as they do, 11 to 25% of the 1950 production of the fuels mentioned, and they will continue to increase in importance with the increase in demand for electricity and the continuing development of our hydroelectric resources. Moreover, energy from our falling waters is derived from a constantly replenished supply which cannot be depleted as long as oceans evaporate and rains fall. Even the mighty atom is not in this category.

Hydroelectric power has played, and will continue to play, an important part in the multi-purpose development of our water resources, for the development of power in conjunction with other uses such as navigation, irrigation, flood control, and water supply, has contributed and will continue to contribute in large measure to the economic feasibility of many multi-purpose projects.

History of Water-Power Development

The history of our water-power development begins in colonial days with the construction of mill dams. At this time and during the early years of the Republic, the chief concern of the government was in maintaining streams as avenues of commerce. Consequently, the first acts of Congress relating to water-power development dealt largely with regulation concerning obstructions in navigable waterways of the United States and the removal of such obstructions when considered necessary. Water-power dams, being obstructions, naturally fell within the scope of these acts.

Beginning in 1884, when Congress granted the first specific authorization for the construction of a power project on a navigable stream, several acts were passed which dealt with the development of our water-power resources on navigable streams and on the public domain. Under these early acts the construction of every dam on a navigable stream was authorized by a separate act of Congress. Furthermore, these laws established no uniform set of provisions under which orderly development could proceed, and, in cases where power projects were on the public domain, permits merely reflected the views of various administrative officers and were issued by the executive departments.

This early legislation relating to the development of hydroelectric power on navigable streams, or on the public domain, was not conducive to development by investment of capital—public or private. One of the principal objections to the enactments, prior to 1920, was that they provided no definite term or tenure. Moreover, a grant might be altered or repealed at any time without recourse by the grantee or liability of the United States, and no provisions were made for disposition of property on termination of grants. Under these precarious conditions, development of our water-power resources was impeded and, although numerous special authorizing acts for power projects were enacted, little progress was made in the way of actual development. It has been estimated that, prior to passage of the Federal Water Power Act of 1920, the total capacity of water power developed on public lands and navigable streams was only about 1,400,000 horsepower.

Passage of the Federal Water Power Act, or of a similar act, would quite probably have occurred somewhat earlier, but for conflicting opinions regarding some of its provisions. Chief among these was the question whether or not a charge should be made for privileges granted by the license in addition to charges for the cost of administering the Act. Other controversial items included the definition of navigable streams and the provisions of the so-called "recapture clause." Eventually, however, differences were reconciled and the Act was passed substantially as it appears today in Part I of the Federal Power Act.

As originally established, the Federal Power Commission was composed of the Secretary of War, the Secretary of the Interior, and the Secretary of Agriculture. In 1930, the Act was amended to replace the three Secretaries with an independent commission composed of five Commissioners appointed by the President, by and with the advice and consent of the Senate. In 1935, the Federal Water Power Act of 1920 was incorporated, with minor revisions, as Part I of the Federal Power Act. Part II of the Act, which vests in the Commission jurisdiction over interstate transmission or sale of electric energy and over public utilities engaged therein, and Part III, which prescribes the procedural and administrative provisions, were added at that time.

The Federal Power Act

The Federal Power Act provides for the orderly development, for power production and other purposes, of the rivers over which Congress has jurisdiction. In place of the uncertain tenure and indefinite requirements of prior legislation, the Federal Water Power Act of 1920 and the later Federal Power Act of 1935 contain provisions which permit a licensee to make a contract with the government for the use of a power site for a fixed period of time and under specific terms which protect both the licensee and the public interest.

The Federal Power Act was enacted to encourage the development, conservation, and full utilization of the water resources of the country; and it was designed to safeguard the hydroelectric power potential in these resources and to insure its proper development. Section 10(a) requires that adopted projects shall be such as to be "best adapted to a comprehensive plan for improving or developing a waterway . . . for the use or benefit of interstate or foreign commerce, for the improvement and utilization of water power development, and for other beneficial public uses, including recreational purposes . . ."

Section 4(e) of the Act stipulates that the Commission is authorized to issue licenses to citizens of the United States, to any association of such citizens, to any corporation organized under the laws of the United States or any State thereof, to any State or to any municipality for the purpose of developing water power on any of the streams over which Congress has jurisdiction, upon public lands and reservations of the United States, and at Government dams. Thus the Act provides for participation in water-power development by all interests, both public and private.

It is the practice of the Commission to notify interested Federal agencies, Governors, and state and local agencies of applications for preliminary permits and licenses for hydroelectric power projects, thus giving them an opportunity to present objections or other comments, and similar action is taken by the Commission in regard to applications for amendment of licenses when major changes are involved. Copies of license instruments concerning water-power projects are furnished to various interested Federal and state agencies in accordance with established practice, and notices of the filing of applications for major power projects are published for four weeks in local newspapers and once in the "Federal Register," and notices by letter are given to interested members of Congress and to officials of counties and municipalities which might be affected by or interested in the project. Any party who feels that his interests may be adversely affected by a proposed project may submit a protest to the Commission, and hearings in connection with an application may be ordered by the Commission, either upon its own motion or upon motion of any party to the proceeding.

Furthermore, before action is taken on an application, the Secretary of the Army is requested to present recommendations for the protection of navigation, flood control, and other water uses. Likewise, the Secretary of the Interior and the Secretary of Agriculture are invited to present their views in relation to matters in which they have an interest. If the interests of other Government departments or agencies are involved, they also are invited to submit their views. By this procedure all interseted parties have an opportunity to be heard and to protect their interests before the Commission acts on an application.

Federal Licensing Provisions

Now let us examine briefly some of the more important licensing provisions governing the development of our hydroelectric power resources under the Federal Power Act. We have already noted that the project plan must be best adapted to a comprehensive plan of development. In cases where plans equally well adapted are received from more than one applicant, preference must be given to States and municipalities. In order that the rights of the public in its water-power resources may be preserved, licenses are issued by the Federal Power Commission for a period not to exceed 50 years. Licenses may be revoked only for the reasons and in the manner prescribed in the Act and they may be altered or surrendered only upon mutual agreement between licensees and the Commission. Under these conditions, the licensee is assured of his tenure and encounters no difficulty on this account in financing his project. At the termination of the license period, the United States has the right to take over the project upon payment of the net investment of the licensee in the project, not to exceed the fair value of the property taken, plus severance damages due to the taking, if any. If the United States does not choose to take the project at the expiration of the license, the Commission may issue a new license to the original licensee or to a new licensee or, if neither of these actions is taken, the Commission must issue an annual license to the original licensee on the terms of the original license and on a year by year basis until the property is taken over or a new license issued in conformance with the Act.

I should add here that the right of the United States to take over a project at the termination of a license was modified by Public Law 278, approved Aug. 15, 1953, which excludes from recapture, projects owned by a state or municipality. There is an exception to this amendment, however, which is the hydroelectric development in the International Rapids section of the St. Lawrence River, which, while being developed by the State of New York, is subject to recapture.

Licenses issued under the Act also provide that the licensee shall establish and maintain amortization reserves, which shall be held until the termination of the license, or applied, from time to time, in reduction of the net investment. These reserves are accumulated after the first 20 years of operation out of surplus earned thereafter in excess of a specified reasonable rate of return upon the legitimate investment in a licensed project.

A reasonable annual fee is specified in licenses issued by the Commission, which the licensee is required to pay to reimburse the United States for costs of administering the Act and for the privilege of occupying and using property of the United States.

Furthermore, a licensee is required to maintain project works in a state of repair adequate for the efficient performance of the purposes for which they were constructed, and he must operate them in a manner which, when applicable, will not be inimical to navigation, flood control, irrigation, or recreation, and which will protect life, health, and property. Liability for damage to the property of others, resulting from the construction or operation of a licensed project rests upon the licensee; the United States is in no way liable.

If, in the construction and operation of his works, a licensee provides benefits to other projects subject to the jurisdiction of, but not owned by the United States, he, the first licensee, receives compensation therefor in the form of annual payments. Conversely, a licensee must pay compensation for benefits received from the works of another licensee or of the United States. The amount of annual payments is determined by the Commission and is based on an equitable share of the annual charges for interest, maintenance, and depreciation on the works providing the benefit.

These provisions which I have been summarizing constitute the principal conditions which are included in all licenses for non-Federal development of hydroelectric power. Other provisions, dealing with special problems, are included, when necessary, in accordance with requirements of the Act.

I now come to a point on which I should like to lay some stress, and that is the ample opportunity within the framework of the Federal Power Act for the kind of partnership development of our water resources advocated by President Eisenhower. We have seen that the Act clearly and specifically provides for participation by independent action of non-Federal interests and by joint Federal-non-Federal partnership. Present policy affirms that the Federal Government should undertake construction of only those water resource development projects, or parts of projects, which cannot be built by local interests or which have a national significance, and that other projects, or parts of projects, are to be left to non-Federal public or private interests. The means for non-Federal development of such projects, either in their entirety or in partnership with the government, has been at hand and successfully in operation for a third of a century, under the Federal Power Act.

Participation of non-Federal Interests

There are a number of instances in which non-Federal interests have participated with the Federal Government on a partnership basis by undertaking the construction and operation of the power features of multi-purpose projects. Examples include, among others, the London, Marmet, and Winfield projects at navigation dams on the Kanawha River, and the Ohio Falls project at the navigation dam at Louisville on the Ohio River, where power features were constructed by privately-owned utilities under licenses issued by the Federal Power Commission. Examples can also be cited where the Federal Government has participated in the development of projects, originally proposed to be constructed by non-Federal interests, by assuming responsibility for providing or contributing to the non-power features.

For instance, the United States has provided a part of the reservoir lands for the Grand River Dam Authority Pensacola project in Oklahoma in the interest of flood control. The 1944 Flood Control Act authorized a plan recommended by the Chief of Engineers for the control of flood flows in the Tuolumne River in California. This plan called for the Federal Government to contribute an estimated $12,000,000—justified by flood-control benefits—toward the construction of the Cherry Valley reservoir of the City and County of San Francisco and toward the enlargement of the Don Pedro reservoir, owned and operated by

*An address by Mr. Kuykendall at the American Power Conference, sponsored by the Illinois Institute of Technology, Chicago, Ill., March 25, 1954.

the Modesto and Turlock Irrigation Districts.

Furthermore, during the last session of Congress, legislation was passed in the Senate for a $6,500,000 contribution for flood control at the Markham Ferry project, which would be constructed by the Grand River Dam Authority in Oklahoma. The partnership arrangements pertaining to the Don Pedro enlargement and the Markham Ferry project would be carried out in connection with construction licenses by the Federal Power Commission.

Public Utility District No. 2, of Grant County, Washington, has applied to the Commission for a preliminary permit with a view toward development of hydroelectric power in the Priest Rapids section of the Columbia River. One plan of development would also include flood control. Should this plan be adopted the Federal Government would probably participate to the extent necessary to provide flood control and other features. Similar applications have been filed for the Rocky Reach and Wells projects on the Columbia River. Clearly, actual events demonstrate that the Federal Power Act is a vehicle which provides for full participation in the development of our water resources when there is a will for such participation.

Development by non-Federal agencies of hydro-power on lands of the United States and streams under the jurisdiction of Congress was, as previously stated, slow and halting before the enactment of the Federal Water Power Act in 1920. Now, let us take a look at the record and see what happened thereafter. By July 1, 1921, less than 13 months after approval of the Act, the Commission had received applications for 162 preliminary permits and 67 licenses, a total of 229 applications, for projects representing 15,026,000 horsepower of installed capacity. Four months later the aggregate capacity in projects for which permits or licenses had been requested had risen to 16,826,000 horsepower. By June 30, 1922, it had increased to 20,000,000 horsepower, and by June 30, 1923, to 21,500,000 horsepower—more than double the total of all water power developed in the United States to that date. Quite evidently, activity was stimulated by the passage of the Act.

Increase in License Applications

During the first three years of the Federal Power Commission's administration, the Commission dealt with applications involving six times as much horsepower, issued permits and licenses involving three times as much horsepower, and had twice as much horsepower built or building as the individual governmental departments had dealt with in the preceding 20 years. As pointed out in the Third Annual Report of the Federal Power Commission, "when it is realized that only 1,400,000 horsepower had been constructed under Federal authorization in the years preceding the passage of the Act and that at the time of its passage the aggregate installation in all water-power plants in the United States amounted to only 9,000,000 horsepower, the satisfactory character of the legislation and the substantial results accomplished in its administration are apparent."

Projects on other than navigable waters affecting the interests of interstate or foreign commerce require Federal authorization under Section 23(b) of the Federal Power Act. Since 1920, the Commission has received 203 declarations of intention to construct project works on streams other than those defined in the Act as navigable waters but over which Congress has jurisdiction. After proper examination had been made of these proposed project works to determine whether or not the interests of interstate or foreign commerce would be affected thereby, the Commission has found that licenses were required for only 70 of them, or about 35% of the projects for which declarations were filed.

From the establishment of the Commission in 1920 through the calendar year 1953, applications for preliminary permits or licenses have been filed in connection with 2,148 projects. At the end of 1953 there were 664 licenses in effect, covering projects with about 6,784,000 kilowatts of existing capacity and with provisions for ultimate installations totaling about 10,000,000 kilowatts. Of these licenses, 219 were for major power projects of more than 100 horsepower capacity. Projects now under license account for about 53% of the total hydroelectric capacity in the United States which is not owned by the Federal Government. At the end of the calendar year 1953, new capacity of hydro plants under construction under Federal Power Commission authorization totaled about 994,000 kilowatts, of which about 402,000 kilowatts were public developments and 592,000 kilowatts were private developments. Pending before the Commission at the end of 1953 were applications for preliminary permits, licenses, and amendments totaling about 10,838,000 kilowatts of new hydroelectric capacity, including both public and private developments. Indicative of the recent up-surge in activity relative to non-federal hydroelectric development are the figures for the fiscal year ending June 30, 1953, and for the latter half of the calendar year 1953. During the former 12-month period applications were received for installations aggregating 4,221,000 kilowatts of net generating capacity. During the latter six-month period, applications received involved a net total of 4,450,000 kilowatts. Accordingly, on the basis of the record, it seems reasonable to assert that the Federal Power Act has provided a climate favorable to development of our hydroelectric power resources and that, under the Act, opportunity is provided for participation in this development by all interested parties, Federal and non-federal, public and private.

With du Pont, Homsey

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — James A. Hodder, Jr., has joined the staff of du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. He was formerly with Schirmer, Atherton & Co. and Burgess & Leith.

Keller & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Sanford J. Sachs has been added to the staff of Keller & Co., 53 State Street.

The New Stewardship In Securities Regulation

By J. SINCLAIR ARMSTRONG*
Commissioner, Securities and Exchange Commission

After affirming there is unanimity in the Securities and Exchange Commission regarding a vigorous, practical and intelligent administration of SEC laws, Commissioner Armstrong states "our objective in inaugurating a broad program of revision of rules, regulations and forms is to simplify, streamline and speed up the orderly administration of the statutes." Denies delays in security registration is leading to private placement of new securities. Says adequate financing of American enterprise is now of vital importance to maintenance of high level of business activity and cites what has been done to ease the issue, registration, and distribution of securities. Discusses "fixed price" offerings, and promises clarification of SEC stabilizing and competitive bidding rules.

At the outset, I want to affirm the strong belief of the present members of the Securities and Exchange Commission in the basic philosophy of the acts which we administer. The law provides that the five member Commission include no more than three members of one political party and for five-year terms of Commissioners, one expiring each year. So far as I have observed in nine months of close association with the other members of the Commission, there are no sharp underlying differences of viewpoint toward these laws as between the Republican and Democratic members or as between those appointed by the earlier or by the Eisenhower Administration. There have been differences of emphasis or interpretation, of course. But the five members of the present Commission have locked strong hands together to give a vigorous, practical and, we believe, intelligent administration of laws which, in their regulation of the securities market, have unquestionably improved the American system of free enterprise in the last 20 years.

J. Sinclair Armstrong

I for one sincerely believe that the Securities Act of 1933 and the Securities Exchange Act of 1934 have greatly contributed to the restoration of public confidence in the securities markets and in privately owned and managed business and have led to the preservation of the free enterprise system in this country. After 20 years, it might be easy to forget the danger the country was in in 1933 when confidence in securities had been seriously undermined by the staggering losses which the investing public had suffered and the abuses which had occurred. The administration by the Securities and Exchange Commission of these laws and the related laws later enacted to complement them—the Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939, the Investment Company Act and Chapter X of the Bankruptcy Act—and the acceptance by the securities industry of the basic premise that the seller must assume responsibility of full and fair disclosure of the facts pertaining to the issuers of securities sold in interstate commerce, have helped preserve America as a free country. When we look at the world outside—socialist or worse—we can shudder at what might have happened if confidence had not been restored. The investment banking fraternity, as well as other segments of the industry, has I think by steady statesmanlike approach to difficult problems, often in an atmosphere of public hostility, contributed greatly to that restoration of confidence.

Improving the Day-to-Day Administration of SEC Laws

Starting from this premise, however, the new Commission, reflecting the policy of the national Administration elected to office in November of 1952, has seen spread out before it a grand opportunity for improving the day-to-day administration of these laws in the interest of American public, investor and taxpayer. To give you an idea of the approach, let me quote from President Eisenhower's Economic Report to Congress of Jan. 28 of this year:

"The Federal securities laws were enacted nearly 20 years ago and have remained largely unchanged over that period. Some modifications in these laws are needed which, while fully protecting the interests of investors, will make the capital market more accessible to businesses of moderate size. It would also be desirable to simplify the rules and thus reduce the costs of registration of new issues and their subsequent distribution." [1]

Our objective in inaugurating a broad program of revision of the rules, regulations and forms which have grown up at the Commission over the past 20 years is to simplify, streamline and speed up the orderly administration of the statutes. We believe that the basic protections afforded to American investors by these laws will be strengthened and enhanced by realistic, practical and vigorous administration. We hope that a proper administration of the securities laws will facilitate the free flow of investment capital into industry.

We have adopted rules under the Securities Act and the Holding Company Act which eliminate the delay in the offering of securities to be offered at competitive bidding and dispense with the necessity of the Commission's entering routine supplemental orders previously required. Under the new rules, the post-effective amendment to the registration statement becomes effective automatically on the filing in one of our regional or branch offices and no supplementary order under Rule U-50 is required if two or more bids have been made for the securities. [2] This eliminates any possible inconvenience to the underwriters from the delay from several hours to several days which used to occur between the time the successful bid was accepted and the time the underwriters were free to make a public offering.

Our Division of Corporation Finance is also making every reasonable effort to meet the time schedules of issuers and underwriters on registered issues purchased by the underwriters by negotiated sale. In my opinion, the Division's performance has been distinguished over the years by its successful accommodation to financial time schedules. We intend to keep it that way. When delays do occur, they reflect differences with respect to matters considered substantial between the Division and the Commission on the one hand and the registrant on the other. We are doing our best to eliminate petty and insignificant comments from letters of deficiency and to limit deficiencies to matters of substance. In cases in which the difference of opinion between the Division and the registrant cannot be settled by them, the Commission itself is considering the matter and affording both the Division and the registrant's representatives a chance to appear at the table and discuss the matter. We believe that in this way we are affording expeditious administrative treatment of registration statements without in any way impairing or sacrificing the disclosure requirements laid down by the act for the protection of the investing public.

We have under consideration, and hope to release for public comment shortly, a simplified form which would be available for the registration of offerings of institutional grade debt securities. We hope that this form will make possible faster, simpler and less expensive registrations of such debt issues on a basis more nearly competitive with private placements. We contemplate using our acceleration power under Section 8(a) of the Securities Act to permit such issues to be registered more quickly than at present.

In considering the simplification of the debt issue prospectus, we have submitted to the Congress a proposed amendment of the Trust Indenture Act which would permit the Commission to make rules and regulations pertaining to the description in the prospectus of certain provisions required to be included in an indenture qualified under the Trust Indenture Act. This proposal would not in any way affect the provisions required to be included in the indenture, but would merely make it possible for the Commission to permit omission or modification of the description of such provision now required to be included at length in the prospectus. These provisions are generally known to be included in the indenture, because, indeed, the Trust Indenture Act requires their inclusion in indentures securing registered debt issues. Their description in the prospectus is not something that is of interest to anyone other than the lawyers, who would read them in the indentures if they wanted to refer to them at all.

Misapprehension Regarding Delays

I would like to suggest to you that there is a general misapprehension abroad in the land about the difficulty, expense and time consumed in the registration of a securities issue with the Securities and Exchange Commission. We read in financial papers, we hear from investment bankers and the thought occurs in the public minds generally, that the difficulty of registering an issue with the Commission for public sale is contributing to the enormous volume of securities issued by American corporations directly to large institutional investors, thereby depriving the small individual investor of a chance to buy new high grade securities. I personally do not believe that the administration of the Securities Act is a substantial contributing cause to the popularity of private placements. If it is, I am hopeful that accomplishment of the form and rule revisions and the administrative procedures at the Commission will make it clear that the registration process is not driving corporations into the arms of the large institutional investors for their long-term debt capital.

There was considerable testimony before the Subcommittee of the Committee on Interstate and Foreign Commerce of the House of Representatives in the spring of 1952, testimony both by representatives of issuers and of institutional investors, illustrating many situations in which the flexibility afforded by private placements was the factor motivating the issuer to avoid the public securities markets. [3] I am sure those of you who have advised corporations in regard to private placement financing are aware of this. Two articles which appeared in the "Monthly Review" of the New York Federal Reserve Bank in March and April, 1952, went into the matter exhaustively. They recognize that the Securities Act may have been one factor. But private placements are not just a device to avoid registration. They have a real and valid place in the financial system:

"The development and growth of the private-placement technique of financing is a further source of financial and economic stability, at least on the downside of the business cycle, in that flexible loan agreements arranged through this technique permit appropriate changes which, in period of business decline, can help stave off defaults and reduce losses. Equally important as a stabilizing element is the fact that corporations, as part of the private-placement arrangement, may obtain advance commitments for funds—a practice which may encourage the tendency on the part of corporate management to engage in long-range investment planning. The knowledge, too, that changes in loan agreements—such as the temporary waiver of sinking fund payments—may be made in periods of adversity without forcing a borrower into bankruptcy may also lead to greater willingness to borrow on long term, in order to plan business capital expenditures ahead."

Of the corporate securities offered in 1953, 62% amounting to $5.6 billion, were registered publicly offered securities, an increase from the year before, and 38% amounting to $3.4 billion were privately placed ($700 million less than in 1952). I would like to dispel, if I can, the popular notion that the difficulties and expense of registering an issue with the Commission, the waiting period provided by the Act, and the substantial legal liabilities imposed by the Act on the issuer, underwriter and others, are the cause of private placements. I think that argument has been greatly overstated.

However, our contemplated simplification of the registration process in respect of institutional grade debt securities should eliminate, to the extent legally permissible, such competitive disadvantage as registration may impose on public offerings.

Adequate Financing of Business of Vital Importance

Adequate financing of American enterprise in the year ahead will be of vital importance to the maintenance of the high level of economic activity. According to statistics prepared by the Commission's statistical branch, the expected expenditures of industry on new plant and equipment in 1954 will be $27.2 billion, compared with actual expenditures of $28.4 billion in the peak year of 1953 and $26.5 billion in 1952.[4] In 1953 corporate offerings were $8.9 billion, in 1952 $9.5 billion.[5] It is clear that there is a big job ahead for investment bankers in the current year.

The new Commission has eliminated the requirement for the filing of quarterly reports of gross sales and operating revenue. Because of short-term and seasonal business changes and the frequent occurrence of a net earnings trend contrary to the gross trend in a company, these 9-K reports were abolished.[6] However, our statistical branch receives on a voluntary basis quarterly reports of net sales, net earnings and condensed balance sheets from over 1,300 representative corporations and analyzes them for the purpose of preparing statistics on expenditures on new plant and equipment and working capital of corporations, which are published in the Commission's quarterly Statistical Bulletin and for making special economic studies, in collaboration with other governmental agencies, such as the Commerce Department and the Federal Reserve System.

We have simplified the so-called "when issued" trading rules, eliminating fourteen rules and two forms.[7]

We are considering revision of the numerous forms used by officers, directors and others for the reporting of ownership or changes in ownership of securities of listed companies so that seven forms now used may be consolidated into two or three.

We are revising the reporting rules under Section 16 of the Securities Exchange Act which relate to short swing trading by directors, officers, and 10% shareholders. The present rules and forms are needlessly complicated. To meet a particularly presing problem which we felt was not comprehended within Section 16(b) of that act, we revised Rule X-16B-6 to exempt certain dispositions pursuant to mergers or consolidations and the like.[8]

We are studying the form for registration of employee stock offerings with a view to expanding its use. The present Form S-8 provides wide latitude for the use of the issuer's annual report to security holders and other published material readily available. We are considering permitting use of this form by a larger number and more varied types of employee stock offerings, and revising the form itself so as to make it available for offerings under employee stock option plans.

We have adopted new forms for registration under the Investment Company Act of management investment companies and for registration under the Securities Act of securities of open-end investment companies, together with related rules.[9]

We are considering a rule prescribing standards under which Canadian investment companies may register as investment companies and offer their securities for sale in the United States.[10]

We have adopted a new rule requiring brokers and dealers to file financial statements with their applications for registration;[11] a new 9-item form for registration of brokers and dealers instead of the old 27-item form;[12] simplified forms and reports of brokers and dealers associations to eliminate voluminous exhibits containing information otherwise readily available;[13] and a new

*An address by Commissioner Armstrong before the Central States Group Conference of the Investment Bankers Association of America, Chicago, Ill., April 1, 1954.

1 Economic Report of the President, Jan. 28, 1954, 83rd Cong., 2d Sess., House Doc. No. 289, page 88.

2 Securities Act Release No. 3494, Holding Company Act Release No. 12298.

3 Hearings before a Subcommittee of the Committee on Interstate and Foreign Commerce, House of Representatives, 82d Congress, 2d Sess., May 20 and 21, 1952 ("Direct Placements of Corporate Securities").

4 Statistical Series Release No. 1221.

5 Statistical Bulletin, February 1954, Vol. 13, No. 2.

6 Securities Exchange Act Release No. 4949.

7 Securities Exchange Act Release No. 4989.

8 Securities Exchange Act Release No. 4998.

9 Investment Company Act Releases Nos. 1932 and 1933.

10 Investment Company Act Release No. 1945.

11 Securities Exchange Act Release No. 4902.

12 Securities Exchange Act Release No. 5000.

13 Securities Exchange Act Release No. 4942.

system annual reporting form for public utility holding companies.[14]

We have put out for comment proposed revised forms of quarterly and annual reports for registered management investment companies[15] and applications, reports and other forms pertaining to registered investment advisers.[16]

We have adopted a rule relieving exchanges on which a security is admitted to unlisted trading privileges from reporting information which duplicates information reported by the issuer where the security is fully listed on another exchange.[17]

We surveyed in a single broad sweep the over-all reporting problems represented by the annual reports of listed companies on Form 10-K, the proxy statements of listed companies soliciting proxies, the annual reports of the so-called "undertaking" companies, and the requirements for the registration of additional shares of a listed security on Form 8-A, and have attempted to deal with these reporting problems as a unified whole.[18] There appeared to be no good reason why a company which solicits proxies should be required to duplicate the information contained in the proxy statement in an annual report which, in practice, is filed with the Commission in most cases within two or three months after the proxy material. By making a minor change in the proxy rules, we determined that the information required by these rules would be entirely adequate for purposes of an annual report with respect to the subject matters covered by these rules.[19] We are hopeful that these revisions of the Commission's reporting requirements will give further impetus and incentive for the publication by listed companies of reasonably detailed annual reports to shareholders. Under the revised proxy rules, financial statements contained in the annual report to shareholders may be incorporated by reference in the proxy statement, provided they comply with the Commission's accounting rules. We sincerely hope that more and more reports to shareholders will include balance sheets and profit and loss and surplus statements which meet the Commission's accounting requirements. Such a development will be of mutual benefit to shareholders and managements alike.

Under the revised rules, the old requirement that applications be filed for the registration of additional amounts of a listed class of securities has been eliminated. Under the new rule, the original application is deemed to apply for registration of the entire class and the registration of unissued shares or amounts becomes automatically effective when they are issued. This change will eliminate approximately 500 applications a year and will materially simplify and reduce the issuer's work in complying with the Commission's requirements and the administrative burden of the Commission.

We have adopted rules permitting trading in validated securities of German issuers and are attempting to have made available more adequate financial information about these issuers.[20]

The Question of Fixed Price Distribution

Finally, we are also considering rules relating to the stabilization of securities under the Securities Exchange Act. As you know, Section 9(a)(6) of that act makes it "unlawful for any person, directly or indirectly, by the use of the mails or any means or instrumentality of interstate commerce, or of any facility of any national securities exchange, or for any member of a national securities exchange to effect either alone or with one or more other persons any series of transactions for the purchase and/or sale of any security registered on a national securities exchange for the purpose of pegging, fixing, or stabilizing the price of such security in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors."

Regulation X-9A6-1 under this provision was adopted in 1940 and is limited to the narrow area of stabilizing the price of a security to facilitate an offering at the market or at a changing price related to the changing market price. The practice applicable to a fixed price offering has been embodied in a number of interpretations, some of which were contained in releases, but most of them rendered individually by letter or telephone, case by case. Thus the vast bulk of day-to-day stabilizing transactions in connection with new public offerings of securities have not been the subject of any Commission rules, other than the familiar bold face disclosure in the prospectus that stabilizing may occur[21] and the requirement that stabilizing transactions be reported within 24 hours.[22] The Commission's policy in the past was based on the feeling that the problems of stabilizing were so difficult and novel that no comprehensive rule should be promulgated until experience had been built up, case by case, over a period of time, like the common law. This process has taken place. It should therefore now be possible for the Commission's jurisdiction over stabilizing to be asserted by rules and regulations, published and available for all to see.

Because of the complications and difficulties inherent in the subject of stabilizing, the drafting of a stabilizing rule covering most of the usual types of stabilizing transactions has taken much time and study by our Division of Trading and Exchanges. I can now report that the Division has prepared three rules, the first dealing with underwriters' trading during a distribution, the second covering the times, methods and levels at which stabilizing transactions may be made, and the third covering distributions in connection with the purchase of rights, such as the so-called "Shields Plan." After study by the Commission, these will be promulgated for comment.

We hope that the promulgation of general stabilizing rules will lead to fewer informal interpretations, but recognize that interpretive questions will arise which underwriters should submit to the Commission.

This Administration is dedicated to the principle that administrative action should be based on direct and clear statutory authority, and not just on implied or fancied powers. We have looked at the statutes we administer carefully and will continue the process of looking to see if our jurisdiction in particular areas is to be found in the acts of Congress. This process of statutory self-examination and soul searching has involved a study of one of our rules under the Public Utility Holding Company Act, Rule U-50, which provides, among other things, for the manner of offering new issues of public utility subsidiaries of public utility holding companies registered under the Public Utility Holding Company Act of 1935.

Competitive Bidding Rule

I would like to take this opportunity of describing how the proposal, on which we are presently holding hearings, developed.

The competitive bidding rule, Rule U-50, applies to issues of securities of registered public utility holding companies and of public utility companies which are subsidiaries of such holding companies. Section 6(b) of the Public Utility Holding Company Act of

Continued on page 30

14 Holding Company Act Release No. 12430.

15 Investment Company Act Release No. 1957.

16 Investment Advisers Act Releases Nos. 71 and 72.

17 Securities Exchange Act Release No. 4914.

18 Securities Exchange Act Release No. 4991.

19 Securities Exchange Act Release No. 4979.

20 Securities Exchange Act Releases Nos. 4983 and 5011.

21 Securities Act Rule 426.

22 Securities Exchange Act Rule X-17A-2.

Continued from page 29

The New Stewardship In Securities Regulation

1935 provides that "the Commission by rules and regulations or order, subject to such terms and conditions as it deems appropriate in the public interest or for the protection of investors or consumers, shall exempt from the provisions of subsection (a) the issue or sale of any security by any subsidiary company of a registered holding company, if the issue and sale of such security are solely for the purpose of financing the business of such subsidiary company and have been expressly authorized by the State commission of the State in which such subsidiary company is organized and doing business." The subsection (a) referred to provides for the filing with the Commission of a declaration regarding a financing plan and the taking of action by the Commission to make such declaration effective. Declarations relating to a financing plan may only become effective if they meet the requirements of Section 7 of that act, which lays down standards as to the types of securities which registered holding companies and their subsidiaries may issue.

We have recently put out for comment a proposed new rule which would exempt from the competitive bidding requirements of the Commission securities of subsidiary companies the issue and sale of which have been expressly authorized by the State commission.[23] What did the Congress mean when it said the Commission "shall exempt" securities expressly authorized by State commissions?

When the Commission first considered this question of statutory interpretation in July and August of 1953, it was faced with two other factors. The first was that the Commission was engaged in a staff reduction imposed by the exigencies of a diminished budget. We were cutting the number of available people in the Commission's headquarters office in Washington by 43, or about 8%, and we were looking for areas in which duplicative work could be eliminated without adversely affecting public interest. The approval by the Commission of securities expressly authorized by State commissions suggested itself as an unnecessary duplication by the Federal Government of a State regulatory function for which an exemption had been specifically carved out by the Federal statute. Secondly, you will recall the very tight money market of May, June, July and August of 1953. During these months we were confronted by a number of requests, both formal and informal, for exemption from the competitive bidding rule by companies which, in the exercise of the best judgment their managements were able to bring to bear, felt that they could not successfully market securities at competitive bidding under the rule. Most of these requests for exemption we denied, but not without wondering if Rule U-50 itself was not deficient by reason of its failure to accord any recognition at all to the statutory exemption in cases in which the State regulatory authority appeared to be exercising the jurisdiction specifically referred to in Section 6(b) of the Holding Company Act.

Then another event occurred. On Oct. 14, 1953, Judge Harold R. Medina, sitting in the United States District Court for the Southern District of New York, released his opinion in the antitrust case against 17 investment banking firms. The opinion raised very serious questions about some of the bases for the adoption by this Commission of Rule U-50 in 1941.

I can assure you that the proposed revision originated at the Commission table. It was not suggested by any utility company, banker, government official or agency, or person outside the Commission.

At the present time the Commission has made no decision in the matter and will not make a decision without further careful and exhaustive study in the light of the hearings held and the briefs, memoranda and oral argument that have been submitted and made, including those of the regulatory authorities of the affected States.

I will mention before closing one further part of the Commission's program, relating to broker-dealer inspections.

Broker-Dealer Inspection

Under Section 17(a) of the Securities Exchange Act, the Commission is empowered to make "at any time, or from time to time, such reasonable periodic special or other examinations by examiners or other representatives of the Commission as the Commission may deem necessary or appropriate in the public interest or for the protection of investors" of registered broker-dealers. The legislative direction is that the Commission do as much or as little inspecting as it deems necessary or appropriate in the public interest.

As a matter of fact, the extent of the broker-dealer inspection program depends primarily on the availability of funds, and unfortunately the Commission has available for the current fiscal year, and expects to have available for fiscal 1955, only about 42 broker-dealer inspectors. When you consider that there are over 4,000 registered broker-dealers, this is a very thin inspection program. Unfortunately, the public may have the impression that broker-dealers are examined pretty much the same way as banks are examined by the Comptroller of the Currency. The Commission is very much concerned with the weakness of this program and is taking steps administratively within the regional offices to improve both the quantity and quality of broker-dealer inspections.

As you are aware, members of some of the national exchanges and members of the National Association of Securities Dealers are subject to certain audits and inspections. An additional weakness when you consider the problem generally is that in only 10 of the 48 states is there any program at all for the inspection of brokers and dealers, and in only two of those States do the State authorities have sufficiently broad powers to engage in a program of routine inspections. This seems to place responsibility to act very squarely on the Securities and Exchange Commission whether we like it or not.

You might also be interested, and indeed concerned as we are, to consider that the number of violations turned up by our inspections is discouragingly large. In fiscal 1953, when 686 broker-dealers were inspected, 40 firms were found to be in financial difficulties, 154 were found to be charging customers unreasonable prices for securities purchased, 141 were violating Regulation T, 40 were violating the hypothecation rules, 360 were violating confirmation and bookkeeping rules, and a number of other miscellaneous violations were discovered.

Recognizing the seriousness of this situation, the Commission has conferred over the past year with representatives of the National Association of Securities Administrators, the National Association of Securities Dealers, Inc., and the New York, American and Midwest Stock Exchanges to see of all of the agencies and organizations making broker-dealer inspections could work out a coordinated program. Understandings have been reached in the last month which we hope will work improvements.

Duplication of examinations by more than one inspection within short periods of time not only are an unjustified harassment, but represent an unnecessary waste of manpower and money. Conversely, long term omissions to inspect some firms cannot be justified. Therefore, a plan has been worked out by which the regional offices of the Commission will make available to the State, NASD, and exchange inspectors information as to firms which have been recently inspected by the Commission. These cooperating agencies and organizations will make similar information available to the Commission as to inspections made by them. Scheduling of inspections by the cooperating agencies and organizations will be coordinated. Of course, a public agency, such as the Securities and Exchange Commission, cannot abandon its functions to private organizations, nor would members of the private groups approve the use of their inspectors as informers to public authorities with respect to matters not involving defalcations or insolvency. But even though the scope of inspections made by the Commission differs from the scope of those made by others, we believe that this program of cooperation and coordination between Federal, State and industry broker-dealer inspectors will lead to better results from the total of manpower and money available for this phase of the regulation of the securities industry.

I submit to you members of the investment banking fraternity that the conditions which I described a moment ago are serious from the standpoint of the industry, and that renewed emphasis on the broker-dealer inspection program of the Commission is as much in your interest as in the interest of the investors and the public we are charged with protecting.

Finally, let me say a brief word about our legislative program. As many of you know, the Commission assisted the appropriate Committees of the Congress in the formulation of some technical non-controversial amendments of the Acts. The Commissioners unanimously recommended these proposals and they have received the approval of the Bureau of the Budget as being in accord with the program of the President. Identical bills were introduced in the Senate and House, hearings were held at which the Commission appeared and our Chairman testified at length. From here on the matter is in the hands of the Congress, and no comment by me as to the bill's chances of enactment would be appropriate or worth anything. The Commission's function is to administer the law, not to make it. The bill was passed by the Senate unanimously and is presently pending in the House Committee on Interstate and Foreign Commerce. The privilege of working with the Senate and House Committees and their staffs greatly impressed me with the ability and devotion to the public interest of our legislative leaders.

23 Holding Company Act Releases Nos. 12217-X, 12314 and 12236.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market has had two bullish developments, namely the reduction in the rediscount rate and the financing of the Treasury's cash needs through the sale of 52-day tax anticipation bills. These two factors give added confirmation of the fact that the trend of interest rates is still in the same direction, downward. The use of short-term tax anticipation bills to raise money for the Government is taken by not a few money market specialists to indicate that there will not be any long-term financing by the Treasury in the foreseeable future. The trend of economic conditions is still the ruling force in the money market picture, according to many in the financial district, and this appears to give further evidence that easy money conditions could still become easier.

The lethargy which has been so prominent in the Government market of late has given way to increased activity and investment buying of these securities. The long-terms and intermediates have taken a great deal of the play away from the shortest obligations because lengthening of maturities has again become a very important part of the market's action.

Psychological Impact

The lowering of the rediscount rate was a reaffirming of the easy money policy which the monetary authorities have been sponsoring for some time now. To be sure, the reduction in the rediscount rate was much more psychological than of immediate tangible value, because the deposit banks do not need to make any great use of this implement at the present time. It did, however, help to bring the rediscount rate more in line with the bill rate. Money market specialists do believe, nonetheless, that the lowering of the rediscount rate will have a favorable effect upon the trend of Government security prices, because there will be less hesitancy to put funds to work in Treasury obligations, with the easy money program being confirmed by the powers that be.

Cut in Reserve Requirements Deferred?

The lowering of the rediscouunt rate has led certain money market followers to feel that there may not be an immediate lowering of reserve requirements. They are of the opinion that there will be more vigorous open market operations to give the money market the needed ease. Greater near-term flexibility would be the result of a policy of more intensive open market operations, according to certain money market followers.

On the other hand, there are those who believe that a reduction in reserve requirements should be made at once, as a follow-up to the decrease in the rediscount rate. They point out that the money markets should be given the additional help of a larger supply of investable funds because this would eventually have a favorable influence upon the economy, which could stand a bolstering at this time. It is also being noted that on occasions in the past, when the business outlook was not as uncertain as it appears to be now, there were important lowerings of the reserve requirements of the commercial banks.

Treasury to Rely on Short Issues

The borrowing by the Treasury of $1,000,000,000 on 52-day tax anticipation bills to meet the expenses of the Government, in the opinion of some money market specialists, means that a long-term issue has been pretty well relegated to the distant future, in spite of the reports that another two billion dollars will have to be obtained before the end of the present fiscal year. The use of tax anticipation issues is likewise a continuation of the policy which has been in vogue.

It is felt that when the Treasury comes into the market again for funds, the issues that will be offered will be tailored to meet the needs of the commercial banks. This most likely means that short-term or intermediate term securities will be used, because obligations of this kind would appeal to the deposit institutions. By selling issues to the commercial banks, there would be a creation of deposits which are purchasing power, and this is what is needed to help pull the economy out of the trend which it has been in for some time.

By financing the needs of the Treasury through the sale of securities that fit the requirements of the deposit banks, there will be plenty of room left for non-bank investors to take care of the mortgage market as well as the corporate and municipal issues that will be coming out for sale.

Investors Taking Hold

Although there had been a very large amount of professionalism in the Government market, and this made it very susceptible to easy movements in both directions, the recent monetary developments have taken a great deal of the play away from the traders and dealers. It seems as though investors have again stepped into the picture to take command of the situation. This means that Treasury securities are again moving out of the market into strong hands.

Clark, Landstreet Wire Goldman, Sachs Co.

NASHVILLE, Tenn.—Clark, Landstreet & Kirkpatrick, Inc., 315 Fourth Avenue, North, members of the Midwest Stock Exchange, are now on the Goldman, Sachs & Co. wire system.

Conservative Inv. Service

Charles J. Krueger is engaging in the securities business from offices at 420 Lexington Avenue, New York City, under the firm name of Conservative Investors Service.

Forms Eastern Fund Ass'n

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—William C. McCorkindale has formed Eastern Fund Association with offices at 1387 Main Street to engage in the securities business. Mr. McCorkindale was previously with Gage-Wiley, Inc.

L. A. Dessez Opens

BETHESDA, Md.—L. A. Dessez is engaging in a securities business from offices at 5409 Harwood Road.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Robert C. Dallery has been appointed a Vice-President of the **Chase National Bank, New York,** it was announced by Percy J. Ebbott, President. Mr. Dallery is a member of the official staff handling the bank's commercial business in the New York metropolitan district.

Other promotions on Chase's official staff were: Bob T. H. Hulsey, Second Vice President in the petroleum department; Francis X. Kosch, Assistant Cashier, consumer credit; Walter J. Woodger, Jr., Assistant Manager, foreign department, and Harold D. Hammar and Gilbert H. La Piere, petroleum engineers.

In domestic branches, LeVan H. Loveland was named Manager at 48th Street branch and George J. Meara Manager at Metropolitan branch. Newly-appointed Assistant Branch Managers were Arthur J. Belter, 48th Street; Joseph G. Dahl, Times Square; George A. Hughes, National Park; Hugh F. McGrath, Metropolitan, and H. Frederick Tooke, Madison Avenue.

* * *

William N. Hartman has been elected Assistant Vice-President of **Bankers Trust Company, New York,** it was announced on April 19 by S. Sloan Colt, President. He has been assigned to Latin American business in the Foreign Division.

Mr. Hartman began his career with Bankers Trust in 1936, and was promoted to Assistant Treasurer in 1946, and Assistant Vice-President in 1948.

* * *

Corn Exchange Bank Trust Company, New York has announced the appointment of H. Dudley Gerard and Oliver C. Scholle as Assistant Vice-Presidents in the commercial and bank relations department. Mr. Gerard and Mr. Scholle were both Assistant Secretaries of the Bank.

* * *

L. C. Irvine has been named to the Board of Directors of **Colonial Trust Company, New York,** according to Arthur S. Kleeman, President.

* * *

Irving Trust Company, New York, announced on April 22 the election of E. E. Stewart to its Board of Directors.

* * *

The Oneida Valley National Bank of Oneida, Oneida, New York, with common stock of $500,000, and **The First National Bank of Sherrill, Sherrill, New York,** with common stock of $60,000 merged as of the close of business on April 2, 1954. The consolidation was effected under the charter and title of "The Oneida Valley National Bank of Oneida."

At the effective date of consolidation the consolidated bank will have capital stock of $600,000, divided into 24,000 shares of common stock of the par value of $25 each; surplus of $500,000; and undividend profits of not less than $35,000.

* * *

Directors of **The Provident Trust Company of Philadelphia, Pa.,** on April 15 promoted William B. Carr, formerly Assistant Vice-President, to Comptroller of the Bank.

Mr. Carr joined the Provident in October, 1951, as Assistant Vice-President.

* * *

The Mercantile National Bank of Chicago, Illinois, increased its common capital stock from $1,750,000 to $2,000,000 by sale of new stock, effective April 6.

* * *

Commerce Trust Company, Kansas City, Mo. added a second $2,000,000 to surplus within a year it was announced by James M. Kemper, Board Chairman. Directors of the Bank have authorized the transfer of $2,000,000 from undivided profits to surplus, boosting the latter to $16,000,000. Last June surplus was raised $2,000,000.

As a result of the action, the Bank, which has been in operation since 1865 has combined capital and surplus of $25,000,000. In addition, undivided profits are in excess of $5,000,000.

The bank's loan limit to any one line was lifted to $3,750,000, Mr. Kemper said.

Of the $30,000,000 in capital, surplus and undivided profits accounts, only $5,000,000 was paid-in and $25,000,000 came from earnings. In addition, the bank has paid dividends of $23,000,000. Thus, the institution has shown net earnings in excess of $48,000,000.

Formed in 1865 as the **Kansas City Savings Association** with a capital of $20,000, the Bank, through absorption of smaller institutions, has become the largest in the Tenth Federal Reserve district. Deposits today are in excess of $430,000,000.

When Commerce Trust took over the **National Bank of Commerce** in 1921, a 20% stock dividend was paid. Then in 1945 a 50% stock dividend was declared. When the par value was reduced from $100 to $20, five shares of stock were issued. The original stockholder now has nine shares of stock for each share.

* * *

Wachovia Bank and Trust Company, Winston-Salem, North Carolina, and the **National Bank of Burlington, North Carolina,** merged, under the charter and title of the Wachovia Bank and Trust Company effective April 1. Both the former main office and the Burlington branch of the National Bank of Burlington will be operated as branches.

* * *

The Amarillo National Bank, Amarillo, Texas, increased its common capital stock by a stock dividend effective April 9 from $1,000,000 to $1,300,000.

* * *

The First National Bank of Deport, Deport, Texas, with common stock of $50,000, and **Deport State Bank, Deport, Texas,** with common stock of $28,000, consolidated as of the close of business April 6. The consolidation was effected under the charter and title of "The First National Bank of Deport."

At the effective date of consolidation the consolidated bank will have capital stock of $50,000, divided into 500 shares of common stock of the par value of $100 each; surplus of $50,000; and undivided profits of not less than $25,000.

* * *

Frank L. King, President of **California Bank, Los Angeles, California,** has announced the election of Vice-President Arthur T. Brett to Vice-President and Cashier and O. S. Aultman, formerly Cashier, to Vice-President.

J. B. Thompson, Head Office, formerly Assistant Vice-President, was elected Vice-President and assigned to the bank's office in Santa Monica. N. H. Thomas, Main Office, and John Van der Zee, Beverly Hills Office, formerly Assistant Cashier, were elected Assistant Vice-Presidents.

Elected Assistant Cashiers were R. S. Black and R. H. Thorburn, Main Office, and H. C. Betz, H. S. Clemmensen, F. C. Swanson, and W. H. Wieland, Head Office.

Charles W. Fry was appointed Assistant Manager of the Bellflower Office in Bellflower and J. W. Snyder Assistant Manager of the Wilshire-Westlake Office, Los Angeles.

* * *

The common capital stock of the **First National Bank in San Rafael, California,** was increased from $600,000 to $800,000 by a stock dividend effective April 9. A previous increase on April 1 of $100,000, effective April 1, by sale of new stock was given in the April 15 issue of the "Chronicle," page 1696.

* * *

Elliott McAllister, President of **The Bank of California, N. A., San Francisco, Calif.** William W. Crocker, Chairman of the Board of **Crocker First National Bank,** and Frank L. King, President, **California Bank, Los Angeles, Calif.** have authorized the following news release:

"Informal discussions are taking place to explore a plan to merge The Bank of California, N. A., Crocker First National Bank, and California Bank, Los Angeles. Any plan which is formulated must be approved by the supervisory authorities and will be submitted to the stockholders of each bank for their approval."

Grimm & Co. to Admit

Grimm & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, will admit Lawrence Wiltshire to limited partnership as of May 1st.

C. J. McCue Co. Formed

PHILADELPHIA, Pa.—Charles J. McCue is engaging in the securities business under the firm name of Charles J. McCue & Co., Inc., from offices at 1510 Chestnut Street.

Wm. J. Pekar Co. Opens

William J. Pekar has formed William J. Pekar & Company with offices at 25 Broad Street, New York City to conduct a securities business.

With Victor J. Lawson

CORAL GABLES, Fla.—Edwin F. Ashley has become affiliated with Victor J. Lawson & Company, First National Bank Building.

Continued from page 13

Advantages of Return To the Full Gold Standard

potential widows and their children.

(11) "To promote maximum employment, production, and purchasing power," the declared purpose of the Employment Act of 1946.

(a) The experience of history shows that an irredeemable currency endangers the economic system that uses it. Innumerable instances testify as to the truth of this assertion. and none refute it.

(b) A fixed standard facilitates the achievement of equilibrium among the economic factors of production, the only sound assurance of optimum employment and production, without which there can be neither full employment nor the optimum output of products to purchase.

(c) "Supplement C" explains what was responsible for the Great Depression thus exposing as erroneous the notion that the gold standard was responsible.

(12) To end the discrimination against American citizens and in favor of foreign governments and central banks.

(a) The latter can obtain gold on demand in exchange for the Government's promise on our paper currency to make such payments; but

(b) American citizens cannot obtain from their Government fulfillment of its specific promise to pay on demand. All Federal Reserve notes, most of our present currency, carry the unequivocal pledge that the United States "will pay to the bearer on demand" the number of dollars indicated. Instead of giving to the bearer on demand the dollars promised, the Treasury in recent years has given more promises to pay dollars. Such subterfuge, the substitution of promises for promises instead of the thing promised, is unworthy of a great nation and of an honest people.

(13) To minimize the need for elaborate controls.

(a) Although all money-credit systems require some control, if only to prevent abuses, the automatic features of the gold standard give early warning of abuses or unsound procedures and therefore facilitate corrections by a minimum of management.

(b) Because it minimizes the excuse of controls, the gold standard is especially disliked by those who seek to enmesh the economy in a network of socialistic controls.

(14) To reinforce the independence of the Federal Reserve Board.

(a) That agency would have to be free to act when there were warning signs of unsound developments; and,

(b) An independent agency to provide the minimum degree of appropriate control has been proven by long experience to be the only effective means of managing a nation's money-credit system.

(15) To facilitate the sound and long-term financing of the public debt outside of the banking system.

(a) Confidence in the future worth of the dollar is essential to such financing; and

(b) Experience has shown that a nation that meets its promises to pay enjoys the best credit standing. When the United States resumed specie payments in 1879, one immediate and striking result was the re-establishment of the Government's credit standing. Government bonds could be floated at a substantially lower cost in interest rates.

(16) To facilitate foreign trade.

(a) Virtually all authorities agree that redeemable currencies would be freely convertible and would aid international commerce.

(b) Only general use of a common monetary metal can provide such free redeemability.

(c) By leading the way, our Nation would both encourage the rest of the world to follow and provide a firm base for such action.

(d) Exchange restrictions and other rigidities necessarily incidental to the management of irredeemable currencies, but that hamper the flow of commerce, would tend to disappear.

(17) To bulwark the freedom of American citizens.

(a) It would restore to the people some degree of control over unsound banking and spendthrift government. Since the departure from the gold standard in 1933, the people of the United States have lost, in large part, their control over the public purse.

(b) It would prevent the subtle embezzlement that continuing inflation effects. Losses suffered by owners of life insurance, United States savings bonds, Social Security reserves and savings accounts from the depreciation of the dollar since 1940 already nearly $158 billion.

(c) It would help to preserve the system of free enterprise and free markets that has made the Nation the leading industrial power of the world. It is difficult to imagine better assurance than this Nation would continue to grow stronger than its enemies.

SUPPLEMENT A

Firm Adherence to the Gold Standard Alleviates Depressions and Expedites Business Recoveries

There is strong evidence supporting the view that firm adherence to the gold standard both alleviates depression difficulties and expedites business recoveries. The evidence is available in two forms, which are independent and confirm each other.

The National Bureau of Economic Research has compiled a huge volume of statistical series extending back to 1854 (on a monthly or quarterly basis). After extensive analyses of these data as well as published reports of business developments, successive peaks and troughs of business activity were selected by the National Bureau.

During the period of 100 years that has elapsed, 22 cyclical declines and recoveries are recorded. Of the 22, only three were of unusually great duration and these occurred when the Nation was "off" the gold standard, in whole or part. These were 1873-82, 1929-37, and 1937-45. The record of business cycles is given herein.

More specifically, the durations from peak to peak for all except the three exceptionally long ones already mentioned ranged from 19 months to 68 months. The three long declines and recoveries extended 101, 95, and 92 months, respectively.

If war years are excluded, the average duration of 17 peacetime cycles was 40 months. In sharp contrast, two of the very long cycles, also in peacetime were 101 and 95 months respectively (1873-82 and 1929-37). In each instance the nation was off or partly off the gold standard during most of the two long depression periods.

The course of industrial production provides additional interesting evidence. Unfortunately, extensive reliable data for the entire period are not available on a monthly basis, but use of annual figures makes possible the summary shown below.

Durations of Downturns in Industrial Production
(Until recoveries to long term trend)
1865-1951

Period	Years Duration
1869 - 1872	3
1873 - 1880	*7
1883 - 1886	3
1888 - 1890	2
1892 - 1901	†9
1902 - 1905	3
1907 - 1909	2
1910 - 1912	2
1913 - 1915	2
1917 - 1920	3
1920 - 1923	3
1923 - 1925	2
1927 - 1928	2
1929 - 1941	‡12
1943 - 1947	4
1948 - 1951	3

* Off gold; resumption in 1879.
† Free silver and Bryan campaign, gold standard threatened 1893-96; Gold Standard Act, 1900.
‡ Off gold after 1932.

Noteworthy is the fact that industrial production was seriously retarded and failed to increase above the long-term trend for three prolonged periods, 1873-1880, 1892-1901, and 1929-1941. The nation was still off gold after the Civil War until 1879; retention of the gold standard was seriously in question from 1893, through the Bryan-McKinley campaign of 1896; but was unqualifiedly reaffirmed by the passage of the Gold Standard Act of 1900; and the rumors of Mr. Roosevelt's intentions to abandon the gold standard became widespread late in 1932, were confirmed in 1933, and the nation returned only to the present incomplete gold standard in 1935. Several more years passed before emergency powers to alter the standard were finally allowed to lapse.

I do not assert that the gold standard can prevent a depression if there has been unsound banking and distorted business expansion facilitated by inflation of credit.

Certainly the burden of proof is on those who argue that firm adherence to the gold standard would worsen or prolong business declines and that abandonment of the gold standard or "managed money" can alleviate or shorten depressions. The available facts suggest that the situation is otherwise, that perhaps the best possible means for alleviating and shortening business setbacks is firm adherence to the gold standard.

SUPPLEMENT B

How May the Gold Standard Ameliorate Depressions?

The factual evidence available strongly suggests that the cyclical depressions experienced in the United States during the past 100 years have been ameliorated whenever the nation has chosen to remain firmly on the gold standard. Temporary suspensions of specie payments have occurred on several occasions, apparently without markedly affecting the depth or duration of cyclical recessions; but in each of the few instances when the gold standard either was abandoned in large part (as in 1862-79 or 1933?) or was seriously in question (as in 1893-96), the cyclical recessions were prolonged as serious depressions for years.

Also noteworthy is the fact that the most severe business contraction on record (greatest decline in shortest period) occurred in 1937-38 when the nation was partly on and partly off the gold standard. Similarly noteworthy is the lack of any record of a rapid **and lasting** recovery from depression levels when the nation has been partly off gold or the gold standard has been seriously in question.

Before attempting to suggest how the retention of or departure from the gold standard may be related to these development, the fact that the gold standard is **not** considered a panacea for all economic ills should be emphasized. Serious departures from equilibrium conditions, whether in the form of overexpansion of plant and equipment, overspeculation in commodities or inventories, or rampant speculation in real estate or in stocks; all such departures from orderly equilibrium conditions have in the past been followed by more or less drastic readjustments. Such readjustments usually included recessions of business activity and sometimes severe depressions, more or less prolonged.

Now there is much reason to believe that anyone who things such readjustments can be prevented, without first preventing the distortions and maladjustments, is simply deluding himself and anyone who takes him seriously. Certainly, there is no suggestion here that the gold standard, however helpful it may be in limiting the extent of such maladjustments, can possibly prevent or make unnecessary the readjustments required to restore equilibrium.

Nevertheless, the factual evidence clearly **suggests** that firm adherence to the gold standard invariably has ameliorated depressions. What is the precise form that such amelioration has taken?

In the first place, careful scrutiny of the statistical data available reveals no consistent tendency for recessions to be less severe, measured by the total percentage decline of industrial production, when the gold standard is retained. Evidently, serious maladjustments are followed by depressions of great depth whether on or off the gold standard.

Second, however, the recoveries apparently are more prompt and more rapid when the gold standard has been adhered to. In other words, the amelioration provided by the gold standard appears to be in the form of shortening the duration of depressions and expediting the recoveries from depression levels.

For example, if we refer only to the cyclical depressions since 1900 (for which reasonably accurate **monthly** data are available) we find the following:

(a) In six instances, the decline in industrial production exceeded 25% (1903-04, 1907-08, 1913-14, 1920-21, 1929-32, and 1937-38).

(b) In four instances, when adherence to the gold standard was not even in question, the recoveries to levels **above those of the preceding boom** occurred in 13, 16, 9, and 15 months respectively.

(c) In the two other instances, both during the period since 1933, the recoveries required 43 and 26 months respectively, and the latter apparently was shortened by the huge purchases of armament by foreign nations.

Such interesting facts do not of course **prove** beyond any question of doubt that firm adherence to the gold standard tends to shorten depressions and expedite recoveries therefrom. But we may well ask, if the suggested relationship does exist, how can one account for it?

During the period when business activity is receding, after a boom during which many maladjustments had developed, it is not surprising that such serious prior maladjustments should result in severe curtailment of activity. At such times, prices fall greatly, and part of the decline apparently is attributable to the extent of the maladjustments and to unreasoning fear.

As long as individuals including business managers have a well known and firmly established standard to judge by, they can estimate when unusual bargains become available. Always some businesses and individuals have avoided overexpansion or other other unwise dissipation of resources and are in a position to act when bargains become available, provided they can be sure the bargains are genuine.

For example, a builder of residential housing who has prudently conserved his funds instead of losing them through unwise real estate speculation, presumably would be eager to start constructing new houses whenever the prices of materials and other costs have declined to bargain levels. He knows from experience that there will be buyers for the bargain houses he can offer. The same is true in a large number, perhaps most other fields of economic activity, but there must be a standard of value firmly adhered to; otherwise such individuals will lack a basis for sound economic judgments. In such circumstances, they will hesitate to act, they will hesitate and postpone, and while they, the usual initiators of recovery, thus hesitate, recovery falters and drags over years instead of months.

Probably related to these developments is the factor of trust in the fulfillment of contracts. When the standard of values itself is in question, or possibly even abandoned, men lack a sound basis for new contracts. Yet business activity necessarily involves the initiation and fulfillment of innumerable contracts. Any influence that retards the making of contracts, especially those of longer duration, inevitably must hamper the progress of business.

Significant, perhaps is the fact that all the attempts to ameliorate the prolonged depression that continued after 1932 proved fruitless until the wartime boom. In no year after 1932 until 1940 was the average number of unemployed less than 7,700,000, and in 1939 the number of unemployed still averaged over 9,000,000. The evidence suggests that all the pump priming, all the efforts to expand purchasing power through various means, could not counterbalance the adverse effects of departure from the standard of value and its subsequent partial rather than complete restoration.

This explanation of how firm adherence to the gold standard may ameliorate depression at least "makes sense" when one considers how men usually conduct their business matters. Moreover, the available facts support, if they do not prove this explanation. Certainly it is difficult to imagine any contradictory explanation, any argument that adherence to the gold standard would worsen depressions, that would seem equally reasonable and equally well supported by the available data.

SUPPLEMENT C

Was the Gold Standard Responsible for the Great Depression (1929-1941)?

Many observers seem to believe that, because the nation was on the gold standard in 1929, the gold standard was the cause of the Great Depression.[1] However, the available evidence suggests otherwise. Apparently, the gold standard tended to limit the extent of the maladjustments that preceded the Great Depression on the one hand; and, on the other hand, subsequent departure from the gold standard unnecessarily prolonged the Great Depression. The grounds for these assertions are

[1] We have included the entire period from 1929 to 1941 as the years of the Great Depression for the following reasons:

(a) Not until 1941 did industrial production again move above the calculated long-term trend, and

(b) Even in 1937 the average number of unemployed was 7,700,000, and as late as 1939 the average number of unemployed exceeded 9,000,000.

(c) Thus, for 11 years after 1929 unemployed remained as serious a problem as it had been during the nation's earlier severe but brief depressions, and industrial production failed to increase above its estimated long-term trend.

discussed in the paragraphs that follow.

It is important to realize that the Great Depression included much of two complete business cycles. The first extended from the 1929 peak, through the 1932 or 1933 trough, to the 1937 peak of business activity. The second extended from the 1937 peak, through the 1938 trough, and through part of the recovery phase to the next peak.[2]

The business cycle that extended from 1929 to 1937 was the second longest in the nation's history. As measured by the National Bureau of Economic Research, its duration was 95 months compared with 101 months for the business cycle that extended from 1873 to 1882. From the viewpoint of the present discussion, the interesting features of this comparison are as follows:

(a) The longest business cycle in the nation's history began when the nation had been **off the gold coin standard** for several years. The same is true of the third longest business cycle in the nation's history, that from 1937 to 1945.

(b) In the past 100 years, there were 17 peacetime business cycles, during all of which the nation was **on** the gold coin standard, and their average duration from peak, through trough, to subsequent peak was only 40 months.

(c) Those who argue that the gold standard was responsible for the Great Depression therefore should consider these questions:

(1) Why were the cyclical recessions or depressions that occurred when the nation adhered firmly to the gold coin standard **all so much shorter** than those when the gold standard was abandoned?

(2) How did it happen that two of the three most prolonged cyclical depressions began, in each instance, when the nation had been **off** the gold standard for several years?

(3) Why, if being **on** the gold standard was a primary **cause** of the Great Depression, did not that depression end, when or soon after the gold standard was abandoned in 1933, instead of persisting for several more years?

(4) Why, **if** the gold standard tends to **cause** depressions, did the most rapid and most prolonged increase in industrial production that the nation ever experienced occur during the decade and more **following** resumption of the gold coin standard in 1879?

But of course it is not enough to show some of the important reasons why the assumption that the gold standard causes depressions seems to be unsound. Were there other highly plausible reasons for the Great Depression? In view of the fact that whole volumes have been written on this subject, we cannot expect to cover all aspects of the problem in this brief discussion, but we can point out certain facts that seem to be highly significant.

Beginning about 1924, and continuing until 1929, there occurred one of the great real estate speculations in the nation's history. The Florida boom, with its hundreds of thousands of participants throughout the nation, was one of the more striking features of this great speculation. But there were other, perhaps more serious, aspects from the viewpoint of the economy as a whole.

In nearly every city and even the larger towns, the availability of "easy money" for mortgages on new building fostered a wave of speculation in large hotels, luxury apartments, and skyscraper office buildings. The promoting and financing of such enterprises became highly profitable, for the time being, as eager investors bought mortgage bonds promising what they expected would be "safety and 6%."

By these actions the economy became seriously distorted in that huge amounts of labor and capital were diverted to the construction of such facilities far in advance of actual needs. Much of the funds provided were in the form of inflationary bank credit, with resulting excessive stimulation of business generally and support of prices at relatively high levels. Instead of the gradual lowering of prices that otherwise would have accompanied the great technological advances of that period, prices of finished goods were held up on a high plateau by the excess demand made possible by continuing inflation.

The speculative fever also spread to the securities markets, which by 1929 had become a gambler's paradise. The increasing bank loans to finance the mounting speculative activity became the inflationary source of huge gains, gains that soon appeared in the markets in the form of demand for fur coats, expensive cars, fabulous houses, and other luxury items.

Not for 200 years had there been speculation in securities comparable to the boom of 1928-29. We must go back to the Mississippi Bubble days in France (when John Law's easy money scheme brought widespread ruin) and to the South Sea Bubble in England, a similar situation, to find a comparable period.

In the light of the exposures since 1929 of developments during the boom years, it should not be necessary to belabor the point that serious maladjustments occurred. The frenzied finance of the Insulls, the Kruger & Tolls; the general conversion of leading commercial banks to purveyors of dubious bonds; the prostitution of the banking system generally to the services of speculation via the reckless expansion of real estate, security, and accommodation loans; surely most observers, in the light of hindsight, would agree that all these developments were serious maladjustments, unsound distortions, that had to be corrected if destruction of the economy were to be avoided.

From the experience of history we learn that failure to correct such maladjustments has more than once resulted in a complete disruption of economic activities with virtual paralysis of business and in many instances with an overturning of the existing government. Such was the case after the Mississippi Bubble burst in France; such was again the case when the inflationary paper currency, the assignats, fostered similar distortions nearly a century later; such was the case in Germany in 1923; and such was very nearly the outcome in France a few years later.

In our own country, we had experienced great speculations similar in some respects, if not so severe, on several occasions. Reckless real estate speculation, unsound banking, and widespread bank failures had been prominent features of several great "booms and busts."

What part did the gold standard play in the Great Boom that preceded the Great Depression? At least it provided a standard of value by which a few saner citizens could judge the extent of the distortions that developed. If their wiser actions did not prevent the "bust," they surely tempered it. Even at the worst of the decline in industrial production, reached in the summer of 1932, such production was still about two-thirds of the estimated long-term trend. Bad as this situation was, it was far better than the virtually complete cessation of business activity that presumably would have resulted if the Great Boom had carried on until the distortion had become even more serious.

Nor was adherence to the gold standard the cause of prolonging the depression, as is sometimes maintained. It was the domestic banking situation that must assume that responsibility. With the public's confidence in the banks at a low ebb and with sporadic bank failures initiating depositor runs on other banks in the vicinity, it is little wonder that even the sound bankers gave more thought to strengthening their cash positions than to serving the community in normal fashion. Thus, even applications for sound loans were apt to be refused and many banks sold bonds in a falling market to bolster up their cash in order to be able to meet possible deposit withdrawals. With accommodation at the banks extremely difficult to obtain and with an exceptionally weak market for securities, there was little chance of business recovery until many of the boom-time maladjustments had been corrected.

It may well be that inadequate measures were taken to restore the public's confidence in the banks and thus hasten business recovery. Even the efforts of the R.F.C., which might have been successful in 1932, were hampered by the publication of the R.F.C. loans to banks. However that may be, it was the unsound banking situation, not the gold standard, that accounted for the severity of the depression.

Moreover, the recovery that began in late 1932 and was interrupted by the bank moratorium of early 1933 was resumed with great speed until the definite abandonment of the gold standard in the summer of 1933. Then followed more than 18 months of indecisive fluctuations in business activity until the Supreme Court's "gold clause" decisions were rendered early in 1935. Not until then were doubts about the partial return to the gold standard resolved for the time being. A prolonged upward surge of industrial production followed for two years.

Thus it would appear that those who blame the gold standard for the Great Depression do so in disregard of the evidence provided in that and earlier periods. It is much as though an inebriate lying in the gutter were to blame the sound constitution that enabled him to survive his excesses instead of his own unwise actions for his resulting unfortunate condition.

[2] The next peak was not reached until early in 1945, but the recovery had brought business activity to a level well above its calculated long-term trend by 1941, the year when the prolonged period of subnormal business activity and severe unemployment ended.

Ford Motor Economist Sees Business Decline Coming to an End

T. O. Yntema, Vice-President-Finance, of Ford Motor Co., tells Petroleum Association "a great depression like that of the 30's is impossible."

T. O. Yntema, Vice-President-Finance, Ford Motor Company, holds there is a "good prospect the current business decline has just about run its course."

T. O. Yntema

Furthermore, he told a meeting of the National Petroleum Association in Cleveland, O., on April 15 "a great depression like that of the early 1930's is impossible now because of stabilizing factors in the present economy."

Mr. Yntema said one of the most important of these factors is an automatic tendency of the Federal budget to cushion and partially offset the ups and downs in the economy.

With a pay-as-you-go tax system, he said, Federal tax receipts decline in a depression while Federal expenditures tend to rise. This leaves more money in the hands of individuals and business in relation to the goods available for them to buy.

These other favorable factors were cited by Mr. Yntema:

The money and banking system is not subject to collapse.

The debt structure generally is much more sound.

The liquid asset position of individuals and business has improved.

The Federal government now recognizes a responsibility to prevent depressions. We have the economic "know-how" to implement such government responsibility.

Mr. Yntema maintained that "even a recession comparable to the 1937-38 decline is less likely now than it was in the past."

Toppers Schedule Annual Spring Outing

The "Toppers," an association of municipal bond traders in New York City, will hold their annual spring outing at the Montclair Golf Club on May 21.

Public Utility Securities

By OWEN ELY

Long Island Lighting Company

Long Island Lighting Company supplies electricity and gas to most of Nassau and Suffolk Counties, and the Rockaway Peninsula in Queens County, these areas being largely residential. Population served is estimated to exceed 1,300,000, having increased 55% in the last decade. Construction contracts awarded for new homes last year in the area amounted to some 40% of all the dwelling units contracted for in New York State.

About 75% of revenues are from electricity and about 25% from gas. Of the electric revenues about 55% are residential, 24% commercial, 13% industrial and 8% miscellaneous. About 81% of gas revenues are residential and 19% commercial and industrial. Substantially all the gas distributed is natural and reformed natural gas.

Although industrial revenues have more than doubled since 1948, and local employment substantially increased, the ratio of industrial to total revenues has remained fairly constant. The aviation manufacturing industry has widely expanded during the past decade and is the largest single industrial in the territory. Numerous plants have been erected by light industries, their employment absorbing much of the population increase. The majority of Nassau County wage earners are now employed within the county. The per capita income of the county is one of the highest in the State and Nation. Industrialization is rapidly spreading eastward into Suffolk County, although it remains an important farming and fishing area, having the largest agricultural income of any county in the State.

The company's capitalization, including the two recent sales of preferred stock (the more recent sale was a refunding operation) is estimated to be approximately as follows:

	Millions	Percentage
Long-Term Debt	$146	56%
Preferred Stock	37	14
Common Stock Equity: (5,520,499 Shares)	79	30
	$262	100%

Long Island Lighting was recapitalized in 1950 and the common stock record on the new basis is indicated in the accompanying table. Despite the very rapid increase in kwh. output and revenues, share earnings, if based on actual shares outstanding at the end of each year, have remained in a narrow range ($1.12 to $1.19). This has been due in part to the rapid increase in the number of shares, with new issues of common stock every year. Based on **average** shares outstanding, the figures were better, $1.28 for 1953, $1.26 for 1952 and $1.37 for 1951.

Share earnings are expected to improve when (1) the company obtains greater control over operating expenses; and (2) better results are obtained from the gas division, which is currently earning a rather low rate of return. With the completion of the big Hicksville administration building, the company now expects to "tighten up" on operating efficiency and achieve lower costs. Generating efficiency is improving rapidly: Btu's consumed per kwh. averaged 12,435 last year, but with the Far Rockaway unit installed the figure should now drop to 11,100, and by 1957 to 10,000. The production cost of about 5 mills per kwh. in 1953 is expected to decline this year 10% to 4½ mills—despite an increase in fuel cost to 35.9¢ (vs. 34.1¢) per million Btu.

There has been no dimunition in the company's rapid growth in 1954. Revenues for the first quarter were about 18% over last year and net income for the calendar year 1954 is estimated at over $9 million compared with $7.7 million last year. Allowing for an additional common stock issue next fall, this might be equivalent to about $1.35 on average shares, and perhaps $1.25 on shares outstanding at the year-end. The management hopes that in later years the figure may rise to $1.50-$1.75 if earnings on the gas division can be brought up to a 6% return on the rate base. Thus far relatively little has been done to build up the house-heating load and if greater progress can be effected in this direction, this should be reflected in net income. If earnings improve as thus anticipated, an increase in the present $1 dividend rate might be forthcoming in 1955. The stock is currently selling around 19 to yield 5.1%.

Year	Revenues (Millions)	Common Stock Record: Earnings	Dividends	Price Range
1953	$66.5	$1.16	$0.92½	18⅜-15½
1952	58.5	1.15	0.90	17⅞-14⅛
1951	52.6	1.17	0.60	15⅜-12⅜
1950	46.7	1.19	0.25	14¾-10¼
1949	40.8	1.12	Nil	
1948	37.4	0.88	Nil	
1947	30.9	0.61	Nil	

Pittsburgh Bond Club To Hold Outing

PITTSBURGH, Pa.—The Bond Club of Pittsburgh will hold its spring outing May 14 at the Rolling Rock Country Club, Ligonier, Pennsylvania.

Los Ang. Bond Club Annual Field Day

LOS ANGELES, Calif. — The Bond Club of Los Angeles will hold its annual field day at the Wilshire Country Club on June 11.

B. C. Morton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Sam Goldsmith has been added to the staff of B. C. Morton & Co., Penobscot Building.

Joins FIF Management

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Edward H. Pierson has become affiliated with F. I. F. Management Corporation, 444 Sherman Street.

Continued from first page

The Business Decline and Prospects for Early Upturn

1953 and February, 1954. The drop in personal incomes after taxes (including social security payments) in the same period has been only about $2.0 billion as an annual rate, or about 0.7%.

Personal incomes before taxes and, of course, after taxes as well, were still somewhat larger in February, 1954 than a year ago, but the difference was much smaller than is was a few months earlier. In October, 1953, for example, the annual rate of personal incomes before taxes was $9.9 billion above October, 1952. In February, 1954, the annual rate of personal incomes before taxes was only about $2.0 billion above February, 1953. The month of March, 1954 will probably be the first month in the recession in which personal incomes before taxes will be less than 12 months earlier. Even in March, 1954, personal incomes **after** taxes will undoubtedly be somewhat larger than in March, 1953.

Retail sales are also declining relative to last year. In January, the seasonally adjusted figures for retail sales were 2.6% below January, 1953; in February, they were 4.1% below February, 1953; and in March the preliminary figures indicate a decline of about 5% below March, 1953. The drop in retail sales is mainly concentrated in the durable goods industries. In March, 1954, sales in durable goods at retail were 12.0% below March, 1953, but sales of non-durable goods were only 2.0% below March, 1953. But apparel sales, when corrected for seasonal, were also 12.0% below March, 1953.

The total drop in gross national production since the peak of the boom in the second quarter of 1953 has been from an annual rate of $371.4 billion to an annual rate of about $359 billion, or a little more than 3%. Over $10 billion of the drop in the annual rate of production is due to a shift from the accumulation of inventories at the rate of over $6 billion a year to a reduction of inventories.

II

Features of the Decline

Let us examine briefly a few features of the recession. Four aspects of the recession strike me as particularly important: (1) the fact that we are using up goods faster than we are producing them; (2) the well-sustained demand for capital goods and construction; (3) the low level of retail sales in relation to personal incomes after taxes; and (4) the failure of the reduction in inventories to reduce the ratio of inventories to sales.

(1) The fact that we are using up goods faster than we are producing them.

At present goods are being bought by individuals, business, and government at the rate of more than $4 billion a year faster than they are being produced. In the last quarter of 1953, purchases of goods exceeded production by an annual rate of about $3 billion a year. At the peak of the boom in the second quarter of last year, goods were being produced about $6 billion a year faster than they were being purchased.

(2) The well-sustained demand for capital goods and construction.

In the first quarter of 1954 expenditures on plant and equipment by non-agricultural industries were slightly larger than in the first quarter of 1953 and, when adjusted for seasonal, were only 3% below the third quarter of 1953 — the high quarter for expenditures on plant and equipment. For the entire year 1954, non-agricultural business concerns plan to spend on plant and equipment only about 4% less than last year. This fact is confirmed by two surveys—the McGraw-Hill survey of last October and the Department of Commerce-Security and Exchange Commission survey of early March. The five months of business contraction between the two surveys did not produce an overall downward revision of plans for spending on plant and equipment—though in some industries, such as the railroad industry, there has been downward revision of spending plans.

The strong demand for construction is shown by new contract awards and by new housing starts. In January, 1954 new contract awards were 7% above January, 1953; in February, 20% above a year ago; and in March, 13% above March, 1953. They were also higher than a year ago in last October and November. In September and December, however, new contract awards were slightly below a year before.

New housing starts, when seasonally adjusted, have been increasing almost without interruption since last August. In August the seasonally adjusted annual rate of new housing starts was 962,000; in February, 1954 it was 1,180,000. The seasonally adjusted rate of new housing starts in February was the highest in 12 months. The March new housing starts show a small drop below February to an annual rate of 1,161,000, but still seasonally adjusted, the March starts are the highest, with the exception of February starts, since March, 1953. The rise of new housing starts in the face of declining business is most encouraging.

(3) The low level of retail sales in relation to personal incomes after taxes.

I have pointed out that personal incomes are still larger than a year ago, particularly personal incomes after taxes. Hence, it is noteworthy that retail sales for the last several months have been running below the corresponding months of last year. In this important respect the present recession differs from that of 1949, when retail sales held up quite satisfactorily.

(4) The failure of the reduction in inventories to cut the ratio of inventories to sales.

Between the end of last September, when inventories (adjusted for seasonal) reached their peak, and the end of February, total manufacturing and trade inventories when adjusted for seasonal, dropped nearly $1.7 billion—from $82.0 billion to $80.3 billion, or 2.0%. The drop in sales, however, has been proportionate to the drop in inventories so that the ratio of inventories to sales has shown no significant change. At the end of September, manufacturers, wholesalers, and retailers as a whole held $1.68 of inventories for each $1.00 of monthly sales; at the end of November, $1.71, and at the end of February, $1.72. Table I compares for different branches of industry the ratio of inventories to monthly sales at the end of September, 1953, at the end of last November, and at the end of February, 1954.

III

Prospects for an Upturn

What are the prospects for an early upturn in business? Industry plans to spend on plant and equipment in the second half of 1954 at an annual rate of about 5% below the rate of spending at the present time. The cash outlays of the Federal Government in the fiscal year 1954-55 will be about $4.4 billion less than in the present fiscal year. This means that the Federal Government's expenditures in the second half of 1954 are likely to be as much as $3 billion less than in the first half of 1954. With cuts in industry's outlays on capital goods and in spending by the Federal Government ahead, is there any prospect of an early upturn? There is no likelihood that the rest of the world will increase its purchases of our goods in the immediate future. This leaves three possible sources of revival:

(1) Larger spending by state and local governments.

(2) Larger spending for inventories and direct production by business concerns.

(3) Larger spending by ultimate consumers.

(1) Larger spending by state and local governments

State and local governments for the last six or seven years have been raising their expenditures by about $1.5 to $2 billion a year. The need for schools, roads, by-passes, bridges, enlarged water supply, hospitals, is very great. State and local governments may be expected to continue to increase their expenditures this year by about $1.5 billion to $2 billion. The outlook for considerably larger expenditures on much-needed toll roads is particularly bright.

(2) Larger spending for inventories and direct production by business concerns.

The reduction of inventories by business has been going on, as I have pointed out, for nearly six months. Inventories were not particularly large last year. Is not an early increase in production and employment inevitable just to bring current production up to the level of current consumption?

Although sales have been falling about as fast as inventories, so that at the end of February inventories (when adjusted for seasonal changes) were slightly larger relative to sales than at the end of last September, it does not follow that the reduction of inventories will go on indefinitely. A certain minimum of inventories is needed in order to make possible efficient business operations. Furthermore, in some fields of business sales have been holding up well. If business spends only 4% less on plant and equipment than last year, and if the number of new housing starts continues to rise, the enterprises supplying materials for construction and those engaged in making most forms of industrial equipment will not be able to cut inventories much longer. An end to the reduction of inventories will mean, of course, a rise in production and employment. Hence, even though expenditures on plant and equipment are

TABLE I

	End of Sept. 1953	End of Nov. 1953	End of Feb. 1954
Manufacturing	1.86	1.93	1.95
Durable	2.12	2.27	2.30
Non-durable	1.59	1.61	1.62
Wholesaling	1.29	1.30	1.30
Durable	2.05	2.05	2.02
Non-durable	.92	.94	.96
Retailing	1.64	1.59	1.62
Durable	2.24	2.11	2.24
Non-durable	1.32	1.30	1.30

smaller in the second half of 1954 than in the first half, production and employment in most of the capital goods industries may be expected to rise above present levels.

When managers decide that they do not wish to reduce inventories any further, a rather sharp reversal of business will occur, at least in the consumer goods industries. The decision not to reduce inventories will lead to an increase in production and employment. This will lead to increases in the demand for consumer goods and thus a tendency to reduce still further the inventories which the makers and distributors of consumer goods have decided have become low enough. Hence, further increases in production will be necessary to offset the unintended reduction in inventories. Just as it is extremely difficult in the early phases of contraction to prevent inventories from becoming larger than businessmen intend them to become, so it is likewise difficult in the early stages of revival to prevent inventories from becoming smaller than businessmen desire them to be.

(3) Larger, spending by ultimate consumers.

Consumer spending may be divided into three principal parts—spending for various services, spending for new houses, and spending at retail. Spending for services in recent years has had a strong tendency to grow. In the first quarter of 1954, spending for services was at the annual rate of $2.2 billion above the third quarter of 1953, the peak quarter of spending on consumption. In the meantime, spending on durable and nondurable goods has dropped by $3.1 billion as an annual rate. Spending on services includes some non-cash or imputed spending, such as imputed rents on owner-occupied dwellings.

The current survey of consumer finances shows that over three out of five persons expect their incomes in 1954 to be as large as in 1953, or larger than in 1953.[1] Nevertheless, the proportion of consumers expecting to buy houses or durable consumer goods is smaller than in 1953. Furthermore, the proportion of consumers who regard the present as a bad time to buy durable consumer goods continues to be high. It is slightly higher than last year, though smaller than in 1951 or 1952. More people regard the present as a bad time to buy durable goods than regard it as a good time. Finally, the proportion of consumers who expect prices to drop during the year has gone up. It was 31% last year and it is 36% this year. Table II summarizes the buying intentions and attitudes of consumers in recent years and in 1954.

Does not the fact that a smaller proportion of consumers intend to buy houses or durable consumer goods than last year and the additional fact that more consumers regard the present as a bad time to buy durable consumer goods than regard it as a good time indicate that an early revival of consumer demand is not to be expected? The reports of consumer intentions and attitudes, it is true, apply only to houses and durable consumer goods, but plans for buying non-durable goods are likely to be similar to those for buying durable goods. If consumers behave as the reports of the survey of consumer finances indicate that they plan to behave, then the outlook for business revival in 1954 must, indeed, be regarded as dark. With enterprises planning to spend less on plant and equipment and the Federal government planning to spend less, consumption expenditures hold the key to the course of business in the United States during the next few months. Unless these expenditures rise, business revival will not occur.

In spite of the fact that the survey of consumer finances does not seem to indicate a revival in spending for either housing or durable goods, I believe that spending for consumption will begin to increase sometime during the summer. This belief is based upon three principal reasons: (1) employment and personal incomes will experience some rise when business shifts from reducing inventories to producing at a rate of current sales; (2) consumer purchases will rise as short-term consumer indebtedness is reduced and as new borrowings by consumers become equal to repayments; (3) price reductions and improvements in products will lead consumers to change their buying plans.

The first of these three reasons, namely, the improvements in employment and personal incomes which will occur when the reduction in inventories ceases, has already been discussed. I have stressed the fact that, once managements decide to halt the cutting of inventories, the revival of demand will to some extent be cumulative. The second of my reasons for expecting a revival in consumer spending, namely the effect of debt repayments upon the demand for consumer goods, has received little attention. Until the end of last year, consumers were going into debt faster than they were paying off old debts. Indeed, January, 1954 was the first month in many months when the seasonally adjusted figures showed repayments of old debts exceeding new borrowings. Most of the decline in consumer debts in January was seasonal, but the seasonally adjusted figures show a drop of $90 million, or about $1 billion a year. This adjustment, however, is only a rough estimate. In February, installment credit dropped by $293 million and non-installment credit by $343 million. Most of the drop was seasonal. Nevertheless, in February, 1948, February, 1950, and February, 1953, total installment credit increased. The decreases in installment credit in February, 1949, in February, 1951, and February, 1952 were much smaller than the decreases this year. (Table III).

Large repayments of short-term consumer indebtedness will undoubtedly continue to be a depressing influence on retail trade for some months to come. During the summer, the final repayments will be made on the large volume of the two-year installment credit granted for the purchase of automobiles in the summer of 1952 after controls over consumer credit were terminated. By the end of the summer, however, there is a good chance that new borrowings will become as large as repayments. At that time retail trade will be released from the depressing effect of an excess of repayments over new borrowings.

But what about the plans of consumers to buy fewer houses and other durable consumer goods this year than last year and the unfavorable attitude of a large proportion of consumers toward present prices? Experience shows that the plans of consumers to buy houses and durable goods as reported at the beginning of the year are not necessarily final. Let us first consider planned and actual purchases of houses and then consider the planned and actual purchases of durable consumer goods.

The following table shows the number of non-farm spending units that planned to purchase new houses during recent years, the number that actually purchased new houses, and the number of new dwelling units started.[2]

The number of spending units intending to buy houses included those who had bought in the given year up to the time of the interview, the number who said they definitely would buy, and the number who said they probably would buy. (Table IV)

There are three striking facts about Table IV. One is that in every year the number of spending units that planned to purchase a new house was much greater than the number that actually purchased a new house. In 1950 and 1952, the number of intending purchasers was more than twice as large as the number of actual purchasers. A second feature of the table is that in every year the number of spending units intending to purchase new houses has been considerably greater than the number of new dwelling units constructed—in spite of the fact that a considerable part of the new dwelling units constructed were built to be rented. A third feature of the table is that the difference between the number of spending units intending to purchase new houses and the number of new dwelling units constructed was especially large last year. Intending purchasers were 1.8 million, actual construction was 1.1 million.

The analysis of the housing market would not be complete without a comparison of intentions to purchase used houses and actual purchases of used houses. Here one finds that the relationship between intention and practice is exactly opposite to that in the new-house market. Actual purchases in every year except 1949 are considerably above intended purchases. What apparently happens is that many people start out with the intention of buying a new house and end up with the purchase of an old house—probably finding that a dollar will go further in buying old houses than in buying new houses. Table V compares the intended and actual purchases of old houses in recent years.

This look at the housing market makes it plain that the potential demand for housing, new or old, at the present time is enormous—so large, indeed, that one can attach little significance to the drop in the intentions to buy houses, old or new, reported in the current survey of consumer finances. In the four-year period 1949-1952, the total number of spending units that intended to buy houses, new or old was 9.1 million; the number that actually purchased houses was 7.9 million. The look at the housing market also makes it plain that the principal competition to the new house comes from the old house. In the four-year period 1949-1952, less than half as many spending units which started out the year intending to buy new houses actually purchased them, but nearly half again as many spending units purchased old houses as started out the year intending to buy them. Put in another way, out of 5.6 million intending purchasers of new houses, there were 2.7 million actual purchasers, but in comparison with 3.5 million intending purchasers of old houses there were 5.2 million actual purchasers. The intending purchasers of new houses exceeded the intending purchasers of old houses by 2.1 million, or 60%, but the actual purchasers of old houses exceeded the intending purchasers by 2.5 million, or 93%. Could there be any more impressive evidence of the strong competition which old houses give to new houses and of the enormous potential market for new houses provided the prices of new houses are not too high?

A rough estimate of the number of non-farm spending units intending to buy new houses in 1954 is about 1.4 million to 1.5 million. This is considerably in excess of the new houses likely to be built—and also in excess of the number of new dwelling units built last year. Many of the would-be buyers of new houses in 1954 will undoubtedly end up by buying old houses—just as did intending buyers of houses in previous years. But certainly the new-house industry can be the bright spot in the economic picture in 1954 and can make a major contribution toward pulling the economy out of recession provided new houses are priced so as to meet the competition of old houses. Every part of the housing industry has a strong interest this year in getting the cost of new houses down to the lowest practicable figure.

Some economists have suggested that it is hopeless for the new-house industry to expand its market at the expense of the old-house industry. These economists argue that the supply of old houses offered for sale is quite independent of price (determined by deaths, desire of elderly people to move to smaller quarters, labor turnover) so that lower prices for new houses will mainly affect the prices of old houses but will have little effect upon the number of new houses or old houses sold. The sharp changes from year to year in the number of non-farm spending units actually buying existing houses indicates that the supply of old houses available for purchase does fluctuate and probably depends upon the prices and availability of new houses. Hence, the new-house industry does have a good opportunity to expand at the expense of the old-house industry.

What about the relationship between intentions to buy durable consumer goods and the actual purchases of durable consumer goods? Again one finds in the case of most articles a loose relationship, as Table VI shows.

The relationship between the intended and actual purchases of new automobiles seems to be fairly close with no definite tendency for one to exceed the other.

Some of the sharp year-to-year changes (such as the sharp drop from 1950 to 1951 and the sharp rise from 1952 to 1953) probably reflect changes in the availability of new cars. In the cases of used cars and of furniture and major household appliances, actual purchases greatly exceed intended purchases. This discrepancy may reflect the fact that many people do not plan their purchases of used cars and durable consumer goods a year ahead of time, so that intentions for a period as long as a year are bound to be understated. But the excess of actual purchases over intended pur-

Continued on page 36

TABLE II

Year	—Percentage of Consumers Expecting to Buy— Houses (New or old)	New Automobiles	Used Automobiles	Furniture or Major Household Appliances	—Percentage of Consumers Who Regard the Present— As a Good Time to Buy Durable Consumer Goods	As a Bad Time to Buy Durable Consumer Goods	Who Are Uncertain
1948	7.5*	9.7	4.1	27.4	--	--	--
1949	7.0*	11.8	6.8	30.9	--	--	--
1950	8.4*	10.6	6.9	28.4	--	--	--
1951	8.5*	6.6	5.5	27.4	33	49	18
1952	6.4*	6.8	6.0	32.2	22	52	26
1953	8.8*	9.0	6.2	31.9	34	38	28
1954	6.8*	7.8	6.2	26.8	35	40	25

*Percentage of non-farm spending units only.

TABLE III

Changes in total consumer credit and in installment consumer credit in recent Februarys were as follows:

	Total Consumer Credit (Millions)	Instal. Consumer Credit (Millions)
1948	—$ 74	+$ 78
1949	— 423	— 85
1950	— 209	+ 48
1951	— 404	— 179
1952	— 409	— 129
1953	— 170	+ 131
1954	— 636	— 293

TABLE IV

	Number of Non-Farm Spending Units Intending to Buy New Houses (Millions)	Number of Non-Farm Spending Units Buying New Houses (Millions)	Number of New Housing Units Started
1949	1.3	0.6	1,025,000
1950	1.9	0.8	1,396,000
1951	1.1	0.7	1,091,000
1952	1.3	0.6	1,127,000
1953	1.8	--	1,106,000

"Federal Reserve Bulletin," August, 1952, p. 862, and Survey of Consumer Finances Part III, Supplementary Table 13, pp. 8 and 10 (a reprint from the "Federal Reserve Bulletin," August, 1953) and "Economic Indicators," March, 1954, p. 18.

TABLE V

	Number of Non-Farm Spending Units Intending to Buy Existing Houses (Millions)	Number of Non-Farm Spending Units Actually Buying Existing Houses (Millions)	Excess of Actual Purchases of Existing Houses Over Planned Purchases (Millions)
1949	1.0	1.0	0.0
1950	0.8	1.4	0.6
1951	0.9	1.7	0.8
1952	0.8	1.1	0.3
1953	1.0	--	--

TABLE VI

Percentage of Spending Units Intending to Buy and Actually Buying

Year	New Automobile Intending to Buy	New Automobile Actually Buying	Used Automobile Intending to Buy	Used Automobile Actually Buying	Furniture and Major Household Appliances Intending to Buy	Furniture and Major Household Appliances Actually Buying
1948	9.7	--	4.1	--	27.4	--
1949	11.8	--	6.8	--	30.9	--
1950	10.6	9.9	6.9	14.3	28.4	41.8
1951	6.6	8.2	5.5	13.8	27.4	42.1
1952	6.8	6.8	6.0	14.9	23.2	39.3
1953	9.0	9.8*	6.2	--	31.9	--
1954	7.8	--	6.0	--	26.8	--

"Federal Reserve Bulletin," July, 1953, pp. 698, 701 and March, 1954, p. 249.

*This figure is a very rough estimate based on the assumption that 9/10ths of the 5,739,157 new passenger cars registered represented purchases by individuals rather than by business organizations.

1 The survey of consumer finances is made annually by the Board of Governors of the Federal Reserve System in cooperation with the Survey Research Center of the University of Michigan. The preliminary results of the survey of 1954 are published in the *Federal Reserve Bulletin* for March, 1954, pp. 246-249. The preliminary findings are based on approximately 2,800 interviews made in January and February in 66 sampling areas. The sampling areas include the 12 largest metropolitan areas. The results of this invaluable survey are worthy of careful study by all business policy makers.

2 A spending unit is a group of persons who are related by blood, marriage, or adoption, and who live in the same dwelling, and who pool their incomes for their major items of expense. A spending unit usually contains only one family but may contain more than one.

Continued from page 35

The Business Decline and Prospects for Early Upturn

chases means that people can be persuaded to buy, so that the reports on buying plans at the beginning of the year cannot be regarded as final. Furthermore, the fact that purchases of used cars each year greatly exceed the purchases of new cars, suggests that the new-car market can be well maintained provided new cars are made sufficiently attractive in quality and price to force a more rapid scrappage of old cars.

This analysis of the buying plans of consumers for houses, automobiles, furniture, and household appliances indicates that in the case of new houses the intentions to buy probably exceed the number of new houses that will be built. In the case of automobiles, furniture, and household applicanes, my analysis indicates that buying plans are likely to be revised upward. If consumers do limit their buying of cars, furniture, and appliances, as they told the interviewers in the survey of consumer finances they intend to do, they will bring about increasingly vigorous competition in the durable consumer goods industries, more and more cuts in prices, and, in some cases, improvements in quality. But the very success of consumers in forcing manufacturers and retailers to cut prices and to improve quality will lead consumers to purchase more goods than they now intend to buy. Particularly encouraging is the evidence of a strong underlying demand for new houses provided the price is competitive with old houses, because experience has shown that the purchase of new houses leads to the purchase of many things.

IV
Role of Government

What should the government do about the recession? My analysis indicates that revival should come in a few months without any assistance from the government beyond the tax cuts already made and the policy of easy money. Does it follow that no additional steps are needed from the government to halt the recession and to hasten the revival? I think not.

There are two reasons for this conclusion. One is that it is reckless, not conservative, to base public policies upon one's most optimistic expectations. There is too good a chance that these expectations may be wrong. Although at present there are good reasons for expecting that the recession will continue mild and that the upturn will come soon, the possibility of several bad months cannot be ruled out. Certainly it is possible that business concerns will begin to cut their capital expenditures while consumers are still reducing their debts and while managers are still endeavoring to cut inventories. The combination of these three deflationary influences could produce a sharp contraction. The other reason why I believe that a more active government policy against the recession is needed is because it is wasteful and inhuman to tolerate unnecessary unemployment—that is, unemployment beyond the inevitable frictional unemployment.

One might argue, it is true, that some anti-recession policies, such as additional tax cuts for consumers, might prevent the price cutting and improvement in quality that I have argued are needed to stimulate consumer demand. I do not believe, however, that this result would follow provided tax cuts were kept moderate. Suppose, for example, that Congress, instead of cutting the so-called retailers' and manufacturers' excises down to 10% (with a few exception), had eliminated these taxes altogether. The purchasing power of consumers would have been raised by about $2.5 billion a year, or about $1.5 billion a year more than it was raised by the recently-enacted tax cuts. The gain in consumer purchasing power would not have been large enough to have converted the present buyers' markets into sellers' markets and thus to have weakened seriously the incentives of manufacturers and retailers to cut prices and to improve the quality of goods. But the deficit which tax cuts of about $2.5 billion a year would create in the cash budget of the Federal Government would be about as large as the deflationary effect caused by the excess or repayments of consumer indebtedness over new borrowings. Hence, the deficit would roughly offset the deflationary effect of the repayment of consumer indebtedness. Furthermore, the efforts of business concerns to reduce inventories would be assisted and the day would be brought nearer when managements felt justified in ceasing their efforts to cut inventories still lower. The rise in production, employment, and incomes which would follow abandonment of attempts to reduce inventories would be considerably larger than the loss in revenue from the excises.

The fact that tax cuts would create a deficit in the cash budget is regarded by many people as an argument against making them. As a matter of fact, it is an argument in favor of them—provided, of course, the tax cuts are not too large. When the markets of industry are being limited by the repayment of consumer indebtedness, new borrowing by the Federal Government, business concerns, or state and local governments is needed in sufficient volume to offset the effects of the repayments. In addition, new borrowing is needed at all times in sufficient volume to make the money supply grow as fast as the productive capacity of the country grows. This means that the earning assets of the commercial banks ought to grow at the rate of about $3 billion a year. But in order for the assets of the banks to grow, some one must be willing to go into debt.

The proposals of various members of Congress that the purchasing power of consumers be increased by raising the exemptions in the personal income tax impress me as undesirable. Some of the proposals go too far—thus to raise exemptions by $200 would increase consumer purchasing power by about $5 billion a year, which is undoubtedly more than is needed to halt the contraction. More serious is the fact that raising the exemptions does not give tax relief where it is needed most—namely, in the high marginal tax rates. The proportion of additional dollars earned by persons in the high income brackets which is taken by the government threatens to reduce the incentive to earn additional dollars. Hence, whenever it becomes possible to cut the personal income tax, the reductions should take a form which cuts the marginal rate of taxation. A reduction of a given per cent in the total income tax liability of every taxpayer would cut the marginal rates of taxation and would, therefore, be a desirable form of tax relief.

Although an upturn in business is not many months away, I hope that the Administration will ask Congress promptly to eliminate the rest of the retailers' and manufacturers' excises, or else to make a small across-the-board reduction in the income tax. It is wasteful, as I have pointed out, to tolerate unemployment of a million or so above the normal frictional unemployment. The country today ought to be producing at the rate of at least $6 billion a year more than it is doing. But it is worse than wasteful to tolerate unnecessary unemployment—it is inhuman. In this day and age when the volume of employment can be controlled in considerable measure by public policies, a humane nation will hold to strict account a government which allows a million or more of its citizens to go without work when appropriate public policies would give them jobs. It is difficult for the government to determine precisely how much to do and when to do it, but in dealing with recessions it is far preferable for the errors to be in the direction of doing too much, too soon than in the direction of doing too little, too late.

25th Anniversary for Frozen Food Industry

Secy. Benson and others hail progress made since 1929, when Clarence Birdseye's patents were acquired by General Foods Corp.

Secretary of Agriculture Ezra Taft Benson hailed the accomplishments of the frozen foods industry as some 500 leaders in this industry, in agriculture and in government, gathered at a dinner at Washington on April 13 to mark the celebration of the 25th Anniversary of this industry. Host at the dinner was the Birds Eye Division of the General Foods Corporation, which was formed in 1929 when the corporation acquired patents and know-how from Clarence Birdseye, pioneer scientist in this field, and thus embarked upon the building of a new American industry.

Ezra Taft Benson

Secretary Benson pointed out that in 25 years this industry has grown from a single plant to an industry which today includes 1,400 processors, 235,000 retail outlets and last year did a volume of more than $1 billion. He presented to Charles G. Mortimer, President of General Goods, a citation from the Agriculture Department, which said that the industry's progress "is marked with milestones of history-making achievements that have resulted in making available to the people of this land vast quantities of nutritious, high-quality, quick frozen foods."

In accepting the citation for his company, Mr. Mortimer reviewed some of the reasons for the success of the frozen foods industry, crediting first of all the prodigious appetite of Americans for the better things of life, which he said, is at the root of much of the nation's prosperity.

"It goes without saying that without the American appetite, that unquenchable desire for better, easier, more graceful living, frozen foods didn't have the chance of the proverbial snowball in its colloquial setting," Mr. Mortimer said. "But in the true American tradition of emancipation, the women folk wanted all the freedom they could get from the kitchen chores. And they were willing to pay a premium for the built-in quality and value of frozen foods, even in the penny-pinching days of the depression."

Mr. Mortimer said the industry could not have moved forward as it did without the aid of agronomists, farmers, engineers and researchers, equipment manufacturers, processors and packers, wholesale and retail distributors, journalists of magazines and newspapers and the Department of Agriculture, all of whom he praised for their help in developing the frozen foods industry.

Securities Salesman's Corner

By JOHN DUTTON

"Proof of the Pudding Is in the Eating"

Every once in a while a reader of this column will write us a nice letter and being human we appreciate it. All the more so when someone tries out a suggestion made here and it proves successful. Because of the figures given here and the names mentioned I will refrain from mentioning the name of the writer of the following letter, but since he so kindly tells us that he is a regular reader he will understand that I am using his letter as an illustration of the effectiveness of personal service along the lines suggested herein.

Mr.________________v.p.

Name of Mutual Fund (deleted)

In the Feb. 4th edition of the "Commercial & Financial Chronicle" the following article appeared in John Dutton's column, "Securities Salesman's Corner."

"Income Tax Time Can Pay You Dividends"

There are some people who will appreciate your assistance in preparing their income tax. Others will not. The ones who will, can repay you many times over in radiation and also in direct business for the time you spend with them. Many women will especially be grateful to you for your help in preparing their tax forms and if you once have their confidence to the extent that you know their entire financial situation (as will be revealed to you when you sit down with them and make up their report) you can be quite certain that you will obtain business from them. Quite often, these interviews reveal opportunities for doing business that would not otherwise come to light. Go over your list and pick out some of the most likely prospects that you think would like to have your offer of assistance. Time spent in helping others is money in the bank. (unquote)

For some years I have realized the value of Mr. Dutton's suggestion and have tried to capitalize on it. This year, with the help of Mrs. __________, my secretary, I have assisted approximately one hundred Mutual Fund clients with their income tax returns.

A part of my personal production of Mutual Fund sales from March 1st to April 6th—27 working days—is the following:

12 new accounts, all from radiation, totaling $48,657.90 and there are still 11 more radiation prospects that I have not had time to contact. In addition to the above, I made 30 sales which were repeat orders on former radiation sales, totaling $43,133.42. These 30 orders all came by telephone without any solicitation whatever on my part.

Summary

Total orders	42
New accounts	12
Total volume	$91,972.32

The foregoing letter speaks for itself. In the final analysis there are only two reasons why people remain your customers. First they like you and believe in you because they have confidence in you. Second, they remain customers when they find out that you are interested in their welfare—when you show it by your acts you can throw away the books on salesmanship—that's all you have to know. When you sell good investment securities that pay regular and steady returns to them that clinches it.

Blair, Rollins Co. Elects Officers

At the annual meeting of shareholders of Blair, Rollins & Co. Incorporated, 44 Wall Street, New York City, Joshua A. Davis, formerly chairman of the executive committee, was elected chairman of the board. Emmons Bryant was re-elected president.

Three new directors were elected at the meeting. They are H. C. Maginn, of San Francisco, and Urban D. Mooney and Frank Lynch, both vice-presidents of Blair, Rollins. Re-elected to the board of directors were Mr. Bryant, Frank B. Bateman and James J. Sullivan, who was also re-elected executive vice-president of the firm.

Municipal Bondwomen To Hold Outing

The Municipal Bondwomen's Club of New York will hold their annual outing on June 25th at the Rock Spring Club, West Orange, N. J.

Joslyn, Sloane to Be Weinress Partners

CHICAGO, Ill.—On May 1st George R. Joslyn and Harvey Sloane will become partners in Weinress & Company, 231 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Joslyn is manager of the firm's trading department.

Two With Hamilton

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Jack K. Austin and James W. Dunn have been added to the staff of Hamilton Management Corporation 445 Grant Street.

Joins Dominion Securities

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Lowell A. Warren, Jr., has become associated with The Dominion Securities Corp. He was formerly with First Boston Corporation.

Joins J. S. Kimball

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Mildred B. Spering has joined the staff of J. S. Kimball & Co., 24 Federal Street.

Resident Partner in Chicago For Dean Witter & Co.

CHICAGO, Ill.—Dean Witter & Co. announce that William M. Witter is now associated with the firm's Chicago office, 111 West Monroe Street, as Resident Partner.

Midwest Exch. Member

CHICAGO, Ill.—The Midwest Stock Exchange today elected to membership Byron W. Hunter of Chicago, Ill.

Robert P. Martin

Robert P. Martin partner in Davenport & Co., Richmond, Virginia, and a member of the Richmond Stock Exchange, passed away on April 12th.

Continued from page 10

U. S. Economy in Excellent Shape

progress will follow and that much of the uncertainty which some may still feel about customs administration and trade policy will be removed.

III

Joint Committee on Trade and Economic Affairs

As you know, the Joint United States - Canadian Committee on Trade and Economic Affairs is a special committee of cabinet officers appointed by our respective governments to meet and discuss in broad terms economic, trade and currency problems and the means for their equitable solution. As Secretary of the U. S. Department of Commerce, I was appointed to serve on that committee.

We held our first meeting in Washington on March 16 and examined with candor and friendliness the trade and economic problems which are common to both countries. The official communique has been published. You, therefore, are aware of its contents. In particular, we affirmed that it is the continuing policy of the governments of Canada and the United States, in disposing of agricultural surpluses abroad, to consult with interested countries and not to interfere with normal commercial marketings.

The teamwork of Canada and the United States in this Joint Committee on Trade and Economic Affairs, in the Permanent Joint Board of Defense and other types of cooperation are signs of unity and an assurance of slow but steady solution of all our problems, defense, trade and all others.

IV

Economic Conditions and Outlook

A further factor reflected in trade relations of Canada and the United States is the economic condition of our respective countries.

You are cognizant of your own situation. Because exports represent between 20 and 25% of your national income, your economy is likely to be more sensitive to fluctuations in the economies of all other nations, but more especially of the United States, which buys more from you than do all the nations of the British Commonwealth, Europe and Latin America.

Let me describe with frankness and sincerity the economic picture of the United States as it appears to me.

As you know, the output of goods and services in 1953 was reckoned at $367.2 billion, the highest in our history. In the second half of the year transition from a Korean War economy to a peace economy began. Emergency preparedness efforts were replaced by a continuing defense program on a sustainable level.

Naturally it was recognized that following the slow-down of the earlier defense expansion, certain readjustments would occur in the civilian economy. Some of these readjustments are over and others continue.

The annual rate of national output has gone down, but the decline so far has been moderate. Even so, we are operating at a current rate a bit below $330 billion. The total for the year 1952 was $348 billion. So we are much better off than two short years ago.

Let us examine a few more yardsticks. Our very latest survey of expectations for new plant and equipment indicates that business plans capital expenditures almost as high as in peak 1953—the sum of $27.2 billion only 4% less than last year.

The latest figures show that construction activity in February on a seasonally adjusted basis was up both from January and from February, 1953.

Our recent surveys report business sales expectations in general to approximate those of 1953. Durable goods producers expect an 8% dip; utilities expect a 10% jump.

Employment in other than agricultural establishments in February was lower by 120,000 than for January. The reduction was primarily in manufacturing with construction showing some improvement. Estimated unemployment rose more than seasonally to 3,671,000. Total employment has increased to 60,051,000.

Total consumer spending thus far in the first quarter has kept pace with the fourth quarter rate. The decline in durable goods purchases has been offset by a rise in services.

Personal income in January was at the annual rate of $282.5 billion, less than 2% below peak July and $2 billion above January, 1953. The recent tax reduction has kept disposable income at the same rate as at the end of 1953.

Without the slightest intention of seeming unduly optimistic or of boasting, I cite the facts to reassure you that your best customer in reality is in excellent shape.

Before we consider additional plus factors, I believe you may want me to describe briefly the attitude of the Eisenhower Administration with respect to the economy.

The people of the United States are of one mind never to drift into an old-fashioned depression. They rely on free enterprise as their normal economic system. But in case of signs of a serious recession, they expect their government in support of private enterprise to use every feasible weapon in the economic arsenal, just as government mobilizes every material and human resource to fight a war.

We are employing the power and persuasion of government to create an environment encouraging to economic growth. But if at some future date adverse conditions should require additional prompt, vigorous direct action, we shall not hesitate to use new monetary policy, new tax revisions, new incentives to business expansion and employment, large scale public works and whatever further public spending and legislation are needed to cope with an emergency. This assurance, in itself, is a spur to business confidence.

In addition, the Administration's program for 1954 presents numerous recommendations to the Congress for sustained economic growth.

In a nutshell our objectives are: (1) to make steady jobs, through providing incentives to business investment in plant, equipment and other means of productivity and (2) to place more money in consumers' hands, through tax revisions, expansion of unemployment insurance and other job security and human welfare assistance. Already tax reductions since Jan. 1, have left $5 billion of tax savings in the pockets of the people to increase their purchasing power this year.

Included in our program are measures to strengthen the economy through new housing incentives—a fact of interest to your lumber industry—through slum clearance, agricultural supports, ship and highway construction subsidies.

Finally an appraisal of the economy of the United States requires a look into the future—not into the crystal ball but at the known facts. For confidence in the future prompts people with a high per capita income—such as yours and ours—to spend money on desirable goods, renovations, new homes, factories, stores, offices, farms and expanded services. The sun is shining on the other side of the mountain and in confidence we are going ahead.

Although the percentage pace in population growth does not equal your remarkable recent record, since 1940 our population has increased 30 million—the equivalent of adding to the United States market the entire population of two Canadas.

Today our population is 161.5 million. By 1960—only six years hence—our census experts estimate a population of 175 million. Every person, from baby crib to elders' easy chair, will be a potential consumer of goods produced at home or purchased in trade with Canada and other exporting nations.

Steadily, year by year, our competitive enterprise system is remaking the residential and industrial map, transforming old industries and creating new, providing new job opportunities and new markets, including increased desire for imports.

Confidence in this technological revolution and population growth has encouraged private industry to invest in new plant and equipment since the end of World War II the huge sum of $180 billion. In 1953 expenditures in this category were $28 billion.

My friends, as you look at natural resources developed at record rate in your limitless country, to say nothing of your amazing industrial growth, and as we in the United States look at our growing population and dynamic industrial potential, don't let any pessimist ever persuade either of us that we're on the wrong track. We've both got a bright future. The best years of our lives are ahead.

V

Atomic Power for Peace

The greatest stimulant to world trade would be enduring peace guaranteed by honest treaties and by the mutual good will of the governments and the peoples of the earth. In order to thrive, we do not have to have a war economy built on soldiers' graves and broken families. Genuine peace would unleash such a Niagara of business activity and global trade as would lift the living standards of the entire world.

Appreciation of the devastating power of the nuclear weapons was apparent to all the world in the test explosions in the Pacific. The people of North America saw in the giant mushroom of smoke and flame renewed assurance that their continent is safeguarded.

The awesome modern pillar of fire—as in Bible days—could be a boon instead of a curse.

President Eisenhower has proposed that the nations contribute to a common reservoir from their stockpiles of normal uranium and fissionable materials. The door is kept open to Russia to join the rest of us in applying atomic energy to industry, medicine, agriculture, electric power development and other peaceful pursuits.

The people of Canada, where uranium is dug, fervently pray for such a transformation. So do the people of the United States, where bombs are made. I believe with all my heart that the common people of Russia yearn for this outcome as earnestly as we.

Therefore, let us persevere in efforts to prove our good faith regarding atom peace to those behind the Iron Curtain.

If we patiently try, the Soviet Government may join those of Canada, the United States and all friendly nations in finding the means of diverting the vast power of the atom from a weapon of doom to an instrument of limitless blessings for all mankind.

In closing, let me repeat: Canada and the United States—two separate, independent nations—are demonstrating the power of friendship and the glory of freedom.

Since the end of the great war you have made a world record in swift industrial development—and you have done so without manufacturing a single slave chain. In the United States the value of the output of goods and services in 1953 never has been equaled in history—and we reached the peak without the regimentation of dictatorship.

The ideals of both of us stem from our heritage and from our economy, our schools, our churches and our homes. With those ideals in our hearts we shall go forward together, contributing our share of all that is best in the New World for the welfare of all mankind.

With Founders Mutual

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Marvin S. Spracklen has joined the staff of Founders Mutual Depositor Corp., First National Bank Building.

Paul Yarrow Joins Hooker & Fay

SAN MATEO, Calif. — Paul Yarrow has become associated with Hooker & Fay, members of the New York and San Francisco Stock Exchanges, as manager of the San Mateo office, 205 Fourth Avenue. Mr. Yarrow was formerly a partner in Ellis & Yarrow of Phoenix. Prior thereto he was manager of the trading department of the Chicago office of E. F. Hutton & Co. and of Clement, Curtis & Co.

Paul Yarrow

Joins Renyx, Field Co.

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.— Herbert J. Snegosky is with Renyx, Field & Co., Inc.

Tax Revision Bill Seen Benefiting Individuals

April issue of the "Monthly Bank Letter," published by the National City Bank of New York, points out reduction of tax on dividends is only one feature of new legislation.

Commenting on the Tax Revision Bill now before Congress, the April issue of the "Monthly Bank Letter" of the National City Bank of New York points out the relief of double taxation of dividends is only one of several features in the proposed measure which will benefit individuals. To gain perspective, the "Monthly Bank Letter" states it is necessary to look at the program as a whole which, as the table shows, affords a release of around $7 billion revenues or just about the amount that government outlays are being reduced this year:

1954 Tax Program
(Figures in Billions of Dollars)

	Corporations	Individuals
Jan. 1 personal income tax reduction [1]		—3.0
Dec. 31 expiration of EPT [2]	—2.0	
April 1 excise tax reduction		—1.0
Tax Revision Bill:		
Dividend credit [3]		—0.2
Other benefits to individuals [4]		—0.5
Corporation depreciation allowance [5]	—0.3	
Other benefits to corporations [6]	—0.3	
Totals	—2.6	—4.7

1 Expiration of increases under Revenue Act of 1951.
2 Expiration after 6 mos. extension from original June 30, 1953 expiration date. The estimate of revenue loss is subject to a wide range of error.
3 Revenue loss $240 million in fiscal 1955; $642 million in fiscal 1956; and $814 million when fully operative.
4 Improvements in tax treatment for working children, child care expenses, doctors' bills, pensioners, farmers, etc.
5 Allowance of more rapid depreciation in early years will increase tax revenues in later years.
6 One-year extension of period in which business can offset losses against profits for tax purposes, reducing the tax load on certain types of business income earned abroad, etc.

"It will be observed that nearly two-thirds of the benefits out of the whole program go to individuals. The 'other benefits to individuals' include better tax treatment for working children, child care expenses, doctors' bills, pensioners, farmers, etc. Apart from the expiration of the excess profits tax, the main benefits to corporations is permission to shift ahead deductions for depreciation and depletion, a change that should yield increased revenues in years to come. On the other hand, the partial relief from double taxation of corporate dividends would scale upwards over three years for a calculated ultimate revenue loss of $814 million a year.

"It is this dividend proposal—costing $240 million revenues in fiscal 1955—that the minority party in the House would have discarded in favor of an increase in personal income tax exemptions from $600 to $700 at the cost of a revenue loss of $2.3 billion. The calculated deficit by this substitution would thus be enlarged by roughly $2 billion.

"The relief from double taxation of dividends would work briefly as follows: In 1956 an individual would exclude from his taxable income dividend income up to $100, calculate his tax in the usual way, and then subtract from his tax bill 10% of the amount of dividends included in his taxable income. The plan would become effective in a graduated way beginning Aug. 1, 1954 and would be fully effective in the calendar year 1956.

"The Ways and Means Committee report points out that this formula affords greater relief for the low-income investor than for those at higher income levels:

"The method of relief from double taxation selected by your committee is a modification of the dividends received credit adopted in Canada in 1949. However, the present Canadian credit is 20% instead of the 10% provided in this Bill. Moreover, limiting the credit to the amount of taxable income, when it is less than the amount of dividends, is a restriction not imposed under the Canadian system. On the other hand, the dividend exclusion provided by your committee's Bill is more liberal than the Canadian method for persons receiving small amounts of dividend income."

Continued from page 3

Factors Affecting the Trend Of the Economy

tion is relying upon the following sustaining factors to maintain our economy at current high gross national product levels of approximately $360 billion while effecting important shifts in demand between the various component areas:

(1) Extraordinary expansion of population.

(2) Statistically high backlog of housing demand.

(3) Stimulation of investment in factories, machines, and public services as population rises.

(4) Investment outlays in agriculture as population rises.

(5) Public construction needed now: schools, hospitals, highways.

(6) Business cost reductions and price policies which pass a share of the benefits on to the ultimate consumers.

(7) A high propensity to consume or invest on the part of those receiving the annual income.

Since last spring government officials, agricultural leaders, business leaders, and economists have debated the soundness of President Eisenhower's premise for sustained business activity and employment in the United States. While this theoretical and statistical battle of conflicting opinion waged, unemployment levels rose somewhat and product demand in many areas declined further. As the economic picture darkened, fear entered the minds of many people that an important recession, and even possibly a depression such as the United States experienced in 1932, might be imminent. Interestingly, throughout this entire period, industry leaders particularly the heads of large United States corporations vigorously pursued their expansion plans and activated those plans in the face of rising negative economic psychology. Nevertheless, unemployment statistics edged upward. Prevailing pessimism was reflected in a decline in the stock market during 1953.

The Employment Act of 1946

In anticipation of just such a possible reoccurrence of depression tendencies in the United States economy, Congress passed The Employment Act of 1946. The purpose of this Act is to provide an insight into economic developments in advance of crises sufficient to enable Congress to take steps to counteract any rise in unemployment. This Act provided the President of the United States with a Council of Economic Advisers to keep him continuously informed as to the health of the economy and it provided Congress with an independent group of economists for the same purpose. The Congressional economists are associated with the Joint Committee on the Economic Report.

With the assistance of his Council of Economic Advisers it is hoped that the President will be able to detect any weaknesses developing in the economy and will report these weaknesses to the Congress. This the President has done each year since the Act was passed.

Congress, with the assistance of its economists, reviews the President's reports and takes steps to implement either his recommendations or recommendations which Congress feels would satisfy the economic needs of the country under the existing circumstances. In the past, to sustain employment levels, Congress has relied mostly upon the highly inflationary measure of having the government purchase more goods and services than it was able to pay for from current receipts. Thus the United States has experienced a deficit in its annual budget for several years.

The Council of Economic Advisers informed President Eisenhower, prior to his report to Congress in January of this year, that most of the economic trouble causing the rise in unemployment during the latter part of 1953 centered in the decline in the rise in business inventories. Since all other basic areas of product demand in our economy appeared strong and vigorous, the Council felt that the weakness in the inventory segment was not a serious weakness and that after a short period of time it would correct itself. Thus they reasoned that, pending the development of further weaknesses in the basic demand areas, our economy should remain strong. Hence, important compensatory steps of an economic or financial nature by Congress at this time, they feel, are unnecessary. In fact, they feel that such steps might be detrimental in that they might have inflationary consequences. President Eisenhower so reported and so recommended to Congress in January, 1954.

Many highly competent individuals in all walks of life have expressed opposition to this analysis. Many of these opposition opinions are very sound economically. Some economists feel that whereas the information given President Eisenhower by Dr. Arthur F. Burns and his staff, is correct, the accelerating force of a rise in unemployment, regardless of its cause, particularly at this time, will generate widespread weakness in the fundamental demand areas and that depression will be upon us so quickly that unless we immediately initiate economic and financial counter moves there will soon be serious widespread unemployment. Government counter measures will then be too little and too late.

A dramatic emphasis was recently given this opposition view when the National Industrial Conference Board brought Professor Colin Clark of Oxford, England, a strong exponent of this opposition view, to New York for forum discussions of his views. Interestingly, the event lost much of its vigor because Professor Clark modified considerably the intensity of his fear of depression in open discussion. Nevertheless, there can be no doubt as to the importance of being correct in our analysis at this time, and that the correct action be taken.

Many statistics are now available on the United States economy for the entire year 1953 and they indicate that the Council of Economic Advisers was correct in its analysis that the weakness centered mostly in the business inventory section. Table I shows that practically all areas of demand held, but that within the gross private domestic investment component, business inventories declined $6.1 billion during the last three months of 1953. In contrast to a rise of $8.5 billion in the fourth quarter of 1952 the result is an effective decline over the year of $11.5 billion in demand from the business inventories segment of the economy. Since an effective decline of $6.1 billion in business inventories took place from the third quarter of 1953 through the fourth quarter of 1953, the major impact of the decline occurred at that time. In fact, the year 1953 was characterized by beginning at a gross national product level of $361.1 billion, rising to $371.4 billion by the end of the second quarter and then declining to close the year at about $363.5 billion. (Gross national product statistics are from "Economic Indicators," February, 1954.)

Even though the Council of Economic Advisers feels that this decline in inventories will be self-correcting, they, nevertheless, advise that the economic situation be carefully studied, and if weaknesses of a fundamental nature develop that steps be taken to counteract them. For instance, they recommend that plans be made to ease credit further, to provide for expanded public works, and to provide for a reduction in personal taxes, particularly at the low income level. The Council of Economic Advisers apparently already has plans for initiating road, airport, dam, and hospital construction. At the same time several measures are recommended for aiding and stimulating activity in the area of capital formation by business.

Those who feel that more vigorous economic measures should be taken by the Administration and Congress at this time sponsor the same type of corrective measures favored by President Eisenhower and his Council of Economic Advisers. Almost entirely, the difference in opinion is one of timing. It is felt by those who would act differently that the corrective measures favored by President Eisenhower in the event of the detection of further weaknesses are principally the measures that should be taken, but that the measures should be taken now. The principal reason why President Eisenhower and his Council of Economic Advisers feel that these measures should not be taken now is because they feel that unemployment will not rise much higher, and that if these compensatory measures are taken now we will get inflation. Therefore, the economy would gain nothing from the standpoint of alleviating unemployment but it would suffer the consequences of the resulting inflation.

Premise of Joint Committee on The Economic Report

The report Feb. 26, 1954 by the Congressional Joint Committee on the Economic Report, represents a very interesting economic and statistical support of the opposition premise. The report holds that after the correction of the current inventory adjustment, overall demand, as now scheduled or anticipated by the various component areas, will be insufficient to maintain the levels of employment anticipated by the Employment Act of 1946. It is, by the way, interesting to note that throughout this entire report the term "maximum employment" is used. There is some question as to whether it is sound for us to interpret the spirit of the Employment Act of 1946 as predicated upon the maintenance of "maximum" employment. Very likely in our free economy, a certain amount of unemployment, particularly when it is of a frictional nature and not involuntary, is normal. In fact there is a feeling among many economic thinkers that the aim of the institutional structures created by the Employment Act of 1946 should not be the maintenance of **full** employment, but rather the assurance of continued growth in our economy leading to constantly higher per capita standards of living.

Table II shows the summary of the nation's economic budget for maximum employment and production for the actual fiscal year 1953, and for the estimated 1954 and 1955 years as presented in the Joint Committee report. This is not a forecast of the gross national product and its components for those years, but rather constitutes a model showing the amount of product demand necessary to maintain our present high employment levels versus the amount of demand we can reasonably expect with present demand trends.

Since this model shows that a deficiency in demand between the amount needed and the amount likely to develop if present economic forces are not supplemented, the conclusion of the study is that vigorous steps should be taken at this time by Congress and the Administration in order to stop any further rise in unemployment. Interestingly, the steps recommended to be taken are those President Eisenhower and the Council of Economic Advisers have already stated they are in favor of taking in the event that weakness should develop.

Thus, the difference in thinking centers on **timing**. The President and his Council of Economic Advisers, relying upon the expected strength of sustaining forces, maintain that no compensatory aid is necessary now. In contrast, the Joint Committee submits a report showing that weakness will develop, and, in fact, is in the process of developing at the present time. They maintain that this weakness is fundamental and will continue through 1954 and 1955. They want action immediately; hence there is strong support in Congress for raising the personal exemptions in the income tax act and for reducing taxes in other areas—particularly excise taxes.

In summary, the findings of this Joint Committee report are as follows:

"On the basis of the assumed labor forces, employment, hours and productivity, national production in fiscal 1954 could total $365 billion and in fiscal 1955, $373 billion."

"Demand for national production, on the basis of estimated present trends, plans, and expectations, however, is estimated to total $363 billion in fiscal 1954 and $360 billion in fiscal 1955."

"This summation of projections (in Table II) indicates the possibility of inadequate total demand to sustain 'maximum' employment and production amount to $2 billion in fiscal 1954 and $13 billion in fiscal 1955. If this estimate of public and private programs is in the correct order of magnitude, for the first time in several years these programs add up to less demand than the economy can satisfy at 'maximum' levels of employment and production."

Continuing further the Joint Committee states:

"This analysis suggests that if present consumer-savings patterns and estimated business investment programs are not changed, they will lead to one, or a combination of, the following results:

"(1) **A Further Voluntary Reduction of the Labor Force.** It is conceivable that additional numbers now in the labor force will choose to return to school, to the household, and to the retirement rolls as they have in the past year. Furthermore, it is possible that a decline in hours of work per employee might occur instead of some of the reduction in employment. If such withdrawals alone were to bring about the adjustment, they would have to amount to about two million individuals or a reduction of hours sufficient to reduce total manhours of work by about the same amount. Unless offset by higher wage rates, this would reduce total take-home pay, and hence cause a further fall in consumer purchasing power and probably some decline in demand for goods and services.

"(2) **An Increase in Unemployment.** If all or most of this adjustment is expressed in unemployment alone, there would be an increase of perhaps two million from present levels. This could raise total unemployment in the winter of 1954-55 to between four and four and one-half million on a seasonally adjusted basis—approximately the same as during the 1949-50 adjustment on the Census Bureau 'old sample.' On the 'new sample' it could amount to about five million. The secondary effects of such unemployment are difficult to measure.

"(3) **Adjustments in Price Levels.** In a private competitive economy an excess of supply over demand tends to work toward a decline in prices and costs."

The report recommends the following action:

"If it develops that private consumption and investment do not increase in the immediate weeks ahead as contemplated in the President's report, the Committee and the Congress should consider carefully the implications of the resulting employment and price adjustments. The analysis should concentrate on whether or not the economic decline will be mild and self-correcting without further government action, as was largely the case in 1949, or whether the economic decline is of a more serious, more widespread, and spiraling kind. If the latter, the Congress could consider proceeding on three fronts mentioned in the Economic Report, additional to those spelled out in the President's program:

"First, the Congress could authorize a further easing of the money and credit markets, with consequent declines in interest rates, relaxation in lending terms, and loan and guaranty programs, as inducements to private expan-

TABLE I

Analysis of Trend of the Economy
Third Quarter 1953-Fourth Quarter 1953

(In Billions of Dollars)

Item	3rd Qtr. 1953	Changes Increase	Changes Decrease	4th Qtr. 1953
Gross National Product	**$369.5**		**$6.0**	**$363.5**
Components:				
Personal Consumption	231.0		1.0	230.0
Gross Private Domestic Invest.	55.2		6.4	48.8
New construction	24.9	$0.4		25.3
Producers' durable equipment	27.1		0.6	26.5
Business inventories	3.1		6.1	—3.0
Net Foreign	—2.1	1.1		—1.0
Government Purchases	85.5	0.2		85.7
Federal	60.4		0.9	59.5
National Security	52.1		2.1	50.0
Other	8.8	1.2		10.0
State and Local	25.2	1.1		26.3

TABLE II

Gross National Product Versus Expected

(In Billions of Dollars)

	Actual Fiscal 1953	Estimated Fiscal 1954	Estimated Fiscal 1955
National Production (consistent with "maximum" employment)	$360.4	$365.0	$373.0
Demand for Gross National Product:			
Consumer	224.9	231.8	233.0
Business	53.9	48.0	47.0
State and Local Governments	24.2	26.2	28.4
Federal Government	57.5	57.0	51.4
Demand—Present Trends	$360.4	$363.0	$360.0

sion and to State and local financing of needed public works."

"Second, the Congress could consider tax reductions beyond those contemplated in the President's program. The nature of this tax action, of course, would depend upon the situation and outlook at the time. If the principal deficiency in demand appeared in the consumer segment, emphasis could be given to reducing excises, to raising personal exemptions in the individual income tax, and to adjusting income tax rates. If private investment needs further stimulation the Congress could weigh the possible effects of permitting the April 1 reductions in the corporate income tax rate to take place, and proceed with other improvements in the business and personal tax structure."

"Third, the Congress could increase Federal expenditures for needed public works and at the same time encourage and assist State and local governments to improve their facilities, particularly in areas most seriously affected by unemployment."

"The combined effects of such actions, of course, would be to unbalance the Federal cash budget. This is an important step and should be taken only after it is clear that the adjustment will either not be self-correcting or will bring hardships to the people if left to run its course. On the other hand, it must be realized that a decline in incomes resulting from a recession or depression would also result in budget deficits, by reducing receipts and increasing certain expenditures automatically."

Interestingly the report of the Joint Committee recognizes the strength of the sustaining forces which the President's Council of Economic Advisers relies so strongly upon, but as will be noted in the following quotations from the report, the Joint Committee feels that the impact of the sustaining forces will be considerably delayed; hence, that their strength will be felt later rather than now, and that in the transition between now and the time their strength will be most significant, compensatory support such as that embodied in the above recommendations for additional possible steps must be taken.

"The problem facing the nation and the Congress for the next 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 into a prosperous decade of the 1960s."

"For the longer run, studies by the Committee staff and others suggest that public as well as private 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, such as atomic energy, bringing cost reduction and new products; (4) the backlog of highways, schools, hospitals, and other public facilities which must be constructed if we are to maintain even the minimum level of services the average citizen considers acceptable; and (5) the improved position of consumers who still have a significant portion of their income to spend or save above what would be required to meet their basic living costs."

"A factor which is much more difficult to measure, but equally important, is the characteristic determination of the average American citizen to set for himself a constantly improving standard of living and a willingness to work for it. It provides the stimulus for the development of new and improved products, for better ways of making them, and for constantly improving private and public services."

As we compare the thinking of Congress and the Administration, it appears we are justified in assuming that if unemployment develops both would sponsor strong compensatory measures. We can further assume that these measures will increase the money supply but we cannot be sure they will stop the rise in unemployment. Whereas we can be sure Federal budget deficits act to increase the money supply and that an easy money policy achieves just that, we cannot be certain that such acts will stop a rise in unemployment.

Thus, it seems the United States may experience one of two types of economic development between now and 1956. The first of these is continued high level production with moderate unemployment but not much inflation. In fact deflation in terms of price level might be achieved. This could mean rising living standards. The second possibility would be high and rising gross national product stimulated by monetary and price inflation. This development the Council of Economic Advisers wishes to avoid. It could be accompanied with or without rising unemployment and with or without rising living standards.

If inflation develops it is very doubtful, in view of recent and planned further capital formation, that the inflation would be of the disastrous type in which the monetary base is drastically reduced or even destroyed. However, the nature, intensity and duration of the inflation would determine its destructiveness.

In view of the forces presented here, the United States appears to face, for at least the next year or two, increasing business cycle problems, rising unemployment, and increased monetary and price inflation, with continuing high gross national product levels. The question at issue is whether these forces can be managed effectively with the tools available to achieve the aim of satisfactory high level employment while maintaining or increasing living standards. The danger lies in the destructive side of inflation.

J. E. W. Thomas Joins Keith Reed & Co.

J. E. W. Thomas

DALLAS, Tex. — J. E. W. Thomas has become associated with Keith Reed & Company, Incorporated, Fidelity Union Life Building. Mr. Thomas has been in the investment business in Texas for many years, and has recently been conducting his own firm in Temple.

Johnson & Johnson Formed

SPARTANBURG, S. C.—Johnson & Johnson is conducting a securities business from offices in the Montgomery Building.

C. L. Keyes Opens

Charles L. Keyes is conducting a securities business from offices at 151 West 44th Street, New York City.

Continued from page 10

Let's Have a Ban on Deficits!

Budget deficit. The deficit must be met by decreased government expenditures which hurt the feelings of some pressure groups; or by levying more taxes which hurts most everybody's pocket nerves; or it must be met by the Federal Government's borrowing the money. The borrowing alternative is where the eternal damnation comes in.

Cutting Taxes

I will deal with the tax side first. That indeed needs to be spelled out so as to still the clamor of the people and the pressure groups for excessive tax reductions until we get out of the deficit treadmill.

I will not take your time to demonstrate the particular painful element in every variety of taxes. Or which of the excise taxes on luxuries should not have been removed. Nor to tell you about the sweet nostrums for putting the tax burden on somebody else.

I fully sympathize with all these pressures for reduced taxes because, in my view, our tax burden has been more than the country can bear. Whether this abstraction is true or not, our taxes are still stupendous, they are still over-burdensome, and they raise many questions of grave concern. One of these questions is the moral corruption from the spreading evasion of taxes. Another of these grave questions is that they are undermining the economic foundations of progress.

By the valiant efforts of the Congress and the Administration, the tax burdens will be reduced for the next fiscal year by over $7 billion without the George and other Amendments.

However, in any ecstasy from this relief, do not forget we will still be spending about $65 billion a year—and do not forget the sin of the continued deficit.

The theology of this is that only a period of self-denial in expenditures and no further tax-cuts can wash this sin away.

Governmental Borrowing

Thus the tax question which stands out today is whether bearing the pains of holding up taxes is worse than the greater pain of the undermining of our economic health from government borrowing.

The borrowing medicine to cure the defict is easiest of all for the taxpayers to take. But it is the deadliest of poisons that can be poured into the nation's system of life. It is a far greater economic sin than higher taxes. For when the Federal Government borrows to make up a deficit, it must do one of three things—print currency, borrow from the banks, or borrow from investors. The latter is the least evil, but there are never enough investors about. Printing currency and borrowing from the banks have only one end—that is inflation. And let no one believe that Government borrowing from the banks is in the long run any less inflationary than printing currency. Its results are the same—it either inflates credit or the banks turn their bonds into the Federal Reserve for currency.

I will not spend your time in comment on the illusion spread by Lord John Maynard Keynes that it does not matter how much the Federal Government may borrow, because we "owe it to ourselves." Just the same, you have to pay taxes to meet the interest on the debt. And worse, you get stabbed in the back by the inflation it can produce. You might try that philosophy on your food bills and see how the groceryman takes it.

Inflation Is in Action

Do not believe that inflation has been stopped. It will continue as long as we have a deficit. And we have not stopped the deficit. As sure as the sun sets, their continuation will produce the darkness of rising prices and wages, no matter what some cheery economists may say.

We might, in extension of these elementary remarks, take a short look at what has happened from our national experience of 23 years of deficit borrowing—with those two exceptions. Our Federal debt has increased to $275 billion from $19.1 billion. The interest on this amount alone is almost twice the whole cost of government of 23 years ago. Currency in circulation has increased from $4½ billion to over $30 billion. Government revenues, which are mostly taxes, have increased from $3½ billion a year to over $65 billion. The consequences of all this is that the cost of living has increased by about 80%. By taxes through the front door and rising prices through the back door, a family requires an income of $3,700 a year to give the same standard of living that an income of $1,500 a year would buy 23 years ago. And the purchasing power of all pensions, savings bank deposits and income from trustee securities, has been reduced by more than one-half amid millions of tragedies.

These effects have been repeated ever since government discovered this barbiturate to put deficits to sleep. It has happened repeatedly over the last 500 years. It has happened in 40 nations. It is the surest road to disaster in our system of free men. It is the surest road to disaster in our defense against the Communist horde.

Now I am not unaware of the effect on the deficit of World War II, the Korean War, the Cold War. But there have been huge unnecessary expenditures and waste alongside these events. Nor am I dense to the political implications of these problems, but I am also alive to the political and living consequence of failure.

Reduction of Expenditures

Now I come to the real remedy for this disease of Budget deficit. The immediate medication is no further reduction of taxes than the Administration proposals, and to systematically reduce governmnt expenditures until the Budget deficit is met. Then, and then alone, can inflation be stopped. You will be surprised how quickly the patient will respond to this treatment.

The Congress has not yet passed the appropriations for next year. The appropriation committees headed by such valiant soldiers of economy as Senator Styles Bridges and that old Trojan Congressman John Tabor are earnestly searching for reductions in spending. They may, I believe, have some success. But they cannot cure this immediate huge deficit.

Again this is where you come in, for theirs is a battle with pressure groups and handouts.

There are some matters of theory and practice you could urge upon the pressure groups who want more spending and upon those who oppose its curtailment. Their projects may be meritorious but the Nation will not be destroyed if they wait awhile and give the Congress a chance to act and the taxpayer a chance to breathe.

Some Future Hopes

There are hopes for the future if the pressure groups and the people will have patience. And again here is where you come in because you are potent in advocating patience.

I recently mentioned elsewhere publicly that if the private pressure groups and the pressures of state and local governments for Federal money would quit their hand-outs, and would leave the Federal Government alone for two years, we could reduce expenditures between $5 and $7 billion, annually, without damaging necessary functions. My colleagues of the Commission on Organization and our Task Forces and I will be able to give you the full details in a few months. By such reductions we could come near to wiping out the deficit even with the already agreed tax reductions.

Relief In Military Expenditures

With a little patience, there is another hope of reduction in government spending. Our major burden is for defense. But, let there be no mistake, we must have full defense. However, some of us during four years have urged a reappraisal of our methods of warfare and the weapons we make and use. We insisted that in view of scientific discovery and the character of our enemy, some of our methods of warfare and some of our weapons are now obsolete. We also urged during these years that we were spending too much trying to cure the age-old hates, fears and disunities of Western Europe. We have contended that our genius in producing the gigantic deterrents of aggression would give a better assurance to the free world and lessen our economic burdens and deficit.

There is hope in these fields, for the new looks by the Eisenhower Administration gaze in these directions.

Relief Through Increased Productivity

I can give you still another hope for reducing our economic burdens and deficit provided the people will have a little patience. With maintained free minds and free spirits, we daily open vast new frontiers of science and invention. They expand our productivity and thus increase the government's revenues.

It was the increased productivity from the invention of the steam engine that aided Britain to carry its economic burden after the Napoleonic Wars. It was the railway development of our country that helped us carry the burdens after our Civil War. It was the advances in air transport, electric power, communications and agriculture that helped carry our burdens after World War I.

We now have again many new inventions and new applications of older knowledge. One of them is the growing application of atomic energy and its by-products to industry. We are today in another new era of great promise in further expansion of our productivity and our government's income.

Conclusion

We could both cure the budget deficit and many of the pains of taxes without lessening our effectiveness in defense or in the needed functions of government if we could now have a period of self-denial and patience.

That is the end of this sermon. The text has been to balance the Budget, and afterwards to cut taxes as fast as we can further reduce expenditures. The penalties of failure are more than you may think.

But this being an educational job directed to the public and the pressure groups, it is mostly up to you. You have thousands of pulpits and millions of voices.

With Benj. W. Currier

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Paul F. Minasian has become associated with Benj. W. Currier, 70 State Street.

Continued from page 15

Growth Prospects of Television

the 12 months of 1953 the network averaged nine out of the 10 most popular daytime shows that were broadcast before 5 p.m., Monday through Friday. There is no better illustration of the interdependence between program and sales leadership than the recent announcement that an additional $9 million worth of daytime business will be placed on CBS Television by Procter & Gamble which is not only the country's largest advertiser, but also has a reputation for making precise judgments of relative advertising values.

Expansion of Television Advertising

The anticipated growth of the television population furnishes a sound basis for an expansion of total advertising expenditures on television from the recent level estimated at close to $700 million in 1953 to the figure previously projected of about $1¼ billion for 1957.

Where is the additional half billion to come from? The question can best be answered by considering where the $700 million currently being spent on television has come from. The spectacular growth of television has not cut into the aggregate revenues of any of the competing media. Looking at the list of radio, newspapers, magazines and all other media combined, we find that advertisers' expenditures in each type of medium in 1953 was greater than in 1948, in spite of television.

Some part of the growth in the older media was, of course, merely keeping up with the growth of the overall economy and the rise in the general price level. However, it still remains true that the printed media as well as television grew at a faster rate than the economy as a whole. Accordingly, it is clear that television was financed out of the increased aggregate advertising expenditure rather than at the expense of the other media.

There appears sufficient room for television advertising to grow since only a small part of the expected growth of aggregate advertising will be adequate to support the projected total increase in television. Television presently absorbs less than 10% of the total advertising expenditure. Even if the aggregate advertising expenditure should cease growing it is quite probable that, given television's share of the public attention, and its sales effectiveness it would successfully increase its total revenues at the expense of the other 90%.

I am sure it is unnecessary for me to dwell at length on the general values of television as a vehicle for the advertising message. I have previously touched on some of the characteristics of its extraordinary impact such as its dramatic vividness and its unusual power to enable the viewer to share the experience. It has, of course, other unique values. It is the first medium that makes actual demonstration of the product possible, thus enabling the prospective customer to obtain all the information he requires before entering the store. For the future, television's impact holds out even greater promise through the addition of color which besides enhancing the presentation of those products which are presently advertised, will open up such large new fields as fashions and textiles.

The specific value of television advertising becomes manifest when it is compared with the printed media on the basis of nationwide coverage. Television clearly emerges as a medium which has a lower "cost-per-thousand families" than either magazines or newspapers, half as much as a group of magazines offering the same circulation, and only one-fourth as much as a group of newspapers offering comparable circulation.

In addition to providing a lower "cost-per-thousand" than printed media, television is broadening its base to include advertisers with relatively small budgets. This is being done through a variety of special sponsorship plans. Such plans include the opportunity for alternate week sponsorship, multiple sponsorship of the same program, and five-minute segments of time which advertisers may purchase on a daily, weekly, monthly or seasonal basis.

Basis for Further TV Expansion

There are two highly significant reasons why CBS Television's network billings can be expected to grow in the near future. First, as additional stations come on the air converting single station markets into multiple station markets, the clearance problems which have plagued networking during the period of the freeze should substantially disappear. During the freeze and even now, individual stations in important markets have affiliation with several networks and so make it impossible for more than one network to reach the market at the same time. As additional stations appear in single station markets, clearances will improve and each network's programs will be carried on more stations. This tendency is already powerfully at work. The average evening half-hour program on CBS Television in 1950 was carried on 31 stations; currently it is carried on 73 stations with some advertisers using close to 150 outlets. It may confidently be expected that advertisers in the future will want to use between 100 and 225 stations, with the average certainly well in excess of 100. Thus, the average gross time revenue for a half-hour evening program on CBS Television which ran about $16,000 in October 1951, $22,000 in October 1952, $26,000 in October 1953, can be expected to increase to something over $60,000 in the not too distant future. This average gross for time will deliver about 100 stations covering approximately 85% of the television homes in the country at a cost-per-thousand to the advertiser for time and program that will compare favorably with any period in the past. Both past and future increases in gross time revenues for average networks reflect not only the larger station line-up made possible by the appearance of new stations, but also the higher rates for the older stations as their television set population increases.

I have adverted earlier to the leadership of CBS Radio and Television in the field of programming. I would now like to say that program leadership is the greatest single asset of a broadcaster. While leadership in any field will usually have substantial advantages, the advantages are particularly great in broadcasting. Advertisers pay for the programs that they sponsor as well as for the time required to carry these programs. In the absence of an advertiser it is necessary for the network or station to provide a sustaining program for that period. Consequently, the sale of program time actually reduces the overhead costs of the network or station. In this respect I think our business is unique.

Another feature of network broadcasting is important in this connection. This is the value of adjacencies. Just as it pays a store owner to locate in a shopping center in order to benefit from the flow of traffic attracted by a group of stores, so a program increases its popularity by its adjacency to another popular program.

Columbia Records

The pattern of leadership which CBS demonstrated in radio and television broadcasting was repeated in the field of phonograph recording which CBS entered in December 1938. The record industry experienced a great rebirth after the war. The 1953 value of output, estimated at about $200 million retail, is over five times that of 1939, the first full year of Columbia Records operation. The sales of Columbia Records grew even more rapidly from 1939 to the present than did those of the industry as a whole and are now running about nine times the 1939 level. Columbia Records now accounts for something between one-fourth and one-fifth of the sales of the record industry and is in a close race for industry leadership both in sales volume and in technical development.

In particular, Columbia Records has been a leader in the development of high fidelity recorded sound. The long-playing microgroove record which can play without interruption for more than a half-hour on one side, a product of CBS Laboratories, was introduced in 1948. At the time the conventional six-record album of 12-inch vinylite disks sold for $13.85 or $8.50 on shellac. The same music on a single 12-inch vinylite "Lp" recording retailed at $4.85. This far less expensive record produced a fidelity of sound far superior to any record on the market. More than 200 companies in this country are today manufacturing long playing records of the type introduced by Columbia Records.

In 1953, Columbia Records adopted the technique of injection molding to mass produce long-playing records at double and even triple the rate achieved by previous methods. This technique of high precision injection molding not only increases efficiency of production, it also turns out a product of unsurpassed performance. The combination of the long-playing microgroove technique, the use of new plastics, and the process of injection molding creates a product incomparably better at a far lower price than ever before.

Another product of the CBS Laboratories, working with Columbia Records, is the "360" high fidelity phonograph. Like the "Lp" records before it, it was an example of a better product at a lower price. It was capable of reproducing a quality of tone previously attainable only through elaborate custom built installation costing two or three times as much. This innovation has started a powerful new trend in the phonograph industry toward the production of moderate cost high fidelity equipment on a ready-made rather than a custom basis. This trend can be expected to give further support to the steadily increasing demand for high quality recordings.

The fact that the upward movement of the record industry has been revived during the period of television's most rapid growth supports the conclusion that the uptrend in records is based on a solid foundation and can be expected to continue.

So much for the record and phonograph manufacturing operations of CBS.

CBS-Columbia, our set manufacturing division, accounts for a small but rapidly growing percentage of the total United States television set production. An active program is under way to increase our share. Right now that means the black and white market, but for the future the set market will become increasingly dominated by color. Our hope of gaining a major place in the manufacture of television receivers is therefore closely connected with the future of color television.

Color has such dramatic appeal for the viewer as to carry the promise of a tremendous market for color television sets. But the realization of that promise will not be easy. The difficulties reside in the technical characteristics of the color system. The black-and-white broadcast standards set up by the Federal Communications Commission were designed for the most efficient possible use of the limited spectrum space required by the type of information to be transmitted—namely, the black-and-white signal. In order to provide a color signal, it was necessary to fit and squeeze additional information into the nooks and crannies of the standard black-and-white signal in such a way as not to disturb reception on black-and-white sets. This great engineering achievement was accomplished at the expense of adding considerable complexity to the circuitry. As a result, we now have a color television system capable of delivering and excellent color picture that can be received in color on color sets and in black-and-white on ordinary receivers; but the equipment, both transmitting and receiving, is complex and expensive.

For net works and for stations, the advantages of color television, when it is in full swing, are ample to repay the costs of the required equipment.

Expense of Color Television

For the consumer, the expense of the color television receiver is a different matter. While the superior appeal of color television will support a brisk demand for color sets at prices substantially higher than black-and-white, the mass market will require some reduction of price from the high initial level of over $1,000 per set, and some increase of picture size from the 99 square inches of the 15-inch planar mask picture tubes.

Today's high price of color receivers is made up of two elements. The first is the higher cost always encountered with the development of a new product. New types of components are required and these must be expensive until they are produced in great quantities. The second expense factor is the inherent complexity of the circuits involved in color television. Present color sets require a minimum of 35 tubes compared with about 20 tubes for black-and-white sets. The color set also involves twice as much hand work in assembly, and uses components, some of which cost 10 times as much as their black and white counterparts. However, the history of black-and-white television affords an encouraging example of the possibility of simplification of circuitry and the reduction in the cost of the components. Once the initial hurdle of consumer acceptance is overcome, we shall be well on the way to a reduction of the costs of television receivers.

This acceptance hinges not only on price and program availability, but also on the size of the color picture. While at one time the public was willing to buy millions of 10- and 12-inch sets, its preference has kept pace with developing technology until at present the 21-inch set dominates the field with the 17-inch set holding a declining, even though significant share of the market. Until a color tube of size comparable to the 17-and 21-inch tubes appears commercially there can only be a limited demand for color sets.

At least one such tube is now approaching commercial production: the CBS-Colortron "205," so-named because its picture area is 205 square inches. This is contrasted with the 99 square-inch picture area of the 15-inch planar mask tube, and the 162 square-inch area of the 19-inch planar mask tube. I believe the "205" will go a long way toward providing the basis for a general go-ahead for color televison. It will afford a picture of the size to which the American public has become accustomed.

Production plans for color television sets have had to be revised downward pending the development of larger tubes. I am convinced that the commercial availability of the CBS-Colortron "205" in large numbers in the second half of this year will get the production of color sets off dead center and initiate the process of consumer acceptance and cost reduction that will rapidly lead toward mass output. The importance of the "205" is that it is superior in performance and economy of construction to other tubes potentially available this year. As a result it offers the hope of providing a color television set sufficiently attractive both in performance and price to create a demand that will get production rolling. Once large-scale commercial production of television sets gets underway, we can rely on the processes which led to the great improvements in performance and reduction in prices of black-and-white sets to accomplish the same miracle for color television.

With our new CBS-Hytron picture tube plant at Kalamazoo nearing completion, we are in an excellent position to proceed on large-scale manufacture of color picture tubes. That plant will be the world's most modern facility for the production of picture tubes, both color and black-and-white. It will double our picture tube production capacity.

Throughout the CBS organization as well as in the rest of the industry the best technical manpower is being devoted to development of a color set with a larger picture and more economical circuitry. I can report that substantial progress is being made toward this objective. Whether future improvements come from our own organization or from the outside, it is our plan to use the most advanced technology as soon as it is commercially feasible. The experience of our organization to date, as exemplified by the "205," gives us every confidence that we will improve our position in the highly competitive field of color television set manufacture.

This field will certainly be very large. The qualitative superiority of color programming is such that just about every television family will want to have a color television set. This means that in the course of the next seven or eight years something like 30 to 40 million color sets may be sold at prices considerably higher than those that have ruled in black-and-white. Thereafter, replacements can be expected to run on the order of six million sets a year. The long-term prospect is accordingly for a retail color television set market measured in billions of dollars. It is clearly worth struggling through the serious transitional problems of the next year or two in order to participate in this great market of the future.

The widespread acceptance of the CBS name together with established CBS know-how in television techniques, particularly in color, should enable CBS-Columbia to gain a leading position in television set manufacture. The set and tube manufacturing business is on the threshold of a new dynamic period of growth in which the chances are especially favorable for a well qualified entrant. Our confidence is supported by the initial success of the CBS-Colortron which, as I have indicated, we believe will open the way to large-scale color set production. It is further strengthened by our development of the Chromacoder (color) camera system which the General

Electric Company, after intensive study, has selected to manufacture and sell as part of its line of television station equipment.

On the basis of these recent achievements as well as its activities throughout the last decade and a half, I think it is clear that CBS has acquired a reservoir of knowledge and experience in the color art second to none. It is our hope and intention to build upon this basis a strong position in the manufacture of television sets and tubes.

You will agree with me, I am sure, that the future offers exceptional opportunities in the collective fields of CBS activity. This conclusion emerges, I believe, from the specific facts which I have presented. They are worth a quick summary:

Radio continues to be a healthy and vigorous industry which has a fundamental, long-term vitality.

Television has tremendous growth ahead of it based on the increasing extension of television service to the national market and on the increased impact of color.

The record industry demonstrates a steady annual sales increase strengthened by improvements in the quality of the products and the lowering of prices.

Set and tube manufacturing is about to undergo a drastic transformation through the advent of color. This transformation presents an unusually compelling opportunity for us to convert our experience and skills into a place among the leading set manufacturers. I can assure you, we have every intention of meeting this challenge.

Continued from page 5

The State of Trade and Industry

car completions, third highest for the period in history, it declared.

"Ward's" noted the only other higher first halves were 1953 with 3,255,772 cars, and 1950 and 1951, both virtually tied at 3,108,000 units.

Outwardly, Chevrolet is carrying the brunt of the General Motors Corp. increase, indicating its adjustment to a four-day week in early February was a miscalculation. Buick, Oldsmobile and Cadillac programs are already virtually geared to plant output capacity.

Reflecting the General Motors Corp. lift, the industry's second-quarter car output projection stands at 1,541,000 units. The goal, of which 527,000 is being marked down for April, is 8% over the January-March yield of 1,425,964, the statistical agency added.

Passenger car production last week continued at a 24,000-unit daily pace, or a rate of 528,000 for April, "Ward's" said, with United States producers paralleling the prior week's 119,542-unit total despite Good Friday absenteeism losses.

The industry, "Ward's" said, scheduled 141,115 cars and trucks for completion against 141,546 in the preceding week and 150,642 in the same 1953 week.

Continuance of five-day operations at all Chrysler Corp. car divisions for the second week, return to output by Hudson after a week's shutdown plus gains at Chevrolet and Packard (there was a parts shortage the week before last) offset a dip at Ford division and a shutdown at Studebaker's South Bend (Ind.) factory. Resumption of Studebaker assembly was set for Monday.

Steel Operations Scheduled at Fractionally Higher Level This Week

A new low for the year was set by steel ingot production last week. The rate was 67% of capacity, says "Steel," the weekly magazine of metalworking. This marked the second consecutive week of a decline of a point from the preceding week. The decline in the national rate stemmed from drops in seven of 13 districts, it notes.

April thus far is the weakest steel production month this year. All of the weeks of the first two months of the year were characterized by steel ingot production rates in the 70s, and the first week of March was a strong 70%. All of April's production has been below 70%, "Steel" points out.

Some people think that steel production will rise during the summer when completion of inventory reductions sends buyers back into the market for steel: Heralding such a trend may be the buying plans reported in a "Steel" survey. Those reporting in the survey say they expect to buy 3.7% more steel tonnage in May than they bought in March. Of those reporting on May plans compared with March performance, 46% expect to make no change, 20% expect to buy less, and 34% expect to buy more steel.

According to this trade magazine, a tool steel producer reveals that it is receiving a substantial volume of orders, although each order is small. In the fourth quarter of last year, many of the company's customers had enough tool steel to last them through May of this year at present rates of consumption. Now that the inventory reduction should be about completed, the producer says, "We are somewhat concerned. If all of our customers were to start ordering at normal rates, we couldn't fill those orders."

Price indexes remain unchanged, although there are scattered and minor downward revisions in response to competition, this trade weekly reports.

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 68.5% of capacity for the week beginning April 19, 1954, equivalent to 1,634,000 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 68.1% and production 1,624,000 tons. A year ago the actual weekly production was placed at 2,276,000 tons or 101.0%. 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.

Electric Output Decline's Further the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, April 17, 1954, was estimated at 8,345,000,000 kwh., according to the Edison Electric Institute.

The current figure represents a decrease of 51,000,000 kwh. below the preceding week, but an increase of 232,000,000 kwh., or 2.9% over the comparable 1953 week and 1,241,000,000 kwh., over the like week in 1952.

Car Loadings Register a Gain of 1.2% Above Preceding Week

Loadings of revenue freight for the week ended April 10, 1954, increased 7,488 cars, or 1.2% above the preceding week, according to the Association of American Railroads.

Loadings totaled 606,790 cars, a decrease of 114,349 cars or 15.9% below the corresponding 1953 week, and a decrease of 83,962 cars or 12.2% below the corresponding week in 1952.

U. S. Auto Output Last Week Held Close to the Level of Week Ago

Automotive production for the latest week paralleled that of the prior week despite Good Friday absenteeism losses, 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 119,997 cars last week, compared with 119,542 (revised) in the previous week. A year ago the weekly production was 123,889.

Last week, the agency reported there were 21,118 trucks made in this country, as gainst 22,004 (revised) in the previous week and 26,753 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 7,214 cars and 1,873 trucks last week, against 8,516 cars and 2,012 trucks in the preceding week and 8,436 cars and 3,093 trucks in the comparable 1953 week.

Business Failures Dip to Lowest Point This Year

Commercial and industrial failures fell to 198 in the week ended April 15, from 246 in the preceding week, according to Dun & Bradstreet, Inc. Although down for the third week to the lowest level this year, casualties remained above the 165 and 188 in the comparable weeks of 1953 and 1952. Continuing below the prewar level, failures were off 37% from the 1939 toll of 313.

The number of concerns failing with liabilities of $5,000 or more declined to 168 from 208 last week, but exceeded the 136 of a year ago. A drop to 30 from 38 appeared among small casualties with liabilities under $5,000; however, they continued about even with their 1953 level. Fourteen of the failures had liabilities in excess of $100,000, as against 15 in the previous week.

Food Price Index Trends Lower for Second Successive Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., declined for the second straight week, bringing the April 13 figures to $7.35. This compared with $7.40 a week earlier, and with the all-time high of $7.42 two weeks previous. It was still 15.7% above the comparable 1953 index of $6.35.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Shows Irregular Movements in Latest Week

Trends in leading commodities were irregular last wek and the Dun & Bradstreet daily wholesale commodity price index finished slightly lower than in the prior week. The index for April 13 registered 276.53, against 276.97 on April 6, and 279.37 on the corresponding date last year.

Grains continued unsettled with prices showing further moderate loses for the week.

Wheat extended its decline of the previous week despite adverse weather conditions in the Southwest with the drought now going into its seventeenth week.

However, some rains were reported in parts of Texas and Oklahoma over the week-end. Liquidation for tax and other purposes, the poorer prospect for commercial export business, and the large stocks available for delivery contributed to the weakness in the bread cereal. There was a sharp drop in corn prices at mid-week following announcement by the United States Department of Agriculture that the 1948 and 1949 corn corps owned by the CCC were to be offered for immediate sale. Rye declined with other grains but oats showed independent firmness. Sales of grain and soybean futures on the Chicago Board of Trade last week averaged 52,700,000 bushels per day, against 48,700,000 the previous week, and 34,600,000 last year.

The domestic flour market was featured by moderate bookings of Spring wheat bakery flours and scattered replacement buying in hard Winter wheat flours among bakers whose balances were nearing exhaustion. Coffee prices have fallen steadily since reaching all-time high levels on April 2.

Factors in the decline were the slower demand as offerings of spot coffee increased following the ending of the dock strike and the absence of Brazil support demand.

Cocoa was irregular but closed strong aided by limited offerings and strength in the London market. Warehouse stocks of cocoa fell slightly to 106,923 bags, from 110,664 last week, and compared with 65,919 bags a year ago. Lard continued to rise reflecting strength in fats and oils. With market receipts the smallest for about six months, live hog values rose to record high levels for April, and the highest for the market since September 1948.

Movements in cotton prices were mixed the past week. The general trend was slightly downward as the market eased on continued slow demand for spot cotton, lagging sales in cotton textiles and reports of the receipt of much needed moisture in parts of the belt.

Domestic mill demand was rather slow with buying confined mostly to small lots to cover nearby requirements.

Some selling was attributed to the lessened possibility of a tight supply position due to recent heavy withdrawals from the loan. Sales of the staple reported in the ten spot markets showed a further drop last week and totaled 69,500 bales, compared with 71,500 a week earlier, and 74,500 in the same week last year. Withdrawals of cotton from the loan in the week ended April 2 were 61,938 bales, against entries of 20,243 bales, leaving a net stock of 1953 crop under loan of 6,164,657 bales.

Trade Volume Improves Substantially in Closing Week of Easter Shopping

Stimulated by the approach of Easter and mild weather, shoppers increased their spending perceptibly in many parts of the nation in the period ended on Wednesday of last week. Since Easter was two weeks earlier in 1953, most retailers were able to surpass the sales figures of a year ago. Although the later Easter encouraged the buying of light-weight clothing, most merchants did not expect to surpass the sales volume during the 1953 Easter shopping season.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 3% below to 1% above the sales volume of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: New England and Northwest —4 to 0; East and Midwest —3 to +1; South, Southwest and Pacific Coast —2 to +2.

In keeping with seasonal patterns, the most pronounced rises in consumer demand were reported by retailers of apparel.

Household goods were widely neglected last week as shoppers concentrated on replenishing their Spring wardrobes. Consumer interest was down markedly from the high level of a year ago.

The volume of wholesale trade increased moderately last week continuing a trend of the past few weeks but not regaining the high dollar volume of 1953. The greatest increases appeared in apparel and food lines.

As compared with both the preceding week and the corresponding week last year, apparel sales were up substantially.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended April 10, 1954 increased 16% above the level of the preceding week. In the previous week, April 3, 1954, a decrease of 13% was reported from that of the similar week in 1953. For the four weeks ended April 10, 1954, a decline of 6% was reported. For the period *Jan. 1 to April 10, 1954, department store sales registered a decrease of 4% below the corresponding period of 1953.

Retail trade volume in New York City last week was lifted by Easter sales from 12% to 18% above the like period in 1953. Last year the above period was the second week after Easter.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended April 10, 1954, registered an increase of 24% above the like period of last year. In the preceding week, April 9, 1954, a decline of 9% (revised) was reported from that of the similar week of 1953, while for the four weeks ended April 10, 1954, a decrease of 1% was reported. For the period *Jan. 1 to April 10, 1954, a decline of 1% 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.**

Joins A. E. Weltner

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Walter C. Dengel is now affiliated with A. E. Weltner & Co., 21 West 10th Street.

CLOSED-END NEWS

TRI-CONTINENTAL

Tri-Continental Corporation completed the first quarter of its 25th year of operations with net investment assets at an all-time high of $190,780,000, according to Francis F. Randolph, Chairman of the Board and President of the investment company.

In a report to stockholders issued today, Mr. Randolph announced that the net asset value of the common stock increased from $25.21 on Dec. 31, 1953, to $27.85 on March 31, a rise of more than 10% in three months. This meant that for each share of common stock owned by its shareholders the investment company had $27.85 in net assets, above and beyond its obligations to its debenture holders and preferred stockholders. The company at the end of the quarter had assets of $9,682 for each $1,000 of debentures outstanding and $386 for each share of preferred stock.

Tri-Continental, which is the largest closed-end investment company in the country, paid a record first quarter dividend of 22 cents per share on April 1. This compared with a first quarter dividend of 20 cents in 1953. Mr. Randolph pointed out that the dividend payment was approximately the same as the corporation's net investment income for the period. He added that it is impossible to say at the present time how the dividend for the full year will compare with the record dividend of $1.11 in 1953.

Tri-Continental increased its holdings of Florida Power & Light Co. by 12,300 shares, Wisconsin Electric Power Co. by 15,000 shares, Union Pacific Railroad Co. by 3,800 shares, Pacific Gas & Electric Co. by 6,000 shares and Columbia Broadcasting System, Inc. "A" by 2,100 and "B" by 1,300 during the quarter.

The corporation eliminated holdings of Kansas Power & Light Co., Washington Water Power Co. and Western Pacific Railroad Co. and reduced holdings of American Tobacco Co. by 2,600 shares, Reynolds Tobacco Co. "B" by 6,500 shares, United Gas Corp. by 5,800 shares and American Gas & Electric Co. by 6,000 shares.

NATIONAL SHARES CORP.

National Shares Corporation, a closed-end investment company managed by Dominick & Dominick, today reported net asset value at March 31, 1954 of $37.54 per share on 360,000 shares outstanding, after deducting dividend of 15 cents per share, payable today.

This compares with net asset value of $34.73 per share on a like number of shares March 31 a year ago, and with $33.65 at year-end 1953. In computing net asset value in each instance no allowance is made for Federal income tax on unrealized appreciation as the corporation has elected to be taxed under the Internal Revenue Code as a "regulated investment company." As such, it is relieved of Federal income tax on future security profits to the extent that such profits are distributed to stockholders.

The quarterly report shows that on March 31, 1954 common stocks accounted for 81.3% of total net assets; preferred stocks for 0.5%; bonds, 2.3%; and cash, receivables and U. S. Government obligations net, 15.9%. A year ago common stocks accounted for 79.4%; preferred, 4.2%; bonds, 2.6%; and cash, receivables and U. S. Government obligations net, 13.8%.

Of the common stocks held on March 31, 1954, oil and gas stocks accounted for 26.7% of net assets as against 24.9% in this category a year ago; public utilities, 10.9% compared to 11.1%; and electrical products, 7.3% as against 8.1% March 31, 1953.

Mutual Funds

By ROBERT R. RICH

SALES OF new shares of 110 mutual funds during the first quarter of 1954 amounted to $190,623,000 compared with $160,368,000 during the last quarter of 1953 and $199,926,000 during the March quarter a year ago, the National Association of Investment Companies announced Tuesday.

Net sales, after redemptions, were $103,930,000 during the March, 1954, quarter, compared with $103,533,000 for the previous quarter and $132,465,000 for the first quarter of 1953.

Total net assets of the 110 mutual funds had reached a figure of $4,582,433,000 on March 31, 1954, an increase of $436,372,000 over Dec. 31, 1953 and $614,090,000 since March 31, 1953.

Purchases of securities for investment portfolios substantially exceeded sales for the first quarter of 1954. Securities bought (excluding U. S. Government securities) totaled $314,739,000 whereas total sales were $226,370,000.

Holdings of cash, U. S. Governments and short-term bonds on March 31, 1954 were $295,975,000 compared with $263,647,000 on Dec. 31, 1953.

SELECTED AMERICAN Shares, Inc. reports assets at March 31, 1954 of $29,655,249, equal to $14.06 a share, compared with $27,031,462 or $12.88 a share on Dec. 31, 1953. Total net assets, number of outstanding shares and of shareholders stood at new highs at the latest quarter-end. Per share asset value adjusted for reinvestment of capital gains distributions was also at a new high.

Five largest investments by industry were electric utility 12.1% of assets, oil 10%, electric equipment and television 7.6%, building 7.2%, and chemical and drug 6.6%. Common stocks accounted for 83.3% of assets, U. S. Governments 15%, and net cash 1.7%.

During the quarter the company added the following stocks to its holdings: American Radiator 10.800 shares, Armstrong Cork 300, Babcock & Wilcox 1,300, Hercules Powder 1,000, Safeway Stores 1,500, Socony-Vacuum 5,000, Southern California Edison 5,000, U. S. Gypsum 2,800.

It increased its holdings of Aluminum Co., CIT, General American Transportation, Ohio Oil, Republic Natural Gas, Shamrock Oil, West Penn Electric.

The company eliminated its entire holdings of American Tobacco, Caterpillar, Colgate-Palmolive, Dow, DuMont, Liggett & Myers, Merck, National City Bank (N. Y.), and Studebaker.

Holdings were reduced in International Minerals, Lorillard, Sears, United Air Lines and United Fruit.

At the Annual Meeting on April 5 stockholders voted to amend the charter to provide that redemption of stock may be suspended only in accordance with the Investment Company Act of 1940.

The following directors were reelected: Robert S. Adler, David Copland, J. K. Langum, Anan Raymond, Edward P. Rubin, and P. P. Stathas.

AN INCREASE of approximately 10% in sales and net earnings of portfolio companies in 1953 over 1952 was reported Monday by F. Eberstadt, President of Chemical Fund, Inc. in the fund's 63rd quarterly report to stockholders.

Mr. Eberstadt noted that although the Federal Reserve Board index of industrial production had declined 8% by December from its high in 1953, the FRB chemical production index had declined 4.6% during the same period.

"Since the first of the year," Mr. Eberstadt stated, "the demand for chemicals has continued at a fairly satisfactory level and the outlook on the whole appears encouraging."

The expiration of the excess profits tax on Dec. 31, 1953, it was noted, should benefit many of the portfolio companies and permit their growth to be reflected in net earnings and dividends.

The report points out that capital expenditures of the chemical industry in 1953 amounted to a record $1.6 billion. "Present plans indicate substantial expenditures for plant and equipment during 1954 although at a somewhat lower level than in 1953," Mr. Eberstadt added.

Total net assets of Chemical Fund at March 31, 1954 were $60,122,198, higher than at the end of any previous quarter in the fund's 16-year history, and equivalent to $21.05 per share based on 2,855,570 shares of capital stock outstanding. This compares with net assets of $52,989,406 or $19.60 per share on 2,702,594 shares outstanding on March 31, 1953.

NET ASSETS OF Broad Street Investing Corp. increased 19% during the first quarter of 1954, rising to a peak $43,054,000 from $36,182,000, according to Francis F. Randolph, Chairman of the Board and President of the mutual fund.

Reporting on the company's first quarter of its 25th year of operations, Mr. Randolph announced that the gain in net assets over March 31, 1953, was $11,000,000 or 35%.

During the quarter Broad Street Investing maintained common stock holdings at approximately 85% of assets. On March 31 its largest common stock investments by industries were public utilities, which represented 17% of assets, oil, which represented 14% of assets, and electrical equipment and electronics, which represented 6% of assets.

New holdings added to the mutual fund's portfolio during the quarter were Southern California Edison (15,000 shares), Texas Pacific Coal and Oil (10,000 shares) and United Fruit (15,000 shares). The company increased its holdings of Allied Stores, Brooklyn Union Gas, Cluett Peabody and Continental Can by 2,000 shares each, Florida Power & Light by 8,000 shares, National Fuel Gas by 15,000 shares, Newport News Shipbuilding by 4,000 shares, Penn-Dixie Cement by 2,400 shares, Shamrock Oil and Gas by 5,000 shares, Union Pacific by 2,400 shares and Van Raalte by 1,000 shares.

The company eliminated its investment in the common stock of American Gas & Electric and reduced its holdings of Middle South Utilities by 3,500 shares and Southern Company by 12,000 shares.

THE ASSET VALUE of National Investors Corp. shares increased 10.5% to $13 during the first quarter of 1954, according to Francis F. Randolph, Chairman of the Board and President. Mr. Randolph noted that the increase over the asset value of $11.74 a year earlier amounted to 13.5% after adding back the 33 cent per share distribution from gain on investments in December, 1953.

The net assets of the fund totaled $35,467,000 on March 31, up 11.6% from $31,789,000 on Dec. 31, 1953. Net assets on March 31, 1953 were $30,332,000.

National Investors for all practical purposes was fully invested in common stocks at the end of the quarter.

New holdings added during the quarter were 20,000 shares of Beckman Instruments, 6,100 shares of Blockson Chemical and 9,400 shares of Pacific Gas and Electric.

National Investors increased its holdings in Avon Products by 1,000 shares and Texas Pacific Coal and Oil by 2,000 shares, and eliminated its investments in Abbott Laboratories, Merck and Middle South Utilities.

COMMONWEALTH Investment Company, in an announcement by S. Waldo Coleman, President, today reported total net assets as of March 31 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.

MASSACHUSETTS LIFE Fund, a balanced mutual investment fund, today reports record highs in net assets, shares outstanding and net asset value per share for the quarter ending March 31, 1954.

Total net assets were $17,421,230, equal to $30.11 per share on 578,636 shares outstanding, compared with $15,848,760, equal to $28.76 per share on 551,115 shares outstanding at the same time a year ago.

On March 31, 1954, common stocks represented 57.87% of the fund's assets, with 42.13% in bonds and preferred stocks, compared with 56.23% in common stocks in the same quarter a year ago. Largest industry holdings in the common stock section on

OPEN-END STATISTICS, MARCH 31, 1954—110 OPEN-END FUNDS

	March 31, 1954	Dec. 31, 1953	March 31, 1953
Total net assets	$4,582,433,000	$4,146,061,000	$3,968,343,000

	1st Quarter 1954	4th Quarter 1953	1st Quarter 1953	Full Year 1953
Sales	$190,623,000	$160,368,000	$199,926,000	$672,005,000
Repurchases	86,693,000	56,835,000	67,461,000	238,778,000
Net sales	$103,930,000	$103,533,000	$132,465,000	$433,227,000

Purchases and Sales of Portfolio Securities

(Excluding U. S. Government Securities)

Jan. 1, 1954 to March 31, 1954

Purchases, $314,739,000 Sales, $226,370,000

Holdings of Cash, U. S. Governments and Short-Term Bonds

March 31, 1954, $295,975,000 Dec. 31, 1953, $263,647,000

Source: National Association of Investment Companies.

PERSONAL PROGRESS

JAMES F. FOGARTY, prominent public utilities executive, has been elected a director of Carriers & General Corporation, a closed-end investment company under Calvin Bullock management whose shares are listed on the New York Stock Exchange.

Mr. Fogarty was formerly President of the North American Company and is now a Director of the Cleveland Electric Illuminating Co., Detroit Edison Company and of a number of other companies.

FREDERICK W. PAGE has been named a Vice-President of Whitehall Fund, Inc., according to an announcement issued today by Francis F. Randolph, Chairman of the Board and President of the balanced mutual fund.

A Vice-President of Tri-Continental Corporation, Broad Street Investing Corporation and National Investors Corporation, Mr. Page also serves as a Director of The Brooklyn Union Gas Company, a Trustee of Irving Savings Bank and Financial Consultant for Atlantic City Electric Company.

Mr. Page graduated from Dartmouth College in 1930 and received an M.B.A. from Harvard University Graduate School of Business Administration in 1932. He is a resident of Glen Ridge, N. J. where he serves on the Town Council.

Bullock Bullish On Utility Outlook

Even though a further decline in the economy may temporarily halt the annual gain in the output of electricity, the outlook for electric utilities continues to be excellent. This view is expressed in the April "Perspective," issued by the investment management department of Calvin Bullock.

"Projecting the industry's 6.78% rate of annual growth since 1920," the study states, "an output to 1,137 billions of kilowatt hour production is foreseen for 1967, compared with 400 in 1953.

"A number of important factors continue to exert a favorable impact on earnings of electric utilities.

"Rate increases of $21.5 million were granted last year and of the $62 million in applications pending at the year end, $21 million were granted in the first two months of 1954. The atmosphere of regulation has greatly improved.

"The newest units to be delivered this year produce a kilowatt hour with a heat rate of 8,900 per Btu, a 30% improvement over 1953's average. They will take over a large share of the 25 hour output.

"These economies are multiplied by modern transmission systems and inter-connections designed to reach as far as possible for the low-cost unit.

"An excellent load factor of 62.1% was attained for 1953, largely due to the great increase in air conditioning, which changed the summer slump to a period of peak demand."

The study finds that the cost of senior capital for utilities has been declining for nearly a year and that this benefit should continue for some time to come.

Foreseeing no more than a modest gain in output, revenues and net income for the balance of 1954, the study states that the long-term rate of growth of about 7% per year should reassert itself in 1955.

March 31 were in public utilities, oils, electrical equipment, chemicals and insurance.

NATIONAL SECURITIES & Research Corporation, as sponsor and manager, announces that effective immediately no minimum number of shares is required to establish a Distribution Reinvestment Order for the National Securities Series of Mutual Investment Funds.

"This means that any shareholder—regardless of the number of shares held — who wants to build for the future may now compound his income and the number of shares he owns," E. W. Hare, Vice-President, explained.

FIDELITY FUND on Wednesday reported the largest quarterly sales in its 24-year history. Gross sales for the three months ended March 31, 1954, amounted to $7,220,703 for an increase of 42% over the $5,087,885 in the corresponding period of 1953.

March sales of the Fund also established a record. They amounted to $2,695,912 for an increase of 56% over the $1,722,210 in March, 1953.

NET ASSET value per share of New England Fund showed a 6.7% gain during the three months ended March 31, 1954—to $18.54 from $17.37. This increase was said to compare favorably with increases in various general indices of stock prices in view of the fact over 30% of New England Fund's assets were in short-term U. S. Government securities, high-grade corporate notes and bonds, and cash throughout the period and for some time past. Total net assets on March 31, 1954 were $7,387,272.

New England Fund's investment policy is entirely flexible as to the types of securities that may be used, and its sizable short-term defensive holdings contributed importantly to the over-all stability of asset value during the last two years.

Commenting briefly on this point to shareholders, the Board of Trustees noted the opposite trends of industrial activity and stock market averages, and added: "Until there is further evidence that the constructive forces will prevail . . . about one-third of the assets (will be kept) in defensive holdings as reserves and the balance largely in common stocks with emphasis on the less cyclical issues."

Major portfolio changes during the first three months of 1954 are listed below:

Additions

Boeing Airplane Co.
McKesson & Robbins, Inc.
North American Aviation, Inc.
West Penn Electric Co.

Eliminations

American Airlines, Inc. 3½% Pfd.
Allegheny-Ludlum Steel Corp.
Central Maine Power Co.
Dayton Rubber Co.

DELAWARE FUND reported Friday a 13% increase in net assets in the first quarter of 1954. The increase boosted the total to a record high of $18,047,297 on March 31, last, as compared with $15,937,610 at the close of 1953.

Asset value per share in the period increased to $16.94 from $15.55 on Dec. 31, 1953. The number of shares outstanding in the three months increased to an all-time high of 1,059,689 from 1,025,259 at the year-end.

The Fund was 96.49% invested at the quarter's end with 87.68% in commons; 5.56% in convertible preferreds; 3.25% in preferreds; and the remainder in cash.

The largest single common stock holdings by industry included: utilities, 18.85%; electronics and electrical equipment, 10.23%; oils, 8.34%; foods, 7.42%; railroads, 6.98%; construction, 6.90%; and airlines, 5.71%.

D. Moreau Barringer, Chairman of the board, expressed the opinion that the general investment caliber of the portfolio has not only been maintained, but improved as the market has advanced. "Although investment quality," he said, "and resistance to possible future decline, are not qualities that can be measured by any independent standard, I believe I am safe in saying that the investment quality of our list stands at a higher point today than at any earlier stage of the long bull market."

Short-Sighted Forecasts

"When anyone in the past has attempted to predict the long-term future, his forecast has turned out to be hopelessly short-sighted and pessimistic. Benjamin Franklin, for example, thought at the end of his life that it would perhaps take centuries to settle the American continent. The State of California stands as a monument to his error.

"Thomas Jefferson in announcing the Louisiana Purchase felt that the territory might be fully occupied after 25 generations. The railroad and the steamboat opened it up to settlement within a few decades.

"In the early 1900's a gentleman from Philadelphia grew enthusiastic about private motor cars and foresaw the time when there would be a hundred or so in every city. I might add that he viewed this development as a boon to highway safety as it would free the country from drunken riders and wild horses. A British socialist during the 19th century foresaw the period when it would be unnecessary for children to work more than 100 hours a day.

"The economist Jevons, in 1860, was alarmed at the possible exhaustion of the earth's coal supply within a few years. I have heard similar predictions on petroleum almost yearly since my college days.

"Sir William Crookes, a distinguished scientist, saw early starvation of the race through diminishing supplies of nitrogen. What he did not foresee was that chemistry through nitrogen fixation would in a generation prove his error. . . .

"When events are viewed against the pattern of our country's steady long-term growth and prosperity, the bad times, so troublesome in their particular setting, fade first into unpleasant memories, and finally to unimportant historical items in dusty and forgotten archieves."

Crawford H. Greenewalt
President
du Pont de Nemours
Quoted by E. E. Hale
in Vance Sanders' "Brevits"

FOR THE QUARTER ended March 31, 1954, Wall Street Investing Corporation reports total net assets of $3,983,481, equal to $15.24 per share compared with $3,707.468, or $14.21 per share at Dec. 31, 1953.

SALES OF the Value Line Income Fund in the first quarter of this year were $4,685,740 compared with $1,329,843 in the same three months a year ago.

Total net assets reached a new high of $10,378,688 on March 31, for a gain of $8,665,251 over the same date last year and a gain of $4,513,605 for the first quarter of this year.

The number of shares outstanding on March 31, 1954 was 2,186,568 compared with 338,545 a year earlier.

THE BANK of New York has been appointed Transfer Agent for Diversified Growth Stock Fund, Inc. Another investment company for which the bank is Transfer Agent, formerly known as Diversified Funds, Inc., has changed its name effective April 1, 1954, to Diversified Investment Fund, Inc.

STOCKHOLDERS of Investors Diversified Services, Inc., at their meeting here today approved a proposed five-for-one split of the common voting shares and class "A" common non-voting shares of the company.

The split will be effective immediately upon filing of the amendment of the certificate of incorporation. New certificates will be available in a few days, and shares will be made available through the First National Bank of Minneapolis, exchange agent.

NET EARNINGS of Investors Diversified Services, Inc., in the three months ended March 31, 1954, amounted to $1,030,320 or $3.54 per share compared with $1,005,692 or $3.46 per share in the same period of 1953, according to the first quarterly report, unaudited, for this year which was released by the company Monday.

Undistributed earnings of I.D.S. wholly-owned subsidiaries were $991,337 or $3.41 per share of I.D.S. stock, an increase over the $778,574 or $2.68 per share shown in the first quarterly report of last year.

Thus, the total increase in surplus was $2,021,657, equal to $6.95 per share in the first quarter of 1954, against $1,784,266 or $6.14 per share in the same period of 1953.

Northern States Power Offer Underwritten

The Northern States Power Co. is offering its common stockholders the right to subscribe for 1,219,856 additional shares of $5 par value common stock at the rate of one share for each ten shares held at a price of $14 per share. Stockholders of record April 15 will participate, with rights expiring May 4, 1954. The unsubscribed portion will be purchased from the company by an underwriting group consisting of The First Boston Corp., Blyth & Co., Inc. and Kuhn, Loeb & Co.

The net proceeds from this sale as well as from the sale of new preferred stock and first mortgage bonds later this year, will be added to the general funds of the company and used to prepay notes payable to banks, and for a construction program during the balance of 1954 and the early months of 1955.

The company and its subsidiary supply electric service in portions of Minnesota, Wisconsin, North and South Dakota. The sale of natural gas comprises a minor segment of their business. Total operating revenues for 1953 were $92,600,000 and net income was $14,800,000.

Dividends on the common stock are at the current quarterly rate of 20 cents a share.

Henry J. Stone Joins Coburn & Middlebrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Henry J. Stone has become associated with Coburn & Middlebrook, Inc., 75 State Street. Mr. Stone was previously affiliated with R. H. Johnson & Co. as resident manager in Boston.

With Glore, Forgan

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John J. Bransfield, Jr. has become connected with Glore, Forgan & Co., 135 La Salle Street, members of the New York and Midwest Stock Exchanges. He was previously with American National Bank & Trust Co. of Chicago.

Charles Cabrera

Charles Cabrera, stockbroker, associated with Security Adjustment Corp. of Brooklyn, N. Y., for the past eight years, died at his home at Nyack, N. Y. after a short illness. His age was 74.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Geyer & Co., 63 Wall Street, New York, one of the leading investment banking firms specializing in insurance stocks, just recently published their annual "Insurance Stock Analyzer" covering operations of the leading companies for the year 1953.

The "Analyzer" this year contains pertinent statistics on capitalizations, premium writings, operating earnings, dividends, assets and investments for 69 of the leading fire and casualty insurance companies.

As can be seen this report covers much more information than the usual review of earnings published by many investment organizations. Particularly interesting and helpful from the point of view of the analyst is the breakdown of the sources of premium income between the different insurance lines.

Rarely, if ever, do all of the major insurance lines produce an underwriting profit in a particular year. The balance between losses and rates is usually a fine one and periods of profitable operations are followed by rate reductions. Conversely unprofitable underwriting justifies rate increases. However, each of the major lines is subject to different conditions and the experience between them is generally not uniform.

For example, the straight fire lines last year after several years of quite profitable underwriting showed a declining trend. Certain automobile liability and casualty lines on the other hand were helped by rate increases made in 1951 and 1952 and showed a good gain in underwriting profits.

As the volume of business handled by different companies varies widely with no two institutions concentrated in the same insurance lines to the same degree, it is essential in analyzing a company to understand the nature of its business. Obviously a company such as the Fidelity & Deposit of Maryland with 76.3% of its premium volume in fidelity and surety insurance lines is subject to very different conditions and profit opportunities than a company such as Continental Casualty that has 57.5% of its premium writings in accident and health risks. Similarly New York Fire Insurance with over 60% of its business in straight fire lines is in a different position than American Fidelity & Casualty that writes no fire insurance but is almost wholly concentrated in automobile liability and property damage underwriting.

Thus by using the "Analyzer" an investor can determine the position of the various companies in the different types of insurance. This too aids in explaining the diverse underwriting experience shown by some of the fire and casualty companies in the past several years.

Another interesting and informative feature of the Geyer & Co. report not available in most of the other reviews is the percentage tabulation showing distribution of assets between bonds and preferred and common stocks.

An examination of the percentage figures readily reveals the basic outline of the investment policies followed by the various companies.

For example Central Surety & Insurance has 82.5% of its assets in bonds, including 51.9% in state and municipals and 29.2% in U. S. Government securities. The Fidelity-Phenix Fire Insurance on the other hand has 46.9% of its assets in common stocks, mostly industrials, and 36.7% invested in bonds, mostly U. S. Governments.

St. Paul Fire & Marine has long favored state and municipal securities and now has 57.7% of its assets in this classification. Consequently only 18.1% of assets is invested in equities. Holdings of preferred stocks has become relatively less important among insurance companies in recent years. Firemen's Insurance of Newark with 15.5% of assets in this group is the largest holder of these securities.

Obviously this information on underwriting and investments is not only helpful but essential in analyzing the shares of insurance companies. Certainly a comparison of earnings without a knowledge of the basis of those earnings is not sufficient for an appraisal of the shares or an evaluation of future prospects.

It is for these reasons that the "Analyzer" has proven to be such a valuable aid in the determination of the impact of various insurance and investment trends upon the different companies as well as the comparable values among the various shares.

Meteor Air Transport Class A Stk. at $1.50

Eisele & King, Libaire, Stout & Co., New York City, are offering at $1.50 per share an issue of 199,800 shares of class A stock (par $1) of Meteor Air Transport, Inc., Teterboro, N. J.

The net proceeds from the offering are to be used to purchase aircraft and for working capital.

The class A stock is entitled to non-cumulative dividends of 15c per share per annum in preference to the class B stock; the class B stock is then entitled to an equal dividend per share; and, after payment of the above amounts, any further dividends shall be paid equally, share for share, upon the class A stock and the class B stock.

Meteor Air Transport, Inc. is believed to be the oldest contract air freight carrier in the United States. The company was organized in Delaware on March 2, 1946 and made its first flight on May 3, 1946. It has been in continuous operation since then. The company's principal offices are at the Teterboro Air Terminal, Teterboro, N. J., where it also maintains cargo storage space, hangar and shops.

Continued from page 6

Evolution of a Securities Trading House

tutional demand, we set up Canadian and foreign bond trading units. Shortly afterward, the mounting total of debt issued by state and local governments necessitated our setting up a municipal bond trading department.

Throughout this early 20th Century period, the expansion of the money market was closely paralleled by the growth of our bond trading activities. As each section of the market grew in importance, new units appeared in our trading room. As some types of paper fell into disuse or faded from the scene, several trading units were merged with others or suspended.

So much for the historical background of our trading organization. The setup we have today reflects today's conditions. Had a trading organization such as we now possess been launched in 1910, it simply could not have existed, for the economic conditions appropriate to its existence had not yet come into being. The moral of all this is that a trading organization must be flexible; it must be constantly geared to the times.

Operations of the Trading Room

Now let's take a look at our operational setup. Our trading room is the hub of our operation. All our production personnel are gathered together in it, and our offices in other parts of the country are in close touch by means of an extensive wire system. All are required to keep well informed on our trading "positions" and the over-all market picture. Every effort is made to provide the up-to-the-minute information necessary for them to do so.

Our traders know to the most minute detail the demand-supply situation in, and the technical market position of, the various issues which make up the section of the bond market to which they are assigned. They must be able to make a bid or an offer in any active issue in their field of specialization at a moment's notice if market conditions permit. Others, the salesmen, are expected to keep in close touch with a number of accounts and to know the portfolio preferences and trading patterns of those institutions.

Both the salesman and trader are part of an over-all trading team. The individual salesman cannot be as well posted on market conditions in any one issue or group of issues, as is the specialist who runs our position in that section of the market; however, the salesman is probably better posted on market conditions as a whole. The individual trader, no matter how expert he is in his own field, cannot know an institution's portfolio requirements as does the man who covers the account. Also, he should be equally as alert as the salesman to developments in another section of the market which affect his trading position. So, in a trading organization salesmen and traders must work in unison, fully utilizing to the best advantage the firm's trading positions.

In addition to his primary duties, the trader must also cover the account for the salesman in specific situations. The salesman may, on occasion, encourage the trader to make a commitment which, from the narrowly specialized viewpoint, may offer dubious possibilities, or conversely, to urge caution in a given set of circumstances.

While the trader - salesman roles are not usually interchangeable, it is nevertheless true that traders frequently do an excellent job in covering an account, as well as the fact that salesmen can be instrumental in acquiring a profitable position in a certain bond issue. The over-all keynote is teamwork.

There is one thing all members of this trading team always keep in mind: No trade is worth making unless it fulfills the objectives and desires of the institution with which it is made. Otherwise, no matter how seemingly profitable, it isn't worth a hoot. We all know that today's fast buck can become tomorrow's headache.

In our trading room, then, are gathered together in person or by wire, traders, salesmen and their auxiliaries. These auxiliaries are the statisticians and the portfolio research clerks. The statisticians quickly supply needed information not otherwise readily available, such as size of sinking funds, average maturities, et cetera.

A trading organization, as I mentioned before, must be well posted. Sometimes markets fluctuate from minute to minute; price spreads and yield relationships keep changing; a block of bonds is retailed; the price on another block is raised or perhaps lowered; the news tape prints a flash about a projected refunding; there may be an increase or reduction of the Federal Reserve rate of discount; prime loaning rates at the banks change, et cetera. All this financial news is grist for our mill and every effort is made to keep all traders and salesmen fully informed throughout the day.

Trading An Art, Not a Science

Trading is an art, not a science. It calls for a combination of two things—(1) slide rule techniques, and (2) market intuition. Under the first come such questions as—What is the general economic outlook? Where are we in the business cycle? What are the monetary authorities thinking? What are they doing? What will the Federal Reserve do in the money market in the months immediately ahead? What are the requirements of the Treasury? Right now, for example, is easy money going to be made easier? What is the outlook for the supply of long-term funds versus supply of long-term investments?

An evaluation of such factors determines long-term market policy. However, a long-term outlook for money must not be the guiding factor in day-to-day trading. The supply factor in the bond market might cause a severe reaction although the long-term outlook for money is such that there might be a plethora of funds and a considerably higher bond market some months away. Considerable money has been lost in trading by not giving the proper evaluation to the factors that currently affect the market against the background of forces whose effect might not be felt pricewise for months to come.

Equally essential is market intuition or a sense of timing, keeping abreast of the day-to-day trends, grinding out the trades which give us our bread and butter. Such questions as these arise daily: What is the demand-supply picture in any given issue? How do equipments compare yield-wise with municipals? Is the new issue calendar's backlog light or heavy? What is the yield spread between top-grade utilities and Treasury 3¼s? Between telephone bonds and light and power bonds? Between industrials and utilities? Between the various credit categories within a given group? Between seasoned issues and new issues? Right now, is it better to stock low coupon bonds selling under first call, or high coupon bonds appreciably over call? Will the market preference be for low yield discount bonds as insurance against refunding, or high yields and a risk of loss through refunding? Trading "know-how," when to pay up and when to drop back—the constant evaluation of all these factors and others produces the purchases and sales which make up the trading day.

There is a psychological theory which claims that the whole is greater than the sum of its parts. In a way, this theory applies to our trading. The continuous stream of public and private trading information constantly circulating throughout our organization creates a charged atmosphere for those attuned to it. As the tempo qiuckens either on the up or down side, the trend is sensed and an effort made to transmute it into appropriate action.

In exercising over-all control of the various components of our organization, flexibility and teamwork is the rule. We partners are all working men. We do not lead cloistered lives in private offices; we are on the front line as traders and salesmen.

One of the greatest elements of strength of our firm is that we have adhered to the policy of building the firm from within. The partners are men who previously were specialists, traders, and salesmen who, due to their capabilities, were admitted to the firm. This is a great inspiration to our organization and engenders the drive, which is necessary to achieving success.

Story

Each trading unit is under the direct supervision of a partner. It is staffed by a group of senior and junior traders and order clerks whose number is determined by its average daily volume of transactions. Our government department, for example, takes up the full time of two partners, two senior and two junior traders, and an order clerk. At the other extreme, our once large Acceptance Department now demands only part-time attention of a man who devotes most of his day to servicing savings banks and pension funds.

The most important institutional accounts are covered by partners backed up by senior salesmen, who, in addition, service some of the smaller and less active accounts. They in turn are assisted in this latter task by juniors who also service on their own, minor and still less active accounts. In all key spots, both trading and sales, we try to see to it that understudies are available to carry on efficiently in the absence of the lead man.

At the present time, our trading organization consists of the following trading departments or units — Governments, Municipals, Industrials, Utilities, Rails, Arbitrage, Preferreds, Liaison, and Acceptances and Finance Paper. The names applied to these units, however, are not always fully descriptive of their trading province, For example, International Bank Debentures and Canadian bonds, both Governmental and Corporate, are traded in the Industrial Bond Department.

Each unit is responsible for, and exercises virtually complete discretion as to its own trading position within the limits set by firm policy as to quality and quantity. As far as quality is concerned, we limit our inventory to high-grade institutional securities. As for quantity, experience plus the current demand-supply picture in an issue dictate the limit. However, here again flexibility must be the rule. If an institution engaged in executing an investment program desires to sell a block of, say, a million industrial bonds in a name we usually limit to a couple of hundred bonds in our position, a senior partner is always available to pass judgment.

Markets in Specific Issues

Actual markets in specific issues are generally left to the discretion of the traders. The trading position, customers' orders, and demand and supply plus market conditions, may cause fluctuations throughout the day. If, however, a situation seems to be brewing in an issue or in a certain section of the market, we senior partners may decide to intervene with an admonition to cut down a certain position or with a direct order to build it up.

Coming events affecting the whole bond market usually, but not always, cast their shadows before. In a given situation, we senior partners decide by issuing an over-riding directive on all the trading units. To illustrate, a market may be holding the price line under a certain amount of pressure from supply and also showing signs of increasing listlessness even though offerings are still moving out fairly well. At the same time, developments in the national economy may be inspiring some concern as to the over-all bond market outlook. For instance, insurance companies may be talking about the growing total of direct placements they are going to have to take up next month. Savings banks may be asking whether they should sell short equipments or long Governments to raise cash for their future mortgage financing needs. In addition, discounts and advances at the Federal Reserve may have remained persistently high despite warnings by Federal Reserve officials that they'd like to see them come down. Under such circumstances, we senior partners might decide to lighten up on all positions.

On the other hand, if the rediscount rate had just been lowered at a time when the bond market had been under pressure for several weeks, the word might go out to reduce offerings and build up a long position, full steam ahead. Our method of exercising control over our trading setup is unceremonious but effective.

There is one other aspect of trading which we are so accustomed to that we tend to take it completely for granted. I think, however, it will bear mentioning. That, gentlemen, is the oral but binding contract upon which all trading is based. We do, of course, have occasional face-to-face contact with the men in the institutions and firms with which we trade. We also have written communication and our daily offering and quotation sheets (sets of which were distributed here this morning) go to some 7,000 investment officers every day of the year.

But virtually 100% of all trading transactions are made by telephone and rely solely on the honor of the contracting parties for subsequent fulfillment. In all of my 38 years in this business, during the course of which I have traded literally billions of dollars worth of bonds, I have had not one "reneg" on a trade, regardless of the fact that markets are constantly changing with consequent substantial gain or loss to one side or the other. The oral contract is the basic foundation of our business, and my experience is an eloquent testimonial to the integrity of the trading fraternity.

A Look Ahead

During this talk, I have attempted to cover the historical background of our trading organization, its growth and development, and its present physical setup and method of operation. Now, to round out the picture, I would like to take a look ahead. No one, of course, ever knows the future until it has become a part of the past. Apropos of that, I still recall a youngster in our Government Department some 30-odd years ago, who wanted another assignment because he was afraid the Treasury, which was then trying to retire its World War I loans as rapidly as possible, was going to wipe out his job along with the public debt!

One financial movement which still seems to be gathering strength is the institutionalization of savings. As a result of this movement, there has been a relative decrease in individual long-term investment demand and an increase in that of institutions. As a by-product, over - the - counter trading in bonds has continued to grow in importance while bond trading on the Board has declined. Judging from the continued increase in investable funds of insurance companies, savings banks, savings and loan associations, mutual funds, pension funds and the like, these trends seem likely to continue.

Recently-enacted prudent-man legislation and the extension of Federal income taxation to savings institutions makes an ever-growing sum of institutional funds available for investment in preferred and equity securities. Large volume trades in preferred and common stocks are no longer infrequent. In certain institutional type stocks, such as American Telephone and Telegraph, and high-grade utility stocks, trading positions have been profitably maintained. Our own preferred stock trading unit is a likely candidate for expansion.

Another section of the market which will bear close watching is that comprised by the dollar-quoted, tax - exempt revenue bonds. These obligations are now coming to market in large amounts and long-term maturity. With governmental budgets already under severe strain and a network of long overdue transcontinental highways geared to present day traffic needs, this type of issue is growing in favor. These revenue bonds already have a brief but excellent investment history. Should they continue to increase in number, they will bring to the municipal market a trading opportunity it has never had before; namely, a chance to make close, good-sized, two-way trading markets in large scale dollar-quoted issues. We are now considering the addition of a quotation section to our municipal offering sheet which will be devoted to such dollar-quoted issues. It is possible that in the not too distant future, municipal traders will find it advantageous to carry larger trading positions in revenue bonds with a rapid rate of turn-over than they now carry in slower moving, basis-quoted general market obligations.

Then too, there lies ahead the enormous economic potential implicit in the development of atomic power which will some day necessitate financing. Such financings are bound to be large—very likely large enough to dim the splendor of last year's "quarter billion plus" financings. They can't all be direct placements, but even if many are in that category a good portion of them will eventually come into the marketplace.

One of the things that we are most proud of at Salomon Bros. & Hutzler is that we have provided a market for investment securities which has weathered all crises over the past 44 years of our existence, and it is exhilarating to contemplate that we have contributed at least in some degree to the expansion of our great country.

We look forward with confidence to the future.

Continued from page 12

Basis of Sound Money

dom of trade would result and be enforced by the natural operation of this system. If we have convertibility, freedom will break through by its own force. The United States should have a vital interest in convertibility as the **only item still rationed and discriminated against, throughout the free world, is the U. S. dollar.** Free convertibility, including the dollar, would throw markets open to the United States. Germany has no intenton to bust the European Payments Plan. We will not release the sparrow in our hand — the EPU — until we have caught the pigeon on the roof—convertibility.

"I am one of the most ardent advocates of free convertibility on a world wide basis as I feel that only this will lead to true cooperation without distrust and grudge between the countries concerned. We have now had foreign exchange control for some 20 years, and no country can feel sure that its rate of exchange is realistic. Thus, we apply false measures to our exchange of goods and services. The Bible says 'false weights and measures are a horror in the eyes of the Lord', but that is precisely what we have."

Remove Shackles of 1933

Before we can plan convertibility on a world-wide basis, we must do some important things at home. One of these tasks is to remove the terrific handicap; which was placed upon us in 1933, when the United States went off a gold standard and it became a crime for an American citizen to own gold or a gold certificate. We have to repair the damage which resulted to our national economy from this fallacious monetary step.

The quickest, most expeditious and soundest way to recover from the 20-year-old mistake would be for Congress to enact, and the President to sign, Senate Bill No. 13, now pending before your Committee, or a measure similar to it.

A Free Market For Gold

This Committee is familiar with the simple and clear language of Senate Bill No. 13 by Senator McCarran. The measure removes many restrictions, impositions and inhibitions, both upon gold mined in the United States and gold imported into the United States, declaring that such gold may be bought, held, sold, or traded upon the open market of the United States, and, in the case of imported gold, re-exported. In other words, Senate Bill No. 13 would stamp all gold with the label of freedom.

Economic Freedom

Economic freedom is just as significant as political freedom. In fact, one supplements the other. Actually, you cannot have political freedom without all of the other freedoms attached to it, economic, religious, etc. Many years ago, one of our most brilliant statesmen said that the best government is the one which governs least. Conversely, the most objectionable government is the one which governs most; the government which is the master, not the servant of the people. I do not believe it is necessary to elaborate further on this thesis. I am sure we all agree.

Effect of Unsound Money

Let us now implement our thesis with a few illustrative examples of the effects of an unsound monetary policy upon our economy and particularly its agricultural sector; of the danger we face from the continuance of a policy which has already wrought serious damage to our nation and its agricultural and industrial productive plant. As fair-minded and unbiased analysts, we cannot blame all of our economic ills and troubles upon an unsound monetary policy. Naturally, there are many contributing factors, such as the destruction brought on by World War II and its aftermath of economic vacuum, the comparable damage resulting from the Korean conflict, and the world-wide disturbances deliberately instigated by the Kremlin. But, let us not minimize the effects which our current monetary policy has added to these economic upheavals. Here are some facts which we cannot ignore:

(1) Loss of Export Trade: American agriculture has lost much of its former export market—a sales outlet of inestimable importance to our farm people—a factor which determines whether American agriculture will have to shrink its output or be squeezed again through the economic wringer.

(2) Unemployment: American industry faces the threat of the unemployment specter, despite the number of gainfully employed, and the fertile soil which unemployment always offers for planting the seeds of communist miracles and rainbows which promise everything but never materialize in anything except economic and political slavery.

(3) Consumptive Needs: Our current 160,000,000 population, increasing rapidly, vainly tries to satisfy its consumptive needs with a dollar which has only about half of its pre-war purchasing power.

(4) Dormant Resources: Some of our most important natural resources, both for peace and defense, lie dormant, awaiting a more suitable and favorable monetary atmosphere.

(5) National Debt: Our National debt, already at a staggering high because it is pyramided on paper or printed dollars, either must be increased or government must reduce its expenditures drastically.

(6) Fluctuating Money: Our financial structure is constantly imperiled by wide fluctuations in the supply of "artificial" money; by drastic changes in credit and credit regulations; by corresponding extremes in interest rates; by losses resulting from unnecessary liquidation of government bonds at sacrificial prices; by resort to various types of subsidies as an ineffectual and costly substitute for the law of supply and demand; by a conflicting welter of plans and programs for agriculture, producing only confusion and disagreement; by fear of inflation, deflation, recession, depression; by fear of the cyclical "bust" following the war-time boom.

Need For Honest Money

The establishment of a sound monetary policy would not eliminate all economic uncertainties; would not solve all these problems; would not cure all these ills. But it would help tremendously in creating a degree of stability which would reflect itself in all sectors of our domestic economy and translate itself beneficially to the international scene.

As a producer of prunes, I am interested in selling at a fair profit all of my output of this commodity. So is every prune producer. Formerly, we exported 40% of our prune production to Germany, balancing 60% of our crop against domestic needs. We cannot do this now because we lack a sound convertibility program.

As a producer of canning peaches, I am interested in selling all of my peach crop at a fair profit. So is every peach grower. Prior to World War Two, England was a strong customer for California canning peaches. We used to export as much as two and a half million cases to Great Britain at that time. Since then, England has maintained an embargo against American fruits because of currency controls.

Just this spring, we had developed a program, in cooperation with the United States Foreign Operations Administration and the British Government for exporting one million cases of canning peaches to England. The program called for the United States Government to pay our growers in dollars, with the British Government transferring an equivalent in pounds sterling to the credit of the United States in British banks for use for American expenditures in Britain. Finally, the program simmered down to less than 500,000 cases because of currency control. We hope this minimum export tonnage will not be depreciated further.

Loss of Exports

Lack of a sound money policy has most certainly contributed to an annual export loss of four million bales of cotton, hundreds of millions of bushels of wheat and corresponding export declines in many other American agricultural products, vitally needed abroad. But that is not all. "Trade—Not Aid," is just as essential to the welfare of American agriculture; and a sound monetary policy would help in substituting trade for give-away aid. Our current export-import picture is one of decreasing exports and increasing imports. This Committee is fully aware of the serious consequences of this situation.

Theories vs. Facts

Parenthetically, I have always been most curious to learn who promulgated the absurd theories that farmers can turn their production on and off like water from a faucet; that farmers can make a profit on anything less than a 100% parity exchange ratio; that farmers can reduce their volume and sell their decreased production at a lower price and still maintain themselves; that so-called alleged over-production of crops can be solved by lower returns to producers; that farmers can match mounting costs of production with lower prices to them; and that the so-called farm problem is a myth and exists only for the benefit of those who want an excuse for wasting billions of words talking about it. I assure this Committee that nothing could be farther from the truth.

Like the manufacturer, the merchant, the mining operator, the professional man and all other segments of our economic society, the farmer must operate his enterprise on a profitable basis or quit. There is no alternative. There is no middle course.

Farmers Want Freedom

Moreover, the vast majority of American farmers want to conduct their operations under a free economy, in an atmosphere dominated by the law of supply and demand, under a monetary system free of regimentation, arbitrary controls and manipulated management, on a free-choice basis, and in the true American competitive spirit. They want fair and equitable prices for their labor, investment and risk capital, managerial ability, ingenuity and enterprise. They want a dollar that represents a dollar's purchasing power. They want a fair and equitable tax program. They want to produce all the food and fiber which their land and their skill can grow, and which the United States and the rest of the world needs. A sound monetary policy will help bring these lofty objectives to fruition.

If we have a really sound and honest dollar, we will have solved the major agricultural problem of the United States.

In conclusion, may I again endorse whole-heartedly the basis for a sound monetary policy as set forth in Senate Bill No. 13, or similar legislation, and pray that the principle it embodies becomes the law of the land. America's future is at stake. The world's future is at stake. Our freedom, world-wide freedom, is at stake. What could be more important?

Let us permit gold to make its constructive contribution to the American economy by:

(1) Providing a free market for gold so it will find its proper price level based upon its demand at home and abroad.

(2) Providing an unhampered privilege of possession and trading in and with gold.

(3) Providing a fully convertible currency to and from gold, based on values that reflect today's price levels for other commodities.

(4) Restoring gold as the common denominator in the world's currencies with free conversion privileges to allow for trade.

Gas Service Co. Stock Offered at $23.62½

A group of underwriters headed by Kuhn, Loeb & Co., Union Securities Corp., Reynolds & Co. and Allen & Co., on April 19 offered publicly 1,500,000 shares of common stock (par $10) of The Gas Service Co. at $23.62½ per share. The subscription books were closed the same day. The bankers had been awarded the issue on April 13 on their bid of $22.03 per share.

The shares were purchased from Cities Service Co. and no proceeds from the public offering will accrue to the Gas Service Co.

The Gas Service Co. has paid dividends in varying amounts on its common stock in each year since 1943. During the last three calendar years, the company paid dividends equal to approximately $1.24 per share per annum on the 1,500,000 shares of common stock now outstanding. It is the intention of the directors to continue the present policy of paying dividends quarterly in March, June, September and December and to declare a quarterly dividend of 31c per share payable on June 10, 1954 to stockholders of record on May 14, 1954.

The Gas Service Co., whose principal executive office is located at 700 Scarritt Building, Kansas City, Mo., was organized in Delaware on Aug. 22, 1925, and is authorized to do business as a foreign corporation in the States of Missouri, Kansas, Oklahoma and Nebraska. The company is and intends to continue as an operating public utility engaged in the distribution and sale of natural gas for residential, commercial and industrial purposes. All gas distributed by the company is purchased at wholesale, principally from Cities Service Gas Co. The company has no facilities for the manufacture of gas.

The territory served by the company is located in an area embracing western Missouri, central and eastern Kansas, northeastern Oklahoma and two communities in southeastern Nebraska, having a population of approximately 1,600,000 of which approximately 860,000 is concentrated in the Greater Kansas City area.

Gas Service Co. presently estimates that approximately $10,630,000 will be required to be expended for construction during the years 1954, 1955, and 1956. Of such estimated sum, it is anticipated that approximately $4,163,000 will be spent in 1954, $3,500,000 in 1955, and $3,000,000 in 1956. Of the funds required to provide for such three-year construction expenditures, it is estimated that approximately $7,663,000 can be provided from internal sources, that $1,500,000 will be available through additional borrowings under its existing bank credit agreement, and that the remaining $1,500,000 of funds needed to complete the construction program will be obtained through further bank borrowings or the sale of securities. The nature, amount and timing of such additional financing will depend on market conditions and other factors.

Charles Sievers

Charles Sievers, Partner in Barrett & Co., New York City, and a member of the New York Stock Exchange, passed away at his home April 15 at the age of 62.

Railroad Securities

Southern Railway

The railroad stock market, and in particular that segment representing the better quality operations, has been giving a considerably better account of itself recently. There appears to be a growing feeling throughout the country that the period of business readjustment has pretty well run its course and that there are convincing signs of the start of a recovery. Judging by many statements in the press and at annual meetings this opinion is shared by a large majority of the railroad managements. Also, most of the better situated railroads have been doing a good job with respect to expense control in recent months so that fears of a collapse in railroad earnings are fading. It is true that in almost every instance railroad earnings have been running below those of a year earlier but to a considerable degree this can be traced to continued heavy maintenance outlays, which in themselves seem proof that railroad management is not concerned over the outlook. Transportation costs in a large number of instances have been well controlled, and that is one of the most encouraging aspects of the picture.

One stock in the semi-investment category that has been attracting considerable attention recently is Southern Railway common. For one thing, most analysts are now convinced that the once formidable 1956 maturities may no longer be considered any problem. In the last 10 years or so Southern has retired more than $100 million of non-equipment debt, eliminating all maturities prior to 1956 and reducing the amount falling due in that year to $59,286,000 as of the end of last year. In comparison, holdings of cash and government bonds now total close to $100 million and will be further bolstered by earnings in the next two years. Thus, it is now believed that the 1956 maturities can be paid off in cash when they mature without any further financing. This will mean a highly conservative debt structure for the road and no maturity problems for many years to come.

A second favorable aspect of the Southern picture is the vast improvement in operating efficiency in recent years. Part of this, of course, has stemmed from complete dieselization of all operations. Probably just as important is the comprehensive yard improvement and modernization program that got under way a couple of years ago and is still going forward. As the full benefits from the yard program have not as yet been realized (one of the largest projects is still being constructed) it is felt in most quarters that a further gradual paring of the transportation ratio may be looked for. It is also expected that the over-all operating ratio will continue in the future to benefit from new maintenance machinery being developed.

As a measure of the progress already achieved, the transportation ratio last year had been reduced almost to 30%, a good six points below the industry average, and compared with the company's own ratio of around 39% in the immediate postwar period. The over-all operating ratio last year was down to 67.7%, compared with 77.0% as recently as 1947. In the opening months of the current year, despite the fact that revenues fell nearly 12%, there has been no curtailment of maintenance work. As a matter of fact, maintenance outlays for the two months were roughly $600,000 higher than a year ago. The transportation costs, however, were held in much better control (up 1.9 points from 1953) and net income was off only about $1.9 million on a decline of $5.3 million in gross.

Obviously earnings for the full year 1954 are not apt to match the $11.63 a share realized in 1953. On the performance so far this year and some indications that the tide has turned and that year-to-year revenue comparisons from here on may be more favorable, many analysts are of the opinion that estimates of perhaps $9.00 to $10.00 would not be too optimistic. As it has been stated that expenditures for property and equipment improvements and for new equipment will be appreciably less this year than last, and as finances have been built up substantially, it is felt that any such earnings would fully justify liberalization of the regular dividend. The stock is now on a $2.50 regular basis, with an extra of $1.00 paid in the first quarter of this year. On a long-term basis those constructively inclined toward the road and its securities point to the strong growth characteristics of the territory and the prospects for the continued expansion in the road's traffic potential.

Continued from page 7

The Outlook for Electric Utility Common Stocks

the 12 months ended October 1953 amounted to 45% of the reported net income available from common stock. The construction program has now been completed and this credit will be reduced substantially. While the new facilities will produce earnings, the initial increase will not nearly offset the loss of the credit and there will be a substantial drop in earnings. We pay a great deal of attention to this interest-during-construction policy.

Confidence in Management

As to confidence in management, there are many who feel that this has a tremendous influence on price-earnings ratios and some label this the number one factor to be investigated when contemplating an investment. We like a management that is approachable and who will give us an honest answer to an honest question. We like to have managers visit us periodically and give us an opportunity to ask questions. While this may take a great deal of your time, it is much more effective than having us attend a luncheon or other meeting where it is sometimes difficult to ask questions. We evaluate management by its showing over a period of time, by its public and labor relations, by its financing record and security-holder relationship programs.

In addition to confidence in earnings and management, probably the next most important factor contributing to high price-earnings ratios is growth in per share earnings. The chemical industry has been very successful in increasing its per share earnings. Mainly because of this, chemical stocks normally sell at a higher ratio than do utilities. Obviously the growth of your territory has a tremendous influence on the growth of your earnings and upon the investors attitude toward your stock. Fortunately most of you are blessed with growing territories. Some sections just are not growing and not much can be done other than the usual attempts to attract industry and to promote the sale of appliances. However, your financial policy can have an important effect on per share earnings. A company that seeks a blue chip rating by constantly seeking to build its common equity position, dilutes its earnings and fails to show a strong trend in earnings. Much has been said about capitalization ratios. I do not care as much about capitalization ratios when I buy a utility stock as I do about what is going to happen to those ratios after the stock has been purchased. I dislike being a holder while the equity ratio is rising by any substantial amount. Unfortunately the SEC in the El Paso Electric case came up with a formula of 50% bonds, 25% preferred stock, and 25% common stock as a minimum satisfactory capital structure. Obviously most utilities wanted to be better than the minimum, especially since many had dividend restrictions based on this minimum. I have never been able to understand this formula. Some companies with extremely volatile loads may need even stronger structures, but other companies with stable growing loads do not need to be so conservative. After all, the utility industry got through the 1932 depression without too many bankruptcies of operating companies. It takes a long drawn out depression such as 1932 with the doubling up of families to seriously affect utility earnings, and it is extremely doubtful that with present political thinking we will ever have another 1932. Moreover, on today's standard of accounting, many utilities entered 1932 with no book value or even a deficit for their common equity and their bonds carried interest rates of 5 to 6% and preferred stocks had 7% requirements. The magic formula has resulted in companies building up equity positions just at the time that they have been in the market for unprecedented amounts of new capital. The dilution has been tremendous and has certainly retarded the trend of earnings. I feel that the industry as a whole has been hurt by this financial policy. During these years of heavy common stock offerings, the industry has been faced with rapidly rising costs which have reduced earnings for most companies below the allowable rate of return. During these years the inflationary psychology has held utility price-earnings ratios to low levels by all past standards. We have, therefore, seen abnormally large sales of common stocks at prices based on relatively low earnings which have been capitalized at low ratios. It has been expensive financing. Maybe it has improved the price obtained for bonds, but the difference in the cost of money on a triple A bond as compared with that of a single A bond is so small as to be insignificant as compared with the higher cost of common stock money.

The Regulatory Climate

Now that I have gotten my favorite thesis off my chest I will turn to other factors influencing price-earnings ratios. One of the most important of these is the regulatory climate in the territory. The investor is very much influenced by the treatment that a utility receives from the regulatory body. Is it allowed a fair return that will permit it to attract capital in a competitive market? Is there likely to be a long lag between the need for and the granting of rate relief? Will the Commission allow a fair rate base that reflects current conditions? Does the Commission interfere with managerial prerogatives? I have seen utilities lose financial standing because of too strict regulatory practices. There is not much that you can do about this other than attempt to educate those charged with regulation and to stand up for your rights.

Although there are other factors influencing price-earnings ratios, I believe I have discussed the principal ones and will now turn to that $64 question.

There are many cross-currents in the utility common stock market. On the favorable side I would include the continuing flow of funds into institutional hands which will maintain the demand for stocks. Any trustee of funds will certainly include utilities among his purchases because of the stability of their earnings. Some of the large New York life insurance companies as well as the savings banks have entered the common stock market recently for the first time. There is not a week that goes by that I do not get a request for advice from some such institution. Because of the long-term outlook, utilities are a favorite with them. At the same time offerings have been somewhat reduced.

Stock-Bond Yield Ratios

Another favorable factor is the relationship between common stock and bond yields. Although common stock yields may seem low to you based on the standards of the past few years, their relationship to bond yields is on the high side of normal. From 1926 to mid-1931, utility stocks actually yielded less than utility bonds, and in 1929 their yield was only 40% of bond yields. In the 1930's the yield on utility stocks averaged about 130% of the yield on bonds. During World War II they went as high as 400% of bond yields, but in 1946 they declined to 120%. They are now at the 165% level. With the bond market particularly strong at the present time, there is an upward pressure on utility common stock prices.

The relief from inflationary pressures is another favorable factor. Even though most of you were protected by fuel clauses and many even had commodity clauses, still the investor worried about the effect of rising costs on utility earnings. With this fear moderating, investors are willing to appraise your earnings at higher values.

The change in the political climate is also having a favorable effect on utility security prices. After twenty years of punitive actions from Washington we now hear that the private industry is not entirely bad. It is hoped that this sentiment will finally permeate to the staffs of the regulatory commissions.

Probably the most favorable development is the growing widespread belief that World War III is not imminent. War or peace has a much more important effect on stock market values than does prosperity or depression. Utility stocks are particularly vulnerable to war fears because of the effect of abnormally heavy tax burdens on earnings. We have kept, since 1929, a weekly chart on utility stock prices relative to earnings. This chart shows very dramatically the adverse effects of war fears. A few years ago an Indo-China development would have depressed utility values substantially. Today there is the general belief that such developments will be kept local in character and market values are unaffected.

Unfavorable Factors

On the unfavorable side of the picture is the business letdown that we are now experiencing. So far it has not been severe enough to have an adverse effect on utility earnings, but for some companies it has arrested their trend of earnings. If business should continue to slide, utility earnings would not be immune to the down turn. Moreover, the whole stock market might turn weak under these conditions, and with a generally declining market, utility stocks would suffer. I believe there is a good chance of our running into a generally weak stock market over the next few months. The market has been rising for the last six months just at a time that business has been declining. While this phenomena has occurred at times in the past, it is not usual. Either a continuance of the business decline into the summer months or poor earnings reported for the first quarter could have a dampening effect on the market this spring.

A second unfavorable factor is the market level of utility stocks relative to other stocks. Our charts show that only during brief periods in the last twenty-five years have utility stocks sold at such favorable price-earnings ratios as now exist. On the other hand, industrial and railroad stocks are selling at historically low ratios. The reason for this is that investors have confidence in utility earnings particularly because they cannot be deemed to be inflated. In contrast, industrial and railroad earnings are considered inflated by the large defense program and therefore are vulnerable to a business recession. Once the investing public becomes convinced that the long advertised depression is a thing of the past, they will be attracted to the cheaper stocks. At this point there could be substantial investor switching from utility to industrial common stocks because of the greater profit potential of the latter.

Another unfavorable factor is the possibility of renewed investor concern about inflation and its effect on utility earnings. This being an election year, there is real danger of Congress' granting too many tax reductions with the result that the budget will be far out of balance. With prospects of large deficit financing, investor psychology could change to one of inflation.

Finally investor attention may soon be focused on next November's congressional elections. While political factors now appear favorable as measured by the standards of the last twenty years, there may be some anxiety over the coming months as to the continuance of these favorable factors beyond next November.

If all of this sounds like a hedged forecast of the market outlook for utility stocks, it is so intended. There are many cross currents in the picture which make it unusually difficult to guess what the market will do. My guess, for what it is worth, is that utility stocks will continue to work gradually higher over the balance of the year. There may be some intermediate reaction, but it will not be substantial. Bonds and preferred stocks have had an amazingly sharp rise over the past nine months. I do not believe that this rise will continue at its recent pace, and I believe that these securities are close to their peak for many years hence. However, I expect this peak to be protracted which will give you ample opportunity to sell this type of security at favorable prices.

John B. Richardson

John B. Richardson, Partner in James Richardson & Sons, Canadian investment firm, passed away following a brief illness.

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. 25	§68.5	*63.0	68.1	101.0
Equivalent to—					
Steel ingots and castings (net tons)	Apr. 25	§1,634,000	*1,622,000	1,624,000	2,276,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Apr. 10	6,567,550	6,486,250	6,458,300	6,267,750
Crude runs to stills—daily average (bbls.)	Apr. 10	¶6,759,000	6,761,000	6,883,000	6,705,000
Gasoline output (bbls.)	Apr. 10	22,898,000	22,858,000	23,313,000	22,098,000
Kerosene output (bbls.)	Apr. 10	2,369,000	2,233,000	2,764,000	2,545,000
Distillate fuel oil output (bbls.)	Apr. 10	9,399,000	10,058,000	10,116,000	9,722,000
Residual fuel oil output (bbls.)	Apr. 10	8,451,000	8,025,000	8,362,000	8,723,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 10	179,729,000	179,674,000	179,583,000	159,893,000
Kerosene (bbls.) at	Apr. 10	17,269,000	17,447,000	19,020,000	18,685,000
Distillate fuel oil (bbls.) at	Apr. 10	57,772,000	59,551,000	65,574,000	60,693,000
Residual fuel oil (bbls.) at	Apr. 10	43,833,000	43,718,000	45,973,000	40,663,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 10	606,790	599,302	609,883	721,139
Revenue freight received from connections (no. of cars)	Apr. 10	581,291	580,366	595,585	645,745
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 15	$306,562,000	$314,283,000	$215,384,000	$275,001,000
Private construction	Apr. 15	192,333,000	184,370,000	115,621,000	148,335,000
Public construction	Apr. 15	114,229,000	129,913,000	99,763,000	126,666,000
State and municipal	Apr. 15	92,817,000	105,861,000	92,216,000	95,002,000
Federal	Apr. 15	21,412,000	24,052,000	7,547,000	31,664,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 10	6,660,000	*5,900,000	6,940,000	8,485,000
Pennsylvania anthracite (tons)	Apr. 10	501,000	465,000	488,000	448,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Apr. 10	113	103	92	97
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 17	8,345,000	8,396,000	8,572,000	8,113,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Apr. 15	198	246	243	165
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 13	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Apr. 13	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Apr. 13	$25.17	$24.50	$23.33	$42.75
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 14	29.700c	29.700c	29.700c	30.750c
Export refinery at	Apr. 14	29.550c	29.475c	29.275c	33.275c
Straits tin (New York) at	Apr. 14	97.500c	94.500c	92.500c	98.500c
Lead (New York) at	Apr. 14	14.000c	13.750c	13.000c	13.000c
Lead (St. Louis) at	Apr. 14	13.800c	13.550c	12.800c	12.800c
Zinc (East St. Louis) at	Apr. 14	10.250c	10.250c	9.750c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 20	100.33	100.09	99.99	93.54
Average corporate	Apr. 20	111.88	111.07	110.88	105.52
Aaa	Apr. 20	116.02	116.02	116.02	108.70
Aa	Apr. 20	113.12	113.31	112.93	107.44
A	Apr. 20	110.34	110.52	110.34	104.83
Baa	Apr. 20	104.66	104.66	104.48	101.64
Railroad Group	Apr. 20	109.60	109.79	109.06	103.80
Public Utilities Group	Apr. 20	110.88	110.88	110.70	104.83
Industrials Group	Apr. 20	112.37	112.37	112.56	108.16
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 20	2.47	2.49	2.50	2.97
Average corporate	Apr. 20	3.12	3.11	3.12	3.42
Aaa	Apr. 20	2.85	2.85	2.85	3.24
Aa	Apr. 20	3.00	2.99	3.01	3.31
A	Apr. 20	3.15	3.14	3.15	3.46
Baa	Apr. 20	3.47	3.47	3.48	3.65
Railroad Group	Apr. 20	3.19	3.18	3.22	3.52
Public Utilities Group	Apr. 20	3.12	3.12	3.13	3.46
Industrials Group	Apr. 20	3.04	3.04	3.03	3.27
MOODY'S COMMODITY INDEX	Apr. 20	440.0	434.3	431.3	416.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 10	229,743	298,123	253,105	223,165
Production (tons)	Apr. 10	242,573	225,519	243,388	235,635
Percentage of activity	Apr. 10	89	89	91	90
Unfilled orders (tons) at end of period	Apr. 10	413,245	424,943	410,285	554,127
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Apr. 16	109.16	*108.12	107.92	107.10
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	Apr. 3	980,698	876,370	988,111	927,029
Dollar value	Apr. 3	$39,653,869	$38,843,567	$46,695,026	$40,150,266
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	Apr. 3	1,001,471	904,939	990,361	910,364
Customers' short sales	Apr. 3	9,234	8,213	7,347	7,517
Customers' other sales	Apr. 3	992,237	896,726	983,014	902,847
Dollar value	Apr. 3	$42,527,514	$38,079,679	$42,748,729	$36,563,744
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 3	309,150	322,810	299,090	279,970
Short sales	Apr. 3	------	------	------	------
Other sales	Apr. 3	309,150	322,810	299,090	279,970
Round-lot purchases by dealers—					
Number of shares	Apr. 3	316,560	258,710	301,460	278,550
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. 27	315,520	320,360	299,600	385,390
Other sales	Mar. 27	9,272,880	8,937,540	6,124,870	9,731,330
Total sales	Mar. 27	9,588,400	9,257,900	6,424,470	10,116,720
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Mar. 27	1,055,270	972,630	691,160	1,010,130
Short sales	Mar. 27	156,820	162,390	135,140	179,880
Other sales	Mar. 27	959,280	766,890	481,080	860,170
Total sales	Mar. 27	1,116,100	929,280	616,220	1,040,050
Other transactions initiated on the floor—					
Total purchases	Mar. 27	343,720	291,230	190,780	335,360
Short sales	Mar. 27	18,900	12,900	12,900	32,900
Other sales	Mar. 27	344,000	267,420	148,390	290,230
Total sales	Mar. 27	362,900	280,320	161,290	323,130
Other transactions initiated off the floor—					
Total purchases	Mar. 27	328,394	393,193	232,902	431,865
Short sales	Mar. 27	23,510	39,040	31,450	74,090
Other sales	Mar. 27	328,400	356,877	234,181	425,760
Total sales	Mar. 27	351,910	395,917	265,631	499,850
Total round-lot transactions for account of members—					
Total purchases	Mar. 27	1,727,394	1,657,253	1,114,842	1,777,355
Short sales	Mar. 27	199,230	214,330	179,490	286,870
Other sales	Mar. 27	1,631,680	1,391,187	863,651	1,576,160
Total sales	Mar. 27	1,830,910	1,605,517	1,043,141	1,863,030
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Apr. 13	111.0	110.9	110.6	109.5
Farm products	Apr. 13	100.3	*100.2	98.8	98.0
Processed foods	Apr. 13	105.2	*105.1	104.7	103.4
Meats	Apr. 13	93.9	93.9	92.0	88.5
All commodities other than farm and foods	Apr. 13	114.5	*114.5	114.3	113.3

*Revised figure. ¶Includes 580,000 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
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of February	110,483	116,247	92,649
Stocks of aluminum (short tons) end of Feb.	42,735	39,319	9,336
AMERICAN PETROLEUM INSTITUTE—Month of January:			
Total domestic production (barrels of 42 gallons each)	214,810,000	215,137,000	223,868,000
Domestic crude oil output (barrels)	193,453,000	193,378,000	203,214,000
Natural gasoline output (barrels)	21,323,000	21,709,000	20,617,000
Benzol output (barrels)	34,000	50,000	37,000
Crude oil imports (barrels)	19,141,000	18,547,000	19,068,000
Refined products imports (barrels)	16,300,000	16,191,000	16,078,000
Indicated consumption domestic and export (barrels)	278,675,000	277,992,000	267,935,000
Increase all stock (barrels)	28,424,000	28,117,000	8,891,000
AMERICAN ZINC INSTITUTE, INC.—Month of March:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	71,186	68,020	83,485
Shipments (tons of 2,000 pounds)	70,009	66,738	77,285
Stocks at end of period (tons)	201,171	199,974	99,864
Unfilled orders at end of period (tons)	37,209	28,943	54,524
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of March 31:			
Imports	$247,401,000	$237,821,000	$237,426,000
Exports	139,367,000	150,585,000	110,412,000
Domestic shipments	10,204,000	10,434,000	8,914.000
Domestic warehouse credits	97,231,000	60,471,000	39,942,000
Dollar exchange	46,600,000	44,037,000	38,600,000
Based on goods stored and shipped between foreign countries	39,357,000	41,453,000	32,336,000
Total	$580,160,000	$544,601,000	$467,630,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of March:			
Manufacturing number	198	207	154
Wholesale number	123	87	76
Retail number	551	449	361
Construction number	143	109	85
Commercial service number	87	74	63
Total number	1,102	926	739
Manufacturing laibilities	$15,359,000	$23,043,000	$12,213,000
Wholesale liabilities	5,117,000	4,538,000	3,553,000
Retail liabilities	26,043,000	11,770,000	10,423,000
Construction liabilities	7,255,000	4,082,000	3,506,000
Commercial service liabilities	3,506,000	4,341,000	1,387,000
Total liabilities	$57,280,000	$47,774,000	$31,082,000
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE — Month of February (000's omitted)	$244,000	$689,500	$181,300
COAL OUTPUT (BUREAU OF MINES)—Month of March:			
Bituminous coal and lignite (net tons)	30,940,000	29,430,000	36,566,000
Pennsylvania anthracite (net tons)	2,171,000	2,354,000	2,284,000
COKE (BUREAU OF MINES)—Month of Feb.:			
Production (net tons)	4,886,716	5,812,426	6,140,075
Oven coke (net tons)	4,821,294	5,646,745	5,681,110
Beehive coke (net tons)	65,422	165,681	458,965
Oven coke stock at end of month (net tons)	2,756,938	2,787,141	1,995,003
COPPER INSTITUTE—For month of March:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	81,630	*74,428	101,825
Refined (tons of 2,000 pounds)	117,546	103,496	112,016
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	95,795	*89,017	133,462
Refined copper stocks at end of period (tons of 2,000 pounds)	125,759	118,417	55,807
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1947-49 Average 100)—Month of March:			
Adjusted for seasonal variations	107	109	115
Without seasonal adjustment	91	85	103
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of March:			
Weekly earnings—			
All manufacturing	$70.53	*$70.88	$71.93
Durable goods	75.81	*76.38	77.52
Nondurable goods	63.63	*63.63	63.60
Hours—			
All manufacturing	39.4	*39.6	41.1
Durable goods	39.9	*40.2	41.9
Nondurable goods	38.8	*38.8	40.0
Hourly earnings—			
All manufacturing	$1.79	$1.79	$1.75
Durable goods	1.90	1.90	1.85
Nondurable goods	1.64	1.64	1.59
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of March:			
Seasonally adjusted	123	*124	135
Unadjusted	125	*126	133
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of March (1935-39 average=100)	106.4	109.1	119.4
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS ASSN.—Month of February:			
Total number of vehicles	531,529	549,946	583,001
Number of passenger cars	444,173	453,378	486,071
Number of motor trucks	87,030	96,167	96,740
Number of motor coaches	326	401	190
PORTLAND CEMENT (BUREAU OF MINES)—Month of February:			
Production (barrels)	16,895,000	17,769,000	17,325,000
Shipments from mills (barrels)	15,202,000	11,143,000	14,155,000
Stocks (at end of month—barrels)	27,562,000	25,857,000	24,464,000
Capacity used	78%	74%	80%
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of March:			
Net sales	$22,437,550	$4,008,550	------
Net purchases	------	------	$485,200
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of March 31	$270,312,455	$274,858,550	$264,536,057
General fund balance	6,354,530	4,988,045	6,908,220
Net debt	$263,957,925	$269,870,505	$257,627,837
Computed annual rate	2.394%	2.416%	2.385%

Continued from page 12

Foreign Trade and United States Prosperity—The Siamese Twins

vate investments overseas by granting tax concessions and reasonable government guarantees against non-business risks such as expropriation and violent changes in exchange rates. But even with these devices of encouragement, it is doubtful if more than $500 million of private funds annually, in addition to the present outflow of investment capital, can be enticed abroad.

Even with a sensible tariff policy, even with laws designed to stimulate private foreign investment of U. S. capital, and even with a continuing but tapering off-shore miltary purchase policy, I question whether we can maintain the present level of our exports without giving some foreign economic aid. Don't forget since mid-1946 our official grants and loans abroad have amounted to some $44 billion. It is a drastic step to cut out all foreign aid to Europe, as we are about to do (except for off-shore military purchasing), particularly when Congress shows no real signs of doing anything about lowering the tariff.

My plea is for American businessmen to learn more about the interdependence of our domestic prosperity and world trade, and to decide for themselves what is really the best policy for us to follow in the interest of our own security and prosperity.

Many businessmen, for example, assume that the peril-point and escape-clause provisions of the Trade Agreements Act are not sabotaging tariff adjustment, but few of them seem to know that with the single exception of the trade agreement with Venezuela, no major reductions in United States tariffs have been made since the peril-point provision went into effect back in 1948.

We are today so much the leading industrial nation, we have so much of the productive capacity, so much of the capital of the world, every American businessman, in his own interest, must become world-minded. When this economy sneezes, the whole world shudders. It is easy to get annoyed and say, "to hell with imports," or "let's don't give those damn foreigners another cent," but it is harder to see how we can maintain our domestic prosperity if our export trade is to dwindle sharply.

Unless we are willing to lower our tariff, I fail to see how we can reasonably continue to press other countries to lower their barriers to trade with each other. Our present trade policies are pushing the world toward intensified economic nationalism and political division. This trend if long continued can only lead to a reduction in world living standards, increased tensions, and finally war. If trade doesn't cross borders, eventually soldiers will.

The people the world over want a better life. The mind of each is colored by expectations of plenty. Each has a high standard of anticipation, and, if disappointed, each is still ready to flirt with the devil.

Complex as the problems are, the basic key to a solution is a rapidly expanding world trade, coupled with stable currencies and movement of capital to areas in crying need.

We have it in our power by sensible trade policies and investment incentives to private capital to move the world steadily toward reasonable stability and a tolerable standard of living for most people everywhere. Do we have the vision to see this great opportunity?

Continued from first page

Housing Prospects for 1954 and Thereafter

and destruction of existing housing through catastrophe such as earthquake, flood or fire.

Early indications of new household formations for the ten-year period from 1950 to 1960 were that such formations would be at the rate of somewhere between 6½ and 7½ million or an average of 650 to 750 thousand per annum. A Census Bureau release of October, 1953, estimates that for the 12 months ending April, 1953, actual household increases were 950,000. Newly revised estimates seem to indicate an annual average increase in household formations of 915,000 to July, 1955, and an 800,000 annual increase from then until 1960. This would mean an annual average increase from 1954 to 1958 of 834,500 new household formations.

In a report dated October, 1953, to the Subcommittee on FHA and VA Programs and Operations, President's Advisory Committee on Housing Policies, Allen H. Thornton, subcommittee staff advisor, said:

"This average annual increase of 834,500 households constitutes the major part of the requirement for additional dwelling units, which it is estimated will be provided for occupancy during that time."

The report further indicates that a minimum of 60,000 units per annum "will be required as replacements of units destroyed by catastrophe, other hazards, and other demolitions (except for redevelopment and rehabilitation programs)."

As a result of this study, which included other factors of consideration, there was indicated "from 994,500 to 1,044,500 units as the range of average annual residential production during the 1954-1958 period."

Urban Redevelopment

These estimates and analyses were made "without including any assumptions as to the amount of new construction which will be generated by urban redevelopment or neighborhood rehabilitation programs." Also, in the covering memorandum the subcommittee staff advisor stated that:

"It should be emphasized that the attached estimates should not be looked upon as forecasts, although every effort has been made to be reasonable and realistic in the making of projections. However, substantial variations are possible in making the assumptions which have been necessary, especially with respect to economic conditions and the terms of governmental programs."

For purposes of comparison, the accompanying table is an estimated breakdown of potential housing needs for 1950-1960, published in 1953 by the Federal Reserve Bank of Chicago in their very fine monthly bulletin, "Business Conditions."

On the basis of this chart there was indicated an annual average potential housing need of approximately 1,175,000 units from July, 1953 to July, 1960. Many other estimates and projections have been made of housing requirements some as low as one million units a year until 1960 and some as high as one and a half million units per annum for the same period. However, the general opinion indicates a housing need of somewhere close to 1,200,000 units in both 1954 and 1955, with a possible dropping off to 1,000,000 or 1,100,000 units for each year from 1956 to 1960, inclusive.

So much for the potential requirements—now, what about the production and financing picture.

The Production and Financing Picture

Since 1950—to the end of 1953—permanent non-farm dwelling units started amounted to over 4,700,000 units, of which over 4½ million units were privately constructed and over 200,000 were in the public housing category. Also, of the 4,700,000 units started during thi speriod, over 4,100,000 were of the 1 to 2 family type and over 600,000 were in multi-family units. Single family dwellings have consistently, since 1950, accounted for 87% of all starts, as against 83% in the 1940s, 78% in the 1930s, and 61% in the 1920s. There seems little doubt that this trend will continue and that owner-occupied units in 1960 will substantially exceed the 53.3% indicated in the 1950 census.

There seems to be no question that the construction industry has demonstrated that it can produce the estimated number of new housing units required. With the potential need geared at approximately 1,100,000 units, there is little doubt that at least this number of units will be produced this year. Chairman Wolcott of the House Banking and Currency Committee stated recently that if the new Housing Act of 1954 were passed, 1,400,000 units would be produced in the next year. Housing starts and private construction expenditures were higher for the first three months of 1954 than for the same period in 1953 during which year over 1,100,000 units were started.

The Sales Market

What about the Sales Market?

A recent survey of builders indicates that only a small minority expect sales volume in the 1954-1955 period to decrease. However, a sizable number of builders stated that it now takes two to six weeks longer to dispose of houses than it did a year ago. It was also indicated that builders are providing more "extras" in the form of equipment and livability to stimulate sales appeal. These factors, coupled with the recent trend of builders requiring the maximum favorable terms in mortgage commitments, seem to add up to the fact that while there is still a substantial market for housing, it is now a buyers' market rather than a sellers'. A stimulus to the demand market could, however, be created by producing houses in the lower-priced six to eight thousand dollar sales price field, and in the last six months there has been an increased activity by builders in programming such developments. In this connection, it may be interesting to note that an estimated summary price distribution of new sales housing units started in 1953 indicated that 90.1% were priced at $7,000 or over. A further demand factor on the plus side is one which has already been evidenced — that of present home owners selling two-bedroom houses to move into three- and four-bedroom houses because of family increase. Surprising as it may seem, our own experience has indicated that a great many of the secondary buyers of the two-bedroom houses have been couples who are middle-aged or beyond.

Mortgage Financing

What about mortgage financing for new housing production?

On this question, I would like to refer again to the Oct. 9, 1953, subcommittee's staff advisor's report to the Subcommittee on FHA and VA Programs and Operations, President's Advisory Committe on Housing Policies, because of the excellent presentation of the basic problem and variations to be considered regarding any projection of required funds for mortgage financing.

The report states: "The amount of funds required to finance a given volume of housing depends on a number of related factors—terms of financing, proportion of Federally aided and conventional mortgages, price distribution of houses sold. As a result of variations in these and other factors, the same number of housing units may require different amounts of mortgage funds, and conversely a given amount of funds may be associated with different numbers of housing units. For example, the estimated 950,000 new homes sold in 1952-53 required $5.8 billion of mortgage funds in the former year and $6.1 billion in the latter. Conversely, the amount of funds required in 1950 was only slightly larger than the amount required in 1952, although the number of new houses sold in the earlier year was considerably larger. In these years the average size of mortgage loan varied considerably, the proportion of FHA and VA financing was substantially different, and the price composition of houses sold was changing."

During 1952 gross mortgage lending for housing units as reflected by non-farm mortgage recordings of $20,000 or less amounted to approximately $18 billion. The net increase in mortgage debt amounted to $6.3 billion and $11.7 billion were apparent mortgage retirements accounted for through amortization and partial and full repayments during the year.

In 1953 gross mortgage lending of $20 billion (based upon non-farm mortgage recordings of $20,000 or less) required about $6.8 billion in new money, and $13.2 billion was provided through apparent mortgage retirements. It will be noted that the figure of apparent mortgage retirements increased from $11.7 billion in 1952 to $13.2 billion in 1953. With constantly increasing amortization payments, and assuming that the rate of partial and full repayments remains the same as in 1953, it might be safe to draw the assumption that a figure of $15 billion would not be out of line as an estimated amount of mortgage retirements for 1954-1955. Inasmuch as the total number of housing starts in 1953 was over 1,100,000, and mortgage financing in the non-farm $20,000 or less category amounted to $20 billion, it would seem reasonable that with the same number of units estimated for 1954-55, mortgage financing for these years and in this category will be about $20 billion.

(Units in thousands)	1950-60
Household formation, March, 1950-July, 1960	7,270
Replacement needs:	
Dilapidated units in use, 1950	2,500
One-fourth the units which will become dilapidated during the decade	350
Losses from disasters	250
Removal of temporary public housing	600
Removal of one-half the marginal dwelling units added in the 1940s	350
Reconversion of one-fourth the apartment conversions added in the 1940s	450
	11,770
Less housing starts, 1950-52	3,620
Total potential housing needs, 1953-60	8,150

Having drawn this conclusion, and assuming that the price level of housing remains relatively on the same basis as 1953 and that the same relative types of financing will apply equally in 1954-55 as in 1953, we could reasonably estimate that the amount of new funds required in the mortgage market for 1954-55 would be approximately $5 billion, or—to use an outside estimate—possibly $6 billion. It should, however, be pointed out that any substantial reduction in rates of mortgage repayments would proportionately increase the new funds required to finance new housing construction.

For instance, if mortgage repayments were to drop to $12 billion in 1954-55 there would be required $8 billion in new funds to sustain gross mortgage lending in the $20,000 and under classification at $20 billion.

An interesting figure in connection with a study of required mortgage financing is that the average mortgage on new one-family dwellings in 1953 was $7,800. If one million homes were required, produced and sold in 1954 with mortgages on the 1953 average basis, the mortgage financing for these types of housing units would be $7,800 million. If to this figure we add the possibility of 100,000 privately started multi-family units (in 1953 there were 122,600 units produced, of which 35,500 were public housing, leaving 87,100 as private starts) with mortgage financing of $10,000 per unit, or a total of $1 billion, the mortgage financing of 1,100,000 new residential units in 1954 would amount to $8,800 million. Production of 1,200,000 new residential units would require up to $9½ billion in mortgage financing.

All factors being considered, it would seem that new mortgage money requirements, net of reinvestments of repayments, for housing in 1954 will be somewhere in the range of $5 to $7 billion, and my guess would be somewhere around $5,800 million.

What About 1954?

Any projection of housing prospects must obviously be considered in the light of present economic conditions and contemplate no substantial change in the international situation and maintenance of a reasonably high level of employment and economic stability particularly in prices and wages.

If the first quarter of 1954 is any indication of the new construction trend for the balance of the year, 1954 should be as good as if not better than 1953. A new record high was established for expenditures for new construction amounting to $7.3 billion during this first quarter of 1954. The previous record established in the first quarter of 1953 was $7,175 million.

New work on residential building in March, 1954, rose by 11% over February to $854 million, or about the same outlay as last year.

With mortgage financing more plentiful than a year ago and substantially more than six or nine months ago, there is little doubt that mortgage funds are readily available to meet requirements of new residential housing. The new Housing Act of 1954 in many of its provisions gives stimulation to residential construction activity and provides benefits for mortgage investors.

The Housing Prospects for 1954 are bright, and with the better balance which is at present noticeable between new construction mortgage requirements and available mortgage funds to meet such requirements, this year should end as one of the most successful in adequately meeting the need of a better housed America.

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.

★ **Aeco Corp., Reno, Nev.**
April 14 (letter of notification) 250,000 shares of common stock. **Price**—41 cents per share. **Proceeds**—To purchase 30 shares of Sea Shore Oil Co. and for general corporate purposes. **Office**—Cheney Bldg., Reno, Nev. **Underwriter**—None.

★ **Air Express International Corp.**
April 13 (letter of notification) 5,000 shares of common stock (par 50 cents) to be issued upon exercise of warrants. **Price** — At par. **Proceeds** — For working capital. **Underwriter**—Granbery, Marache & Co., New York.

● **Allegheny Natural Gas & Oil Corp. (4/26-27)**
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.

★ **Allen Products Corp., Silver Spring, Md.**
April 14 (letter of notification) 7,500 shares of 6% cumulative preferred stock (par $10) and 7,500 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—$10.01 per unit. **Proceeds**—For expenses in connection with production and marketing of a golf ball washer device. **Office**—8055 13th St., Silver Spring, Md. **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.

★ **Allis-Chalmers Mfg. Co. (5/12)**
April 16 filed 350,000 shares of cumulative convertible preferred stock (par $100, expected to carry a dividend rate between 3¾% and 4¼%). **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with proceeds from sale of $24,000,000 of 3⅝% notes to insurance firms, to repay bank loans. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

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.

★ **Apache Uranium Corp.**
April 19 (letter of notification) 7,795,000 shares of common stock (par one cent), of which 6,720,000 shares are to be offered to public and 1,075,000 shares are to be reserved for options. **Price**—Three cents per share. **Proceeds** — For mining operations. **Office** — 505 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—None.

Apex Uranium, Inc.
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.

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.**
April 2 (letter of notification) 280,000 shares of common stock (par 10 cents) being 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.
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.

★ **Carpenter Paper Co., Omaha, Neb.**
April 16 (letter of notification) 10,000 shares of common stock (par $1) to be offered only to certain officers and employees. **Price**—$20 per share. **Proceeds** — For general corporate purposes. **Office**—2402 Douglas St., Omaha 2, Neb. **Underwriter**—None.

★ **Chemical & Fibre Associates, Inc., Reno, Nev.**
April 16 (letter of notification) 8,750 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To pay notes, retire purchase contract and for working capital. **Office**—139 North Virginia St., Reno, Nev. **Underwriter**—None.

Claussen Bakeries, Inc., Augusta, Ga.
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 up to noon (EDT) on May 4 at 75 Public Square, Cleveland 1, Ohio.

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.**
March 22 filed $50,000,000 of subordinated convertible debentures due 1984 being 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** — Halsey, Stuart & Co. Inc. won award of the issue on April 21.

Continued on page 50

NEW ISSUE CALENDAR

April 22 (Thursday)
Northern Pacific Ry. ____________ Equip. Trust Ctfs.
(Bids noon EST) $4,575,000

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)
Allegheny Natural Gas & Oil Corp. ________ Common
(S. B. Cantor Co. and Northeastern Securities Co.) $300,000
North American Uranium & Oil Corp. _____ Common
(Israel & Co.) $1,500,000
Standard Uranium Corp. ____________ Common
(Gearhart & Otis, Inc. and Crerie & Co.) $1,787,500

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
Devon-Leduc Oils Ltd. ____________ Bonds
(McLaughlin, Reuss & Co.) $2,000,000
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
Temco Aircraft Corp. ____________ Common
(Van Alstyne, Noel & Co.) 300,000 shares
Wisconsin Electric Power Co. ____________ Common
(Offering to stockholders—no underwriting) 421,492 shares

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

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
Republic Aviation Corp. ____________ Common
(Smith, Barney & Co.) 30,000 shares

May 4 (Tuesday)
Cleveland Electric Illuminating Co. ________ Bonds
(Bids noon EDT) $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 8:30 PDT) $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
Texas State Oil & Gas Co. ____________ Common
(L. D. Sherman & Co.) $299,500

May 10 (Monday)
Electronic Associates, Inc. ____________ Common
(Offering to stockholders—no underwriting) $138,750
Iowa Public Service Co. ____________ Bonds
(Bids to be invited) $7,500,000
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

May 11 (Tuesday)
Consolidated Edison Co. of New York, Inc. __ Bonds
(Bids 11 a.m. EDT) $50,000,000
Niagara Mohawk Power Corp. ____________ Preferred
(Harriman Ripley & Co. Inc.) $21,000,000
Northern Natural Gas Co. ____________ Debentures
(Blyth & Co., Inc.) $40,000,000

May 12 (Wednesday)
Allis-Chalmers Mfg. Co. ____________ Preferred
(Blyth & Co., Inc.) $35,000,000
General Public Utilities Corp. ____________ Common
(Offering to stockholders—Merrill Lynch, Pierce, Fenner & Beane may act as clearing agent) 606,423 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 17 (Monday)
Virginia Electric & Power Co. ____________ Bonds
(Bids noon EDT) $25,000,000

May 18 (Tuesday)
New York State Electric & Gas Corp. ________ Bonds
(Bids to be invited) $20,000,000
Northern Ohio Telephone Co. ____________ Common
(Offering to stockholders—may be underwritten by Hayden, Miller & Co. and Lawrence Cook & Co.) 117,500 shares
Pacific Gas & Electric Co. ____________ Bonds
(Bids to be invited) $65,000,000

May 19 (Wednesday)
California Electric Power Co. ____________ Preferred
(Merrill Lynch, Pierce, Fenner & Beane) $5,750,000

May 25 (Tuesday)
California Electric Power Co. ____________ Bonds
(Bids to be invited) $8,000,000
Consolidated Natural Gas Co. ____________ Debentures
(Bids 11:30 a.m. EDT) $25,000,000

May 26 (Wednesday)
Public Service Electric & Gas Co. ____ Bonds & Pfd.
(Bids to be invited) $74,994,200

Continued from page 49

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 up to 11 a.m. (EDT) on May 11.

★ Consolidated Natural Gas Co. (5/25)
April 15 filed $25,000,000 of debentures due 1979. **Proceeds**—To repay $15,000,000 long-term notes due March 1, 1955, and to purchase stock from or make loans to its subsidiaries who will use the funds to pay for new construction. **Underwriter**—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.

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 May 1, 1984. **Proceeds**—To retire bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; 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 & 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 at 600 Market St., Wilmington 99, Del.

● Devon-Leduc Oils Ltd. (4/27)
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.
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. **Office** — Middle Branch, Ohio. **Underwriter** — Merrill, Turben & Co., Cleveland, O.

★ Diversified Growth Stock Fund, Inc.
April 14 filed 1,000,000 shares of capital stock. **Price**—At market. **Proceeds** — For investment. **Office** — Elizabeth, New Jersey.

★ Dufur Elevator Co., Dufor, Ore.
April 16 (letter of notification) $70,000 of 5-year 5% notes. **Price** — At par. **Proceeds**—For construction of new building. **Underwriter**—None.

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.

★ Eagle-Picher Co., Cincinnati, Ohio
April 12 (letter of notification) 275 shares of common stock (par $10). **Price**—At market (estimated at $20.50 per share). **Proceeds** — For general corporate funds. **Underwriter**—Benj. D. Bartlett & Co., Cincinnati, O.

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.

★ Electronic Associates, Inc. (5/10)
April 19 (letter of notification) 7,500 shares of common stock (par $1) to be offered for subscription by stockholders of record May 10, 1954 on the basis of one new share for each 15 shares held; rights to expire on June 9, 1954. **Price**—$18.50 per share. **Proceeds**—For working capital. **Office**—Long Branch Ave., Long Branch, N. J. **Underwriter**—None.

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.

★ Gambella Corp.
April 14 (letter of notification) 50,000 shares of class A 5% preference stock (par $5) and 25,000 shares of common stock (no par) to be offered in units of two shares of class A stock and one share of common stock. **Price** $10.25 per unit. **Proceeds**—To produce device for supporting roofing or other structural materials. **Underwriter**—Arthur C. Pontius, Utility Bldg., Fort Wayne, Indiana.

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.

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 Public Utilities Corp. (5/12)
April 15 filed 606,423 shares of common stock (par $5) to be offered for subscription by stockholders at rate of one new share for each 15 shares held on May 12; with rights to expire June 2. **Price**—To be supplied by amendement. **Proceeds**—To be invested in corporation's domestic subsidiaries. **Underwriter**—None, but Merrill Lynch, Pierce, Fenner & Beane may act as clearing agent.

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.

★ Great Southern Minerals, Inc.
April 14 (letter of notification) 60,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($5 per share). **Proceeds**—For production and marketing of soluble traces minerals. **Office** — 50 Broad St., New York 4, N. Y. **Underwriter**—None.

● Gulf Insurance Co., Dallas, Texas
March 29 (letter of notification) 5,000 shares of common stock (par $10) being offered for subscription by stockholders of record April 12 on the basis of one new share for each 44 shares held; rights to expire on May 3. **Price**—$55 per share. **Proceeds**—For general corporate purposes. **Office** — 3015 Cedar Springs Road, Dallas, Tex. **Underwriter**—None.

★ Hartford Electric Light Co.
April 15 (letter of notification) 5,450 shares of common stock (par $25) to be offered to employees. **Price**—$45 per share. **Proceeds** — For construction. **Office** — 266 Pearl St., Hartford, Conn. **Underwriter**—None.

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-Canadian Corp., Chicago, Ill.
April 19 filed 100,000 shares of common stock (par $1). **Price**—$25 per share. **Proceeds**—For venture or semi-venture investment situations in Canada. **Underwriter**—White, Weld & Co., New York.

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.

★ International Dairies, Inc., Miami, Fla.
April 13 (letter of notification) 300,000 shares of class B common stock. **Price**—At par ($1 per share). **Proceeds**—For machinery, plant facilities, and working capital. **Underwriter**—None.

★ Iowa Public Service Co. (5/10)
April 14 filed $7,500,000 of first mortgage bonds due May 1, 1984. **Proceeds**—To redeem a like amount of outstanding first mortgage 4% bonds due 1983 at 102.42% plus accrued interest. **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). **Bids**—Expected to be received on May 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.
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.

★ Kisting Corp., Elgin, Ill.
April 13 (letter of notification) 2,700 shares of preferred stock (par $10) and 175,000 shares of common stock (par $1). **Price**—The preferred, at $45 per share; and the common, at par. **Proceeds**—To buy assets of Kerber Packing Co. **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.
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.

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., Las Vegas, Nev. **Underwriter**—Robert B. Fisher, 704 En Canto Drive, Las Vegas, Nev.

★ **Mays (J. W.), Inc.**
April 15 (letter of notification) 24,012 shares of common stock (par $1) to be offered for subscription by employees. **Price**—$10.50 per share. **Proceeds**—For general corporate purposes. **Office**—510 Fulton St., Brooklyn, N. Y. **Underwriter**—None.

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, in State of Israel, and for operations and expenses. **Underwriter**—To be named by amendment.

● **Mid-State Commercial Corp., Middletown, N. Y.**
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. No general offer planned.

★ **Minnesota Mining & Manufacturing Co.**
April 19 filed 200,000 shares of common stock (no par), to be issued under the company's "General Restricted Stock Option Plan" to employees of this corporation and six other companies.

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 $75—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.

★ **Murphy Ranch Mutual Water Co.**
April 15 (letter of notification) 2,550 shares of common stock (no par). **Proceeds**—To Sun Gold, Inc., Whittier, Calif. **Address** — P. O. Box 31, Whittier, Calif. **Underwriter**—None.

★ **Mutual Investment Co. of America, N. Y.**
April 20 filed 100,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

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.

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**—To be received up to 11 a.m. (EDT) on May 5 at Room 2315, 195 Broadway, New York, N. Y.

New Mexico Copper Corp.
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 York State Electric & Gas Corp. (5/18)**
April 21 filed $20,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **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.

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.

★ **Niagara Mohawk Power Corp. (5/11)**
April 20 filed 210,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans incurred for construction and to reimburse company's treasury and to finance construction. **Underwriter**—Harriman Ripley & Co. Inc., 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 Natural Gas Co. (5/11)**
April 16 filed $40,000,000 of sinking fund debentures due Nov. 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—To be applied toward redemption in June, 1954, of a like amount of 4½% debentures due Nov. 1, 1973. **Underwriter**—Blyth & Co., Inc., 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).

★ **Pacific Gas & Electric Co. (5/18)**
April 20 filed $65,000,000 of first and refunding mortgage bonds, series X, due June 1, 1984. **Proceeds** — To refund $63,040,000 4% bonds, series V. **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.

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 in State of Israel, and for operations and expenses. **Underwriter**—To be named by amendment.

● **Peninsular Telephone Co., Tampa, Fla.**
April 1 filed 131,836 shares of common stock (no par) being 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**—$32 per share. **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.

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
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.

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.

★ **Rheem Manufacturing Co.**
April 19 filed $750,000 of interests in an "Employees Stock Purchase Plan" and 25,000 shares of its common stock purchasable under the plan.

★ **Richland Realty, Inc., Cincinnati, Ohio**
April 12 (letter of notification) 995 shares of common stock (par $100) and $200,000 of 6% debentures, maturing May 1, 1979. **Price**—At par. **Proceeds**—For general corporate purposes. **Office**—1000 Fountain Square Bldg., Cincinnati, O. **Underwriter**—None.

★ **Rio Grande Investment Co., Longmont, Colo.**
April 19 (letter of notification) 1,150 shares of common stock (no par) and 1,150 shares of 6% cumulative participating preferred stock (par $100) to be offered in units of one share of each class of stock. **Price**—$100 per unit. **Proceeds** — For operating expenses and to make loans. **Business**—Finance company. **Address**—P. O. Box 194, Longmont, Colo. **Underwriter**—William E. Conly, Jr., Longmont, Colo.

Continued on page 52

Continued from page 51

● 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.

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 up to 8:30 a.m. (PDT) 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. (4/26-27)
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. **Office** — Moab, Utah. **Underwriters** — Gearhart & Otis, Inc., New York, and Crerie & Co., Houston, Tex.

★ Stanley Works, New Britain, Conn.
April 16 (letter of notification) an undetermined number of shares of common stock to be offered to employees. **Proceeds**—For working capital, with right reserved to pay off bank loans. **Office**—95 Lake St., New Britain, Conn. **Underwriter**—None.

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.

★ Sun Oil Co., Philadelphia, Pa.
April 15 filed a maximum of 139,662 shares of common stock (no par) to be offered for possible public sale during the period July 1, 1954 to June 30, 1955. **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—None. The shares will be sold through brokerage houses.

★ Sun Oil Co., Philadelphia, Pa.
April 15 filed 14,000 memberships in the stock purchase plan for the employees of this company and its subsidiaries and 146,100 shares of common stock (no par), the latter representing the maximum number of shares which it is anticipated may be purchased by the trustees under the plan. **Underwriter**—None.

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. (4/27)
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.

★ Tennessee Gas Transmission Co.
April 15 filed $1,200,000 of "contributions" to be made by employees of the company pursuant to the Thrift Plan.

● Texas State Oil & Gas Co. (5/5)
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) being 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 when offer expired. **Dealer-Manager**—Blair, Rollins & Co. Inc., New York.

★ Twin Arrow Petroleum Corp.
April 13 (letter of notification) 600,000 shares of class A common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—General Investing Corp., New York.

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.

★ Virginia Electric & Power Co. (5/17)
April 19 filed $25,000,000 of first and refunding mortgage bonds, series K, due May 1, 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 up to noon (EDT) on May 17 at Room 735, 11 Broad St., New York, N. Y.

★ Webb & Knapp, Inc., New York
April 14 filed $8,607,600 of 5% sinking fund debentures due June 1, 1974, to be offered together with certain cash by the company in exchange for outstanding common stock of Equitable Office Building Corp. on basis of $5 in cash and $7 principal amount of debentures for each share of Equitable stock. Exchange offer is conditioned solely upon acceptance by 80% of outstanding shares. **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 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.

★ Whitaker Cable Corp., North Kansas City, Mo.
April 19 (letter of notification) 5,000 shares of common stock (par $1) to be offered to employees. **Price**—$15 per share. **Proceeds**—For working capital. **Office**—1301 Burlington Ave., North Kansas City, Mo. **Underwriter**—None.

● 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. No general offer planned.

● Wisconsin Electric Power Co. (4/27)
April 7 filed 421,492 shares of common stock (par $10) to be offered for subscription by stockholders of record April 27 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on May 20. Employees to receive rights to purchase unsubscribed shares. **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.

★ Wyton Oil & Gas Corp., Newcastle, Wyo.
April 20 filed 1,000,000 shares of common stock (par $1). **Price**—$1.12½ per share. **Proceeds**—For general corporate purposes. **Underwriter** — National Securities Corp., Seattle, Wash., on a "best efforts basis."

Prospective Offerings

★ American Cyanamid Co.
April 21, K. T. Towe, President, announced directors have under consideration an offering to common stockholders of rights to subscribe to a new issue of convertible preferred stock (in the neighborhood of $55,000,000 to $60,000,000). **Proceeds** — For general corporate purposes. **Underwriter**—White, Weld & Co., New York.

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.

★ California Electric Power Co. (5/19)
April 14 it was announced company plans to issue and sell 105,000 shares of cumulative preferred stock (par $50). **Price**—To be named later. **Proceeds**—To redeem two issues of $2.50 preferred stock (par $50), aggregating 98,800 shares and for new construction. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

★ California Electric Power Co. (5/25)
April 14 it was announced company plans to issue and sell $8,000,000 of new first mortgage bonds due 1984. **Proceeds**—To refund a like amount of 3⅞% first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Blyth & Co., Inc. **Bids**—Expected to be received on May 25.

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 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).

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 Edison Co. of New York, Inc.**
April 8 it was announced stockholders will vote May 17 on increasing common stock (no par) by 2,000,000 shares. The company has no definite plans to issue these shares.

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.

★ **Glass Fibers, Inc.**
April 9 it was reported company plans to raise about $2,500,000 through issuance of new securities later in 1954. **Underwriter**—McCormick & Co., Chicago, Ill.

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.

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. (5/10)**
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. Inc.; 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.

Continued on page 54

Continued from page 53

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.

Northern Natural Gas Co.
March 29 it was announced company has applied to the Nebraska Railway Commission for authority to issue 365,400 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. (5/18)**
April 5 the Ohio P. U. Commission, authorized company to issue and sell 117,500 shares of common stock, expected to be offered to stockholders about May 18, with a 14-day standby. **Price**—Expected to be not less than $20 per share. **Proceeds**—To reduce bank loans and for new construction. **Underwriters**—Hayden, Miller & Co. and Lawrence Cook & Co., both of Cleveland, Ohio. **Registration**—Planned for April 27.

★ **Northern Pacific Ry. (4/22)**
Bids are expected to be received up to noon (EST) on April 22 at office of company, 14 Wall St., New York, N. Y., for the purchase from it of $4,575,000 equipment trust certificates to mature annually from May 14, 1955 to 1969, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

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.

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)**
April 20 company filed an application with the New Jersey Board of P. U. Commissioners covering the proposed issuance and sale of $50,000,000 of first and refunding mortgage bonds and 249,942 shares of cumulative preferred stock (par $100). **Proceeds** — From sale of preferred, to redeem outstanding 4.70% preferred issue and from sale of bonds, to pay for property additions and improvements. **Underwriter**—For preferred, Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. For bonds, to 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**—Expected to be received around 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.**
April 20 stockholders voted to increase the authorized cumulative preferred stock from 300,000 shares to 500,000 shares. The company does not plan to do any financing at present. **Underwriters**—The First Boston Corp., New York, and Collin, Norton & Co., Toledo, Ohio.

Trans-Canada Pipe Lines, Ltd.
March 26 it was announced 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.

● **West Coast Telephone Co.**
April 13 stockholders voted to create an issue of 100,000 shares of $1.28 cumulative preferred 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.

Continued from first page

As We See It

doubtedly stimulated the movement. Even the 'Twenties, which in many respects was strictly conformist, reflected a certain intellectual rebellion which revealed itself in some of the strange economic doctrines of the New Era and a certain breakdown in the mores of personal conduct. The crushing depression which broke upon the country at the very beginning of the 'Thirties—and incidentally had been heralded in rural areas years before 1929—soon revealed that there had been quietly brewing among us a very substantial volume of heretical philosophical and economic notions. The pervasiveness of many of these, stimulated afresh by the hardships of the depression, made possible the success of the New Deal regime in Washington.

The Fashion to Scoff

At any rate by the time war broke out in Europe in 1939, it had become definitely the fashion to scoff at what had been regarded as commonsense in business and economic affairs and to classify as a "creed outworn" a very substantial part of the philosphy which had up to that time been regarded as the essence of true Americanism. Those of us who happened to be in touch with what was going on among the so-called intelligentsia of the nation and in many, if not most, of our institutions of learning, were well aware of the drift of social and economic thinking at these levels—a situation which later gave rise to the cry that so many of these seats of learning were "hotbeds of socialism." Particularly extreme, often indeed bizarre, were the social, political and economic creeds held by some of the most brilliant of the physical scientists of the time. Geniuses in mathematics or the physical sciences seemed to be somehow intimately associated with incredible naivete in matters that were more directly and immediately connected with everyday life.

Now, this ferment was soon reflected in political and other policies and other programs which have not proved helpful or conducive to real economic and social progress, and for this reason it was and is to be regretted. We must not overlook the fact, however, that these notions as such were not of the kind that we Americans have ever believed in trying to suppress by force. We have always professed to believe in full freedom of thought as well as of speech so long as neither was used as a means or a pretext to oblige others by force to accept philosophies to which their own thinking did not lead them, or by force overthrow the order already adopted and practiced by the majority.

In such situations as this there are, of course, always a certain number who take pride in conspiring to overthrow everything they do not like and by force and violence to establish some other system more to their liking. Ordinarily, in this country at least, these trouble-makers are not numerous and are for the most part unable to create a serious situation. It happened, however, that during these years of ferment there arose a movement centered in Russia which was somehow able to arrogate unto itself the style and title of friend to all who were dissatisfied with what was around them and of prophet of a new and perfect political system. Proselyting throughout the world was, moreover, one of the basic tenets of this new regime.

What Better Fishing Grounds?

What waters could furnish better fishing than those which had flooded this country (and a good many others for that matter) by the 'Thirties? Who would be more naive about the real nature of the Kremlin than the geniuses in physical sciences and the like who had never come intimately into contact with life about them? It is perhaps harder to understand the Hisses and the Whites, than some of the pure scientists who went astray. In any event many of these latter consorted with rebels in other lines of study and endeavor, among whom there were always agents of the Kremlin to tell of the idealism in Moscow, and the effectiveness of the miscalled system of communism—and, of course, to obtain for the Politburo all the information that could be obtained about almost everything, but particularly perhaps about the newest and most potent developments in atomic physics. Some like Fuchs apparently proceeded quite knowingly and deliberately to steal for the Kremlin; others doubtless regarded the Kremlin as all-worthy and talked much too freely with its agents without fully understanding what they were doing, and still others just talked too much.

Not all the geniuses, and not all the nonconformists—so we hope at least—did any of these things. But many of them consorted with those who did. When all the facts are known or ascertainable it is not difficult to know who the traitors were or are. But when are all the facts known? And, even when all the facts are known, which of these brilliant but not too well balanced men are to be regarded as real security risks? To be sure, we do not wish to suppress them; certain it is that we want to make use of their gifts; obviously they are human beings sensitive to all the things the rest of us feel; plainly if they are sincere and above board we can hardly fail to concede them the right to think as their own intellect suggests; and, so far as we are concerned, the honorable among them is due the full esteem of us all.

As a Practical Matter

But as a purely practical matter, assuming we still have secrets and could in any event keep them, what are we to do with these men who are so likely to become dupes of agents of the Kremlin or are so unimpressed with the need of discretion?

Halsey, Stuart Group Underwrite Columbia Gas System Debens.

The Columbia Gas System, Inc. is offering holders of its outstanding common shares, the right to subscribe, at 100% of the principal amount, for $50,000,000 principal amount of subordinated debentures, at the rate of $100 principal amount of subordinated debentures for each 36 common shares held of record at 3:30 P.M. (EST) on April 21, 1954. The subscription offer will terminate at 3:30 P.M. (EDT) May 19, 1954 and rights to subscribe will be evidenced by subscription warrants.

Halsey, Stuart & Co. Inc. heads a syndicate that will purchase the unsubscribed portion of the offering of subordinated debentures.

The debentures are convertible into common stock of the corporation on and after Jan. 1, 1955 and to and including Dec. 31, 1958 unless previously redeemed, only $25,000,000 being convertible in 1955. The conversion price is $13⅓ per share subject to adjustment under certain conditions. The debentures also will be subject to redemption at regular redemption prices ranging from 103½% to par, plus accrued interest.

Net proceeds from the sale of the debentures will be added to the general funds of the corporation and, together with funds available at the beginning of 1954, and cash to be realized from operations during 1954, will be available for part of the 1954 construction program. The company's 1954 construction program contemplates expenditures of about $105,000,000, with a large portion of the proposed expenditures required in order to handle and deliver to market areas the large additional volume of gas to be received by The Columbia Gas System through the New Gulf Interstate Gas Company line beginning late this year.

The Columbia Gas System, Inc., is an interconnected natural gas system composed of the corporation, 14 operating subsidiaries and a subsidiary service company. Operating subsidiaries are engaged in the production, purchase, storage, transmission and distribution of natural gas. Certain subsidiaries produce and sell gasoline and other hydro-carbons and one subsidiary produces and sells oil. Retail natural gas operations are conducted in the states of Ohio, Pennsylvania, West Virginia, Kentucky, New York, Maryland and Virginia. The System also has an extensive wholesale business and sells natural gas to non affiliated public utility companies for resale to their customers.

For the 12 months ended Feb. 28, 1954, an unaudited account showed the company and subsidiaries had consolidated gross revenues of $238,379,000 and consolidated net income of $13,596,000.

MEETING NOTICES

NORFOLK AND WESTERN RAILWAY COMPANY
Roanoke, Virginia, April 5, 1954

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Norfolk and Western Railway Company will be held, pursuant to the By-laws, at the principal office of the Company in Roanoke, Virginia, on Thursday, May 13, 1954, at 10 o'clock A. M., **to elect three Directors** for a term of three years.

Stockholders of record at the close of business April 15, 1954, will be entitled to vote at such meeting.

By order of the Board of Directors.
W. H. OGDEN, *Secretary.*

ALLIS-CHALMERS MFG. CO.
Milwaukee, Wisconsin

Notice of ANNUAL MEETING OF STOCKHOLDERS to be held May 5, 1954

NOTICE IS HEREBY GIVEN, that the annual meeting of stockholders of ALLIS-CHALMERS MANUFACTURING COMPANY, a Delaware corporation (hereinafter called the "Company"), will be held at the general offices of the Company, 1126 South 70th Street, West Allis, Wisconsin, on Wednesday, May 5, 1954, at twelve o'clock noon (Central Standard Time), for the following purposes, or any thereof:

1. To elect a Board of Directors;
2. To consider and act upon a proposal, recommended by the Board of Directors, to amend Article IV of the Certificate of Incorporation in the respects set forth in the Proxy Statement;
3. To consider and transact any other business that may properly come before the meeting or any adjournment thereof.

Holders of common stock will be entitled to vote on all matters to come before the meeting. Holders of preferred stock will be entitled to vote at the meeting, but only on the proposal, included in the proposed Amendment to Article IV of the Certificate of Incorporation, to increase the authorized number of shares of $100.00 par value preferred stock from 259,481 to 618,854 shares.

The Board of Directors has fixed March 22, 1954 as the record date for the determination of the common stockholders and the preferred stockholders entitled to notice of and to vote at the meeting or any adjournment thereof.

By order of the Board of Directors,
W. E. HAWKINSON,
Vice President and Secretary.

Dated: March 22, 1954.

Smith With Marshall Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Harold E. Smith has become associated with The Marshall Co., 765 North Water Street. Mr. Smith was formerly with Riley & Co. for many years.

DIVIDEND NOTICES

AMERICAN METER COMPANY
Incorporated
1513 RACE STREET
Phila. 2, Pa., April 21, 1954

A quarterly dividend of Fifty Cents ($.50) per share has been declared on the Capital Stock of the Company, payable June 15, 1954, to stockholders of record at the close of business May 28, 1954.

W. B. ASHBY, *Secretary.*

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 143 of one dollar and seventy-five cents ($1.75) per share on the preferred stock payable June 1, 1954, to stockholders of record at the close of business on May 5, 1954.

GERARD J. EGER, Secretary

HOOKER ELECTROCHEMICAL COMPANY

$4.25 Cumulative Preferred Stock Dividend

The Board of Directors of Hooker Electrochemical Company on April 14, 1954 declared a quarterly dividend of $1.0625 per share on its $4.25 Cumulative Preferred Stock, payable June 25, 1954 to stockholders of record as of the close of business June 3, 1954.

Cumulative Second Preferred Stock, Series B Dividend

The Board of Directors of Hooker Electrochemical Company on April 14, 1954 declared a quarterly dividend of $1.05 per share on its Cumulative Second Preferred Stock, Series B, payable June 25, 1954 to stockholders of record as of the close of business June 3, 1954.

Common Stock Dividend

The Board of Directors of Hooker Electrochemical Company on April 14, 1954 declared a quarterly dividend of Fifty Cents ($.50) per share on its Common Stock, payable May 28, 1954 to stockholders of record as of the close of business May 3, 1954.

ANSLEY WILCOX 2nd
Secretary

—From the Salt of the Earth— HOOKER CHEMICALS

Southern California Edison Company

DIVIDENDS

CUMULATIVE PREFERRED STOCK 4.08% SERIES DIVIDEND NO. 17

CUMULATIVE PREFERRED STOCK 4.88% SERIES DIVIDEND NO. 26

The Board of Directors has authorized the payment of the following quarterly dividends:

25½ cents per share on the Cumulative Preferred Stock, 4.08% Series;

30½ cents per share on the Cumulative Preferred Stock, 4.88% Series.

The above dividends are payable May 31, 1954, to stockholders of record May 5, 1954. *Checks will be mailed from the Company's office in Los Angeles, May 31, 1954.*

P. C. HALE, *Treasurer*

April 16, 1954

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Congressional Committees are now engaged in harvesting and tasting the juicy political fruits of the Great Housing Scandal of 1954. So they should develop the story of what the fuss is all about.

Meanwhile, here are some miscellaneous notes which bear on the background of this situation.

Foremost is that the loose financing of Title VI is an old, old story.

Title VI came into existence during World War II. Its objective was to get housing built and hang the cost. Under FHA's older Title II, the basis for appraising a house or apartment is its long-term economic value. In other words, under Title II, FHA followed the conventional lending idea that the value of a piece of collateral should exceed the amount of the loan during the life of the latter.

With respect to Title VI the standard was "necessary current cost." That just about boiled down to allowing an appraisal at whatever figure the builder or promoter could convince the FHA it cost to erect the building.

Following World War II many thoughtful people believed that this title, an invitation to financial seduction, should be terminated. The Truman Administration, on the other hand, was obsessed with fear of a great postwar conversion depression, and wanted the title kept alive as a business "stimulant."

The Republican leadership at the time fought this because it was inflationary, and those men like Rep. Jesse P. Wolcott (R., Mich.), then ranking minority member of the Banking Committee, were singled out for opprobrium as "the tools of the real estate lobby" and the hard-hearted guys who didn't believe in giving the returning veterans a chance to buy a home. That was their reward for trying to stop this particular nonsense.

Democrats Finally Opposed

Finally, this background notes that the Democrats themselves, as they saw how loose was Title VI financing, got their craws full of the thing. Ray Foley, the last Democratic Housing and Home Finance Administrator, some three times asked for the termination of Title VI.

Meanwhile, however, a lot of influential groups got accustomed to living in a style to which they had not been previously accustomed. The Title VI operation just about took all the incentive away from builders to become competitive about costs. If a little builder down the street was paying bricklayers $2.50 per hour then the big Title VI operator could swipe them away at $3 per hour — he had no money worries. The material suppliers and manufacturers naturally did not find easy money displeasing, nor did building labor, assured of full-scale employment with builders competing constantly higher for their services.

So Congress couldn't be persuaded to shut down the Title VI merry-go-round until 1950.

Criticize Timing

One of the first things that came to mind, especially the Congressional mind, was why the White House broke the story when it did. By April 12 the Eisenhower Administration had had one year and two months plus to dig into this thing, and except for some fringe tax cases, nothing was done until the whoop and the holler of the White House-HHFA announcement.

The feeling is that the Administration crowd had better show a sweet, dirty, understandable story of slow horses, fast women, and bad card hands to explain why nothing was done before but all of a sudden it was done.

Timewise, as has been stated in the public prints, the effect of this development will work toward killing the bureaucrats' dream house of a housing program already knocked askew as it passed the House so that this dream house program doesn't fit its foundations.

Nevertheless, it is premature to kill off the chances for ANY housing legislation this session. It may kill the "Dreamhouse" bill, but housing is one activity, along with all construction, which is clearly bucking the business trend. The Administration AND Congressional Republicans' necks are way out on this. The virtually official Administration - Congressional Housing Activity Support Program, even if not called such, is a commitment for maintaining construction annually and indefinitely at not less than one million housing units a year.

What will happen is that after all the demagogues have gone hoarse and all the fury of investigation is over, somebody will get together and figure out a way to turn on the spigot of government and/or government - assisted easy housing credit so as to guarantee the continuance of the housing construction boom.

Meanwhile another facet of the Great Scandal is that it threatens this housing boom, which is one of the few great comforts the White House has. FHA, of course, is handling only some 25% of the housing finance business. However, every FHA official will be frightened from stamping "approved" on few if any loans while the heat is on. Every potential FHA lender also will be mighty careful about agreeing to an FHA loan.

In the end, there will probably be a fair chance for an easy money housing bill—provided the Democrats will give it to the White House, and provided the White House will suddenly awaken to the fact that it can't control what comes out of Congress.

Problem Is Easy Credit

Basically the stink or alleged odor currently being aired on housing is an expression of the ancient principle that too easy credit generates evils. This principle was known to men like G. Washington, T. Jefferson, B. Franklin, and even Saint Jackson.

Apparently, however, the principle has not yet been learned by D. Eisenhower. This is because the White House housing bill reembraces substantively the evils of Title VI. It avoids the appraisal formula of "necessary current cost" which was the hallmark of Title VI. On the other hand the bill proposes, at the initiative of the President, to provide a greater scale of loans to value, longer terms of repayment, and smaller down payments, so as substantively to recreate the atmosphere of Title VI whenever the President should so direct.

Whenever there is such an easy credit program, its soundness depends upon the honesty of literally thousands of employees far from the central office. It offers every opportunity for a person inclined to wobble about principle to connive with a beneficiary of easy money for a cut in the proceeds thereof.

Skips Congress

One of the other background facets of the Great Housing Scandal is that it never occurred to people within the Eisenhower Administration to either advise or confide in the leaders of Congress about it. It didn't occur to those who are so brilliant in the White House that the Administration's ball carriers in Congress could either give aid or were entitled to know what was afoot. One single individual was, however, given a break, without any details, of exactly three minutes, that something was about to pop.

Guards FHA Independence

Another important background factor of the situation was the fight over the independence of the FHA.

As a rule, but of course with exceptions, Congress guards the independence of agencies ladling out money to the public in a business way, like banks, the Home Loan Bank Board, or the FHA. Thus, for instance, while the Comptroller of the Currency, who supervises national banks, is technically a part of the Treasury, by tradition his office is independent of the department.

That tradition has been followed for the obvious reason that banks might be subject to political control. Suppose, for example, the X National Bank in the State of Chaos were in bad shape. The C of C would in such a case demand that it buttress up its capital structure, or be liquidated. But in the State of Chaos the Administration is having its political troubles and Senator Snerd from that state is in danger.

Under a politically controlled bank supervisory agency the Secretary of the Treasury COULD call in the C of C and tell him to lay off the X National Bank. Under the present tradition of independence, this could not happen.

With respect to FHA, and similar agencies, Congress laid down statutory principles, statutory definitions, statutory terms, and created an independent agency to handle the work, an agency free of political control.

It does not follow either that (a) the officials of an independent agency are invariably honest, or (b) that the officials of a "political" agency would invariably operate such an agency for political motives.

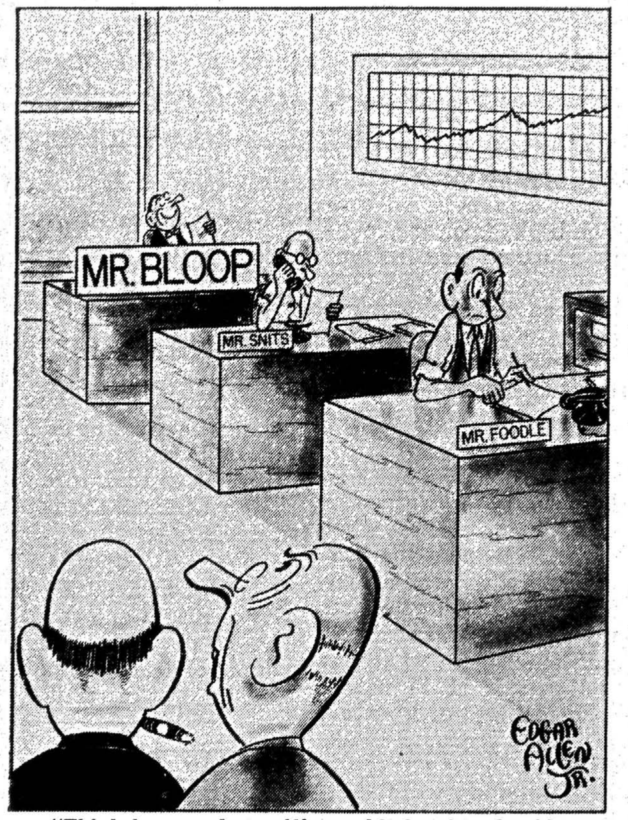
However, Congress has long thought the principle good. The Housing and Home Administration is a "supervisory" agency with shadowy lines to FHA, Home Loan Bank Board, and other "constituent" housing agencies. It has never been able to substitute itself for the statutory officials.

The White House, however, has drafted a proposed Executive Order giving the Housing and Home Finance Agency Administrator authority to operate the statutory provisions of law, and not merely to needle the "constituent" agencies.

Empire building has a way of going on within the bureaucracy regardless of party. If you don't believe it, page Guy Hollyday, resigned FHA Administrator.

[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



"Think he may be getting a bit too big for his breeches?"