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EDITORIAL

As We See It

This is a "political year." It would be futile, we suppose, to expect the politicians to act as if it were not—or more to the point, perhaps, to act as if they supposed for a moment that decisions this autumn might turn or might be made to turn on other than the semi-spurious issues so dear to the heart of so many who make it a profession to run for political office. Certainly, there is little in current events to stimulate hope that this year will in any way prove an exception to the general rule. Not only the general course of events in Washington; not only the attention-diverting behavior of the Army-McCarthy hearings; not only the policies of many of both parties in Congress; but also the position taken by the titular leader of the Democratic party and now the latest utterance of ex-President Truman, all suggest the difficulty of making a "political year" a year of successful statesmanship.

The recent remarks of Mr. Truman in New York, although calmly spoken, seem to us to be in point. His effort to depict the present Washington scene as essentially a struggle for dominance between the White House and Capitol Hill; his demand for "party leadership" by the President; and his effort to brand all interest in being certain that we are rid of Kremlin spies and agents as "hysteria" pure and simple may be what is known as "shrewd politics" in the circumstances. Certainly, the utterance meets most of the requirements ordinarily laid down by the "professional politician." Whether it represents the tactics most likely to promote the political ambitions of the Democratic party this autumn,

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Cautious Market Attitude Currently Warranted

By ANTHONY GAUBIS
Investment Counselor

Mr. Gaubis suggests possibility of early sizable reaction of 10% on the average, and 20-30% in the more popular issues, prompted by: (1) the technical background; (2) uncertainty of long-term earnings; (3) evidenced historical seasonal market pattern, and (4) previous discounting of business pickup. Advises investors to build up buying reserves to participate in anticipated subsequent rise to about a 400-level for the Dow-Jones Industrial Average

In an article which I prepared for the *Commercial & Financial Chronicle*, and which was published on Aug. 27, 1953, under the title, "A Cheerful View of the Stock Market," I emphasized the fact that the majority of stocks appeared to have discounted the business recession which virtually everybody had agreed was in prospect. Now that the Dow-Jones Industrial Average has advanced by more than 65 points, or roughly 25%, since this article was written, it is probably in order to take a "new look."

Anthony Gaubis

Partly for the very reasons which led me to recommend "the building up or maintenance of rather fully invested positions in equities" last Summer and Fall, I believe that **temporarily, at least**, a more cautious attitude or investment policy is now in order. I would emphasize the phrase "temporarily, at least" for a number of reasons, including the fact that we are now in an extremely critical stage in our foreign relations, and it will be at least another month or two before public opinion can be crystallized and channeled in the direction of either taking a greater or smaller part in anti-Communistic alliances. The exact nature of the tax bill which will be enacted within the next few

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Utilities and Oils Favored By Funds in First Quarter

By HENRY ANSBACHER LONG

Rails, natural gas, steels and metals also are well liked. Opinion is divided in the chemical, electric equipment and retail groups, while tobaccos and rubbers are sold on balance. Over-all buying continues at about pace of previous quarter. Several balanced funds lighten debt.

Investment company purchases continued at about the same pace in the first quarter of 1954 as during the final three months of 1953 with over-all bullishness not appreciably dampened by rising prices in many sections of the market. However, there was noticeable profit taking in groups such as the electrical equipments which had experienced widest price advances. Although utilities were still strong favorites, the volume of selling approached the amount of purchases. Increased buying interest in oils during the period — with a marked decrease in sales—made this group almost as popular as the long-favored power and light shares. Investors Mutual, Fundamental Investors, Boston Fund and Wellington, in particular, added petroleum issues on balance. Rails were prominent among purchases, ranking as third most popular group in contrast with their neutral status of the previous quarter. However, only one management among those surveyed held New York Central stock. Axe-Houghton "A" and "B" each owned 6,000 shares, the latter having sold 4,000 during the period. Two other funds eliminated blocks of 2,000 shares and 500 shares from their portfolios.

Henry A. Long

Natural Gas and Steel Issues Favored

Natural Gas issues continued among the fund favorites and steels were even better liked than in the previous three months as purchases were stepped up by one-third. Non-ferrous metals, on which opinion had been divided in the December quarter, were currently well bought, as were machinery and certain auto equipment

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STANY PICTURES IN SECOND SECTION—Candid pictures taken at the 18th Annual Dinner of the Security Traders Association of New York, Inc., at the Waldorf-Astoria Hotel, on May 7, appear in the Second Section of today's issue.

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

Petroleum Service, Inc. ("PSI")—Edmond L. Brown, Vice-President, Garrett and Co., Dallas, Tex. (Page 2)

Mathieson Chemical Corporation—Morris Peckman, Security Analyst, Ladenburg, Thalmann & Co., New York City. (Page 2)

EDMOND L. BROWN
Vice-President, Garrett and Company, Dallas, Texas

Petroleum Service, Incorporated ("PSI")

"Mighty oaks from little acorns grow . . .", may also apply to Petroleum Service, Inc., a young company in a new industry. An official of a major oil company recently stated that hydraulic fracturing of oil formations may add one billion barrels of recoverable oil to the nation's reserves.

Edmond L. Brown

The fracturing of oil formations was perfected by Stanolind Oil and Gas in 1948. Today Stanolind has licensed Halliburton, Dowell, Petroleum Service, Incorporated and a few other selected companies to use the Hydrafrac patents on a modest royalty basis.

The hydraulic fracturing process is used on both new and old wells. A number of dry and abandoned wells have become good commercial producers after being fractured. Of course one can't get blood out of a turnip, nor does the fracturing process put oil in a formation that is dry. But it does induce tight oil formations to give oil treasures up freely that heretofore would not produce under ordinary methods. On some old wells the fracturing increases the production from two to forty times the usual daily rate. In most instances the wells decline in a few weeks, but in the majority of cases the resultant stabilized production is much higher than before the fracturing.

In new oil wells drilled in sand producing formations, hydraulic fracturing is almost a must. Before the fracturing technique was discovered, one operator in Wyoming swabbed a well at an expense of about $250 a day for 30 days before it reluctantly started producing 100 barrels of oil a day. Last summer PSI fractured an offset to this well; in two hours it started flowing at the rate of 10 barrels of oil per hour.

Another intriguing development is the making of commercial producers out of some dry holes. A well in the Newcastle area in Wyoming was drilled in 1950. The electric log disclosed a tight formation that should have produced oil or water. The operator tried for weeks and finally abandoned the well without getting a smell of oil or gas. Last summer PSI sand fractured a well on an adjoining lease with success. The operator reopened the 1950 dry hole, set pipe and perforated. PSI sand fractured the formation with 3,000 pounds of Ottawa silica sand and 3,000 gallons of fluid. The well responded and is now capable of producing 200 barrels a day. All this and the tax charge off too!

The explanation of hydraulic fracturing is simple. Modern rotary drilling is done with mud being forced down the hollow drill pipe through the drill bit under high pressure. All oil formations are porous to a certain extent. The mud is forced into the porous formation from six to 12 inches forming a clay pipe through which the oil cannot pass to the well bore unless the oil sand has high pressure. The hydraulic fracturing with a viscous oil and sand under extreme pressure does three things.

(1) Breaks through the mud block in the vicinity of the well bore by abrasive effect, or forming a crack in the formation.

(2) Breaks through a low permeability formation to a zone of flush production.

(3) Increases the drainage area from six inches to sometimes as much as sixty feet. The sand acts as a propping agent.

In one instance in Upton County, Texas, a well 40 acres away from a well being fractured started to flow.

The Company

Petroleum Service, Inc. was formed by aggressive engineers who were experts in this highly technical field of oil well service engineering. They were with one of the major well servicing companies since the inception of this technique. Petroleum Service Incorporated established bases at Abilene, Texas and Newcastle, Wyoming. The immediate acceptance of PSI by the oil industry, both independent and major oil companies, is indicated by its sound and rapid growth since it was formed in October, 1952. In addition to PSI's own fracturing technique developed in the field, it provides all of the highly specialized fracturing processes such as standard hydrafrac, sand oil hydrafrac, acidfrac, multifrac.

In February, 1953, PSI was invited by one of the South American governments to send an engineer to make an investigation of one of its oil fields and discuss a possible contract to fracture the wells. This contract was put into operation in March, 1954. PSI has also received proposals from other South American companies.

Earnings

When PSI was formed the Company was three months engineering the equipment and establishing bases. In the ensuing nine months ending Oct. 31, 1953, PSI did a gross business of $232,639.12. The Company charged off $33,819.62 depreciation and had earnings of $25,740.65 before taxes. As of March 1, 1954, at the end of the first five months of the fiscal year beginning Nov. 1, 1953, PSI did a gross of $244,222.27—charged off $26,470.23 depreciation and had earnings of $23,026.29 before tax. In addition PSI paid for and equipped two fine bases and solidly entrenched itself in the industry.

The outstanding stock of PSI consists of 300,000 shares of common and $100,000 of 5% cumulative preferred stock, both traded over-the-counter. It is a small company compared to the industrial giants privileged to grace these informative pages.

PSI may be an acorn from which the stockholders may expect a continued, accelerated rate of growth with resultant rewards.

MORRIS PECKMAN
Security Analyst,
Ladenburg, Thalmann & Co.,
New York City
Members New York Stock Exchange and American Stock Exchange

Mathieson Chemical Corporation

When viewing the development of the chemical field and noting that this is now one of the largest of American manufacturing industries, one realizes that the growth factor has been phenomenal, and one may assume safely that continued growth is to be expected.

Morris Peckman

A company that has shown competent ability in expanding its scope of operations is Mathieson Chemical. As it exists today, Mathieson appears to be a diversified, yet well-integrated producer of basic chemicals, intermediates and finished consumer products.

Management, beginning in 1947, embarked upon a program of building up the company. Since then, annual sales have risen from $25,000,000 to $243,000,000, assets from $66,000,000 to $339,000,000 and net profits from $3,000,000 to $18,700,000. While this has been accomplished by a debt increase of some $72,000,000, nevertheless shareholders' equity increased from $26,000,000 to $149,000,000. To me this speaks of progress, but thus far the market has not given due recognition to the stock as compared with other chemicals. Perhaps investors are wary because growth has been through mergers and acquisitions. However, it must be emphasized that about one-half of these improvements evolved through internal development.

Established in 1892 with nominal capital, Mathieson has grown, over the past 60 years, into a major enterprise with some 18,000 employees in 137 plants throughout the world, manufacturing a diversified list of over 400 chemical and drug products.

As stated above, the largest part of this growth has taken place since 1947. In that year the company was primarily an alkali producer. From this base, management embarked upon a program of expansion and diversification which led to a more substantial position in basic inorganic chemicals, a growing organic chemicals operation based on both coal and natural gas, a position as one of the country's principal producers of fertilizers and other agricultural chemicals, and finally, a major place in the drug manufacturing industry through merger with E. R. Squibb.

Current operations can best be delineated under three broad classifications: basic industrial chemicals, agricultural chemicals, and pharmaceutical and related products. Basic industrial chemicals, both organic and inorganic, accounted for roughly 40% of Mathieson's sales in 1953. Mathieson is an important producer of six such chemicals: soda ash, caustic

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What Do You Think?

Additional Comments on "Full Employment and Its Dangers"

More letters to Editor given in this issue relative to views expressed by Dr. Carl Wiegand in paper published in the "Chronicle" of April 8. Dr. Wiegand, after thoroughly analyzing the dangers in implementing the full employment philosophy of government inherent in the "Employment Act of 1946," averred that while full employment "at any price might be good politics for a short time," it would turn America into a regimented society and seriously weaken our economic system.

In the "Chronicle" of May 6, starting on the cover page, we published some of the letters received in connection with the views expressed by Dr. Carl Wiegand, Professor of Economics at the University of Mississippi, in the paper "Full Employment and Its Dangers" which appeared in our issue of April 8. As was noted, the "Chronicle" had previously received considerable correspondence on the economic implications and consequences of the full employment philosophy of government inherent in the "Employment Act of 1946." For this reason, we were very pleased to have been able to publish Dr. Wiegand's comprehensive analysis of the subject and decided to open up our columns to any one who desired to express his views on Dr. Wiegand's paper in particular or on any related phases of the full employment doctrine. Owing to space considerations, it was possible to give in last week's issue only a few of the letters that have come to hand and, for the same reason, we can only make provision today for another group. Others will appear in subsequent issues.—EDITOR.

DR. NEIL CAROTHERS

Dean Emeritus, School of Business Administration, Lehigh University

Dr. Wiegand's article on the Employment Act of 1946 is a useful dissection of that wierd measure. The political hypocrisy, the vacuous economics, and the sinister implications of the law are thoroughly ventilated. Those who pointed out the errors of that comic blunder, the NRA, were charged with wanting to continue depression. Those who showed the evil character of the Wagner Act were branded as enemies of labor. No doubt, Dr. Wiegand will be charged as a supporter of unemployment. The *non-sequitur* smear is now the standard weapon of demagogues and pressure groups.

Neil Carothers

The article very competently explains the difficulties and dangers of a governmental attempt to maintain full employment in a period of serious depression. It is not to be doubted that the author could have shown what government can and should do in a depression, but that was not his subject. He shows that any attempt to maintain full employment disregards the unreliability of forecasting, the inadequacy of public works, the inevitability of inflation, and the probability of destruction of free enterprise.

It is no reflection on an excellent article to say that the vague jumble of words called the "Full Employment Act" does not influence the present Administration in any serious degree. The New Deal promised merely to end depression. Goaded by fuzzy-minded Congressmen and pressure group leaders, the present Administration has promised to stop any depression before it starts. In other words, it promises to maintain perpetual economic jazz. It seems doubtful that it is looking backward toward a law of 1946. It is apparently looking forward to next November.

B. M. EDWARDS

Chairman of the Board, The South Carolina National Bank, Columbia, S. C.

I find myself in thorough accord with Dr. Wiegand's position. Of course, we all want full employment and at the same time would like to have perpetual motion, but it isn't likely that we will have either.

I had an English friend who held a high position with a big textile concern, which concern had a number of plants in America, but he died about a year or so ago. He came to this country two or three times a year and spent several weeks on each visit, and he occasionally visited with me for a few days. He was a well informed person and had traveled practically all over the entire world and could speak seevral different languages, and he was an outstanding businessman and executive and a very intelligent person.

On one of his visits to this country two or three years ago I asked him what he thought our problem in America would be. His answer was "Production." It didn't strike me as to just what he meant, so I immediately replied that this country could certainly produce everything we could possibly need, and he came back quickly and said "That's just your trouble. Production in America is comparable to opening a spigot in your kitchen sink; it pours out in great volume." He then went on to say that with 60 million people employed in this country and all the modern equipment — assembly

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Articles and News

*No article this week.

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Dollar Redeemability and The Gold Standard

By MELCHIOR PALYI

Dr. Palyi, after discussing present status of our currency with respect to gold convertibility and the question of setting a new official price for gold, contends that although our currency is linked to gold, our monetary management is free from the pressure which the automatism of the pure gold standard is capable of exercising. Concludes, although gold standard is no panacea, its return would mean the assurance of no dollar devaluation and would restore an elementary freedom — the right to own gold — a right now enjoyed by Soviet citizens.

Dr. Melchior Palyi

The Bridges-Reece bill is pending in Congress to lift the embargo on domestic gold circulation, to reintroduce the gold coin standard. Do we need this return to past normalcy? Is the time propitious? Can the restoration be accomplished in a world flooded with inconvertible paper money? Above all, what is the "right" price at which gold should or could be made available to the general public? Should the dollar be devalued as proposed in the McCarran bill; or a so-called free gold market established, as requested by other pending legislation?

We Are on Gold

It is being said that putting gold coins into circulation would mean to return to the gold standard. This is a misunderstanding: in a basic fashion, we are on gold, on an "international bullion standard." Foreign central banks can convert dollar balances and notes into gold (bullion) at the New York Federal Reserve, and export it. This keeps the dollar on a par with gold at the statutory rate, except when panicky hoarders abroad prefer to hide their wealth in yellow metal rather than in paper. Actually, the recent reopening of the London gold market—another step of the British Government toward giving trade in prime commodities back to private hands, but without moving any closer to pound convertibility — produced a market price for gold bars actually 21¢ **below** the American mint price of $35.00 per ounce. Transport costs made the slight difference.

At home, the legal prohibition to deal in gold does not permit a discount to arise on the dollar against gold. However, the controls would not work if people were anxious to own the metal. In short, the dollar is worth 1/35th of an ounce of gold, and domestic redeemability could not add anything to that. As it is, one cannot buy more commodities on the world markets by paying in gold rather than in dollars. True, coins still command a premium. But that is due merely to the fact that not enough gold coins are available to cover the hoarders' and "collectors'" demand. The premium would vanish in thin air the moment we would open the mint to the public and permit the export of coins.

Can We Convert Single-Handed?

The dollar's international convertibility—at a fixed rate—disposes at once of some arguments against returning to the gold coin standard. One objection is that it would be hazardous because we would be virtually the only country "on gold." Look at Switzerland, they say. The Swiss cannot maintain their bullion standard without all sorts of restrictions. They operate with clearing agreements and import quotas, if only in retaliation against countries that use those weapons against them.

This reasoning overlooks that the Swiss are not worried about their gold reserve, per capita the world's largest. They use such "quantitative" methods of trade strangulation partly in order to come to terms with opposite numbers, and partly to protect their own industries. Their inefficient and high-cost peasant agriculture, in particular, would be bankrupt without extremely "hard" crutches.

In what manner or fashion could the dollar be endangered by the return to domestic gold payments? An over-indebted country resuming payments in specie runs the risk that the creditors will convert their balances into dollars. That may or may not be a good argument against pound sterling convertibility—it is not, in fact—but surely not against coin circulation in this country. We are exposed already to gold withdrawals on a huge scale, given our $10 billion short-term indebtedness, plus the huge foreign holdings of American money, securities and real estate. Why should domestic convertibility endanger our reserves if they can stand international convertibility?

The only additional threat of a gold drain created by free coin circulation would be the demand for gold of the domestic owner of dollars. But he is notoriously much less worried about his currency than the foreign owner is. Why should he fill his pockets with coins, or hoard them, when his notes are redeemable on sight? The average American would consider it highly inconvenient to substitute coins for notes, unless there is a threat of devaluation. That is one signficant reason why **gold should be made available: in order to wipe out the last residual of dollar-devaluation-fear** that induces people in France and elsewhere to hoard more gold in lieu of dollars.

When Britain introduced monometallic convertibility in 1819, as the Canadian Economist, Gilbert Jackson put it,

> "no gathering of statesmen and financiers from countries large and small met anywhere to bring it about; or debated and disagreed about draft agreements; or burned midnight oil and smoked midnight nicotine; eventually to produce a Gold Standard instrument, awaiting legislation by their respective parliaments."

In the midst of the post-Napoleonic paper money troubles, when most of the world was off the metallic standard, the United Kingdom proceeded single-handed to rehabilitate its depreciated currency. Having done so as the leading industrial and mercantile nation of the time, the rest of mankind soon had to follow in order to link the respective price levels and to foster trade and investments.

That much to answer Deputy Secretary Burgess who contends that "the free world has not yet gone far enough in the achievement of good money." What matters it that the dollar has gone far enough, being the world's hardest money, with a fantastic gold reserve to back it. Actually, it is the global standard of value, in units of which the bulk of international business is being transacted. But Mr. Burgess insists that if we hasten unduly, "the gold released in this country might simply move out into hoards and become the tool of the international speculator." That is not so simple, and one wonders how a monetary expert could arrive at such a statement. Releasing gold in the U. S. would not provide a single ounce to the international speculator because he would have to buy it with dollars. And dollars are notoriously scarce except to those who already have them —and who could do the speculating right now, if they wanted to, by drawing down their dollar balances, as mentioned below. Or could anyone imagine that American owners of dollars would rush to convert them into gold, in turn to be invested in French francs, Greek drachmas and other soft currencies?

Should We Devalue Again?

Washington authorities frown upon the resumption of gold coinage. It is difficult to induce them to provide rational arguments. The best they can offer is that it is premature and unnecessary. Yet, the idea is spreading fast, and not only among businessmen. Perhaps the most remarkable development is that America's return to sound money, to the fullest gold standard is being advocated by—British Keynesians.

Here comes a brilliant Oxford economist considered the "living Buddah" of Keynesianism. R. F. Harrod's little book on "The Dollar" (Harcourt, Brace) reflects an apparent—by no means real—change in the expediency-minded Keynesian souls since the Prophet departed. They discovered that gold is important and do not wish to dethrone it any longer. On the contrary, Harrod is for restoring it fully in its place, although he objects to our handling it after 1928, when we did not play the "gold standard game" as it should be played: we did not export capital unrelentingly. (How does one play the game when the other side "cheats" by defaulting on its debts with Britain, the leading creditor nation, setting the pattern in 1931?) The implication is that if we do not restart lending, and do not continue spending, then some other way should be found to disburse dollars by the billions. That, indeed, is his purpose in suggesting that we revert to gold coinage. We should do so —after devaluing the dollar to one-half, doubling the gold price.

The Keynesian Double-Talk

Dollar devaluation would mean a colossal bonanza to the gold producers, and not only to them. Harrod ignores the enormous benefit we would bestow on the French gold hoarders and on Soviet Russia(!). Nor does he mention that the foreign-owned dollar balances, governmental and private, would be withdrawn the moment Congress starts discussing devaluation, to return after the event and to cash in on the 100% profit. Such initial dollar "redistribution" may total $15 to $20 billion. In addition, and this is Harrod's point, an annual $2 to $3 billion of newly-mined gold could be sold to the U. S. Which is just about what is needed to eliminate the dollar shortage— and no more American (Economic) Aid! Admittedly, "a rise in the dollar price of gold might be regarded as **aid in a more subtle sense,** to the extent that the Americans would be offering to pay to get more of something they do not really need." Very subtle, indeed, but how does an economy

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The State of Trade and Industry

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

A slight rise was evident in industrial production in the period ended on Wednesday of last week over the level of the prior week, but notwithstanding this, it continued to be about 10% under the year ago mark. Steel output in the week beginning May 3 was scheduled by the American Iron and Steel Institute at 67.3% of capacity, but revised figures of the Institute raised it to 69.4% (actual) or an increase of 2.1%.

Moderate improvement was indicated in the latest week in total employment. While continued claims for unemployment compensation increased 3% over the previous week, initial claims decreased by twice that percentage. The total number in both groups was below two and a half million persons. Expansion in construction and other outdoor work accounted for the improved situation.

Unemployment dipped in early April and has continued to decline. The official count for the week ended April 10 disclosed 3,465,000 out of work. That was a seasonal drop of 260,000 from the like period in March, the first month-to-month decrease since last October. Evidence that the downtrend has persisted since the government's early-April check was afforded by a spot survey in a dozen key states over the week-end. This showed that while the idle are rising slightly in several states, the general trend is downward.

Government figures revealed that total employment in early April expanded to 60,598,000—an increase of 498,000 over the comparable March level. The pick-up was largely in seasonal industries, such as construction and agriculture. Manufacturing jobs sank by 255,000.

In a report from the United States Department of Commerce the past week, it was noted that personal income in March declined to an annual rate of $282,800,000,000. This was $800,000,000 below the pace in March, 1953 and down $200,000,000 from the February rate, compared with a $2,600,000,000 increase between the two months a year ago.

Time is running out on the predicted improvement in the steel market, states "The Iron Age," national metalworking weekly. If there is to be an increase in steelmaking operations now is the time for it to start showing on the order books.

Chances are it will, asserts this trade weekly. The steel wage contract expires June 30; all-important bargaining starts next Tuesday (May 18). As the seriousness of the bargaining becomes apparent many steel users will decide they should have a little more steel on hand—just in case. Depending on how the bargaining goes, this could hasten a reversal in the inventory trend.

Increased buying should begin to show on steel company order books within the next three or four weeks. If it doesn't show by then, there may be no significant pickup in steel until fall. Signing of a wage agreement would certainly remove any protective buying from the market. Also summer usually reflects slackening of demand from steel users, continues this trade paper.

Real progress is being made in the long and painful steel inventory adjustment. Rate of new orders has been increasing. Some mills now find new business supporting current operations for the first time in months.

Producers are also encouraged by renewed buying from some customers who had been virtually out of the market. Orders are for the most part very small, indicating consumers are buying cautiously. But even placing of small orders is interpreted as a sign of progress in inventory correction, "The Iron Age" points out.

Both steel producers and consumers are encouraged by the mild wording of the four-point program adopted by the Wage Policy Committee of the United Steelworkers of America. This is generally cited as an indication that there will be no strike this year.

The road to agreement will be long and hard and the final compromise package will likely add from five to eight cents an hour to industry employment costs. It will include improvement in pensions and insurance, and perhaps wages, but the much publicized guaranteed annual wage will probably be relegated to further study, concludes this trade authority.

In the automotive industry, January-April's United States car output ended in a virtual tie as second-best for that period in history, "Ward's Automotive Reports," stated the past week.

The statistical agency counted 1,959,788 completions for the first four months, only 7.5% behind the record January-April last year (2,121,367) and 7.6% below same period of 1951 (2,118,366).

Weekly records, it adds, will continue to fall in May, despite setbacks which dipped last week's car and truck output 2.6% below the previous week's eight-month high of 148,238. The past week's output of 144,380 compared with 167,632 a year ago.

"Ward's" attributed last week's decline to a 3,000-unit loss at Plymouth Wednesday, Thursday and Friday due to labor trouble, and lack of assembly Monday at DeSoto and Hudson. In addition, Packard started a two-week shutdown the past week and Studebaker will suspend its South Bend (Ind.) passenger car assembly and Nash reduce its output rate this week.

However, the new "Big Three" in United States car output— Chevrolet, Ford and Buick—are more than bulwarking industry volume and aided by Saturday work are running away with 63% of weekly domestic car production.

A burst since early April by Chevrolet has boosted it back into No. 1 production spot over Ford, while Buick thus far this year leads Plymouth (historically No. 3) by 33%, it stated.

"Ward's" said 533,381 cars and 96,701 trucks were produced in April, compared with 526,000 and 100,987, respectively, in March. The car volume was highest since last October's 533,621 and finds the industry gunning for another 501,000 this month in two fewer workings days than last month.

Construction outlays in April rose to $2,800,000,000, up 1%

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The Trailer Goes Ahead

By IRA U. COBLEIGH
Enterprise Economist

A roadside view of the special transportation unit which is to a truck, what a barge is to a tugboat; plus a few financial facts about Fruehauf, largest trailer manufacturer.

Those who suspect that this piece may be a sneaky way to get in a plug for the current cinema "The Long Long Trailer" are on the wrong track (or should I say truck?). For what we'll discuss today is no rolling rubber tired palace with running water, aluminum screens, a breakfast nook, and built in TV, such as seems ever to loom ahead of you on every hill between here and Florida. No, today we treat not with the luxury trailer, but the loaded one; and do not discount its importance in our overall scheme of transportation.

Ira U. Cobleigh

The truck trailer was well on the road to broad acceptance before World War II, when the government gave it a big boost. Virtually, everything that rolls was trailerized by Uncle Sam—gasoline trailers, tanks for fuels and chemicals, artillery gun mounts, laundry units, and coast artillery radar and ack ack gun trailers. These military applications led to many further postwar variations —refrigerated trailers for ice cream, fruit juices, vegetables and meats; trailers specially built for palletized freight; trailers for dry bulk cargo such as flour and cement; and big daschund models for L.P.G. and milk.

In point of numbers also the trailer has not flagged. In 1939 there were 4,500,000 commercial hauling units, of which only 136,-000 were truck trailers. Right now there are over 10 million hauling units, of which nearly 600,000 are truck trailers.

150 Manufacturers

Who makes 'em all? Well, the answer to that is a copy book page out of the private enterprise textbook. The business is divided among about 150 manufacturers, some of them quite small, but all contributing plenty of individualism, and proprietary initiative. Fact is the main problem here is not manufacture, but finding the roads to run 'em on. Murderous metropolitan traffic congestion, worn out, outdated and traffic-logged inter-city highways all operate to reduce the ton-mile efficiency of these cargo laden cabooses. Even as it is, however, it is estimated that 75% of all cargo is borne part way by motor transport. The trailer-borne percentage of this has been zooming —from 14 million ton-miles in 1936 to 100 million last year. The trailer is here to stay—and to go!

The trailer is not the same old trailer — it's getting bigger. In 1944 the king size trailer was 32 feet long; today you'll see 'em 40 feet long and operating techniques are making them run fewer empty miles. Price-wise, you can pay anywhere from $3,000 to $12,000 for a trailer. Some vintage units are still around that have been eroding rubber on the road for 20 or 25 years; but generally the effective life is around seven years. When a trailer gets old and weary, it doesn't exactly go out to pasture —it gets off the highway and goes into local service before it hits the scrap yard. In any event, replacement demand is quite considerable — above 40,000 units a year.

Railroad Customers

Well, we've had a nice little chat about the past of the trailer; what about the future? Apart from certain problems such as legislation on size, road taxes, and occasional labor bugs, the future is rather bright because of the big road building program, increase of pallet freight, and two special factors as follows:

First of these is operation piggy back on railroads. New Haven pioneered in this 15 years ago, carrying truck trailers on flat cars between New York and Boston and now carries around 40,000 a year. This thing has really caught on. Some western roads have taken it up, and N. Y. Central has just entered the field. New Haven took only one trailer per flat car; but new cars have been engineered and designed to carry two. There has been some objection to "piggy back" haulage by truckers and labor units who felt put upon; but the overall saving in insurance and labor costs, speed, dependability, and freedom from road hazards of fog, sleet, and snow, augur well for the traffic expansion—and for lots more trailers.

Another plus in the future of trailers is the trailer ship. There has been a line operating on the Hudson River between New York and Albany for some time; and a new ICC application has been made for a line with $50 million in new boats to ply between Wilmington, N. C., and New York. Another run, between San Francisco and Los Angeles, has been in the blueprint stage for years. These water movements present a big horizon for trailer growth.

Fruehauf Trailer Co.

Now, from the general to the specific, let's talk about trailer manufacture. We can't talk about all the makers here as we lack the time, so let's talk about the leader and pioneer in the era from dray to trailer—Fruehauf Trailer Company. Lots of people seem to think trailers are made by truck or motor car companies. It hasn't worked out that way. Trailer makers are specialists, and Fruehauf a super-specialist doing a gross business in 1953 of $193 million, roughly 30% of the industry total. It makes all the standard commercial units and has, in addition, a backlog of $31 million in military orders, 70% earmarked for road rolling stock for coast defense electronics and fire power, and to deploy our newest weapon, the guided missile.

Fruehauf has not followed the motor-car pattern of independent dealer-service organizations. It has its own—complete and direct from factory to owner. It has 74 owned and operated sales and service divisions, in the U. S., and three in Canada. At these centers (which are nearer of kin to factories than to garages) service is given not only to Fruehauf, but to other makes as well, a fact tending to create a favorable climate for future Fruehauf sales. Further, this service and part replacement section is a notably stable earner, even in times of dull business.

Everyone knows how important, in most equipment sales, time buying is. Fruehauf sensed this in 1948, when it organized its own (wholly-owned) finance company, Fruehauf Trailer Finance Company. This has been no pint-sized operation, as over $300 million has been loaned, on purchase contracts, since the outfit began; and pre-tax income for 1952 was almost $2 million.

A current look at the financial facade of Fruehauf is rewarding. At March 31, 1954 current assets were $77.8 million against current liabilities of $25.4 million. Sharing the experience of the truck makers, sales were down for the first quarter of this year, and not of 68¢ per share was recorded against $1.18 for the same time stretch in 1953. Improvement is now expected due to more buoyant business optimism, a new lighter platform (optional in aluminum trailer) offered in April, and a revolutionary high cubic capacity trailer to be launched in May. Fruehauf, since 1944, has been the Daniel Boone of the trailer, and there is no valid reason to believe this company has ended its growth cycle.

Attractive Yield

Last fall Fruehauf added to its capital funds via the sale of $10 million 4½% debentures convertible into the common at 26. These bonds sell today at 102½ and point up the value in the common now selling at 25½ and paying an indicated $2. The yield at this level, 7.8%, is surely attractive, and suggests that this issue has rather been neglected by investors generally. It sells at about six times current earnings. A 20-year record of sustained cash dividend payments on the common offers some assurance to shareholders; and the future of the enterprise under the direction of Mr. Roy Fruehauf is by no means unattractive or sodden.

Trailers are, to be sure, a specialized transport form; but they have proved their way, grown thrice as fast unit-wise as trucks, and there is no evidence to show that the trailer is at the end of its trail. On the contrary, there still exists a real opportunity for net profits and capital gains that are trailer made. Surely, neglect of Fruehauf as a vehicle for trailer investment would seem most illogical.

Observations . . .

By A. WILFRED MAY

The Stock Dividend and Stock Split — in England

In view of our public's current interest in the instrumentality of the stock dividend, evidenced in controversy raised at annual stockholders' meetings last week, its status in England seems worth citing.

A. Wilfred May

In Britain the stock dividend, as here, distributed supplementary to cash dividends or as alternatives thereto, was quite frequent prewar. But now they use the device far less frequently, people generally having forsaken the belief that they offer any really great advantage.

The dominating purpose of stock-dividend distribution in the London market is to keep the nominal capital in proportion to the real capital, discrepancy having arisen because of the continued payment of regular percentage dividends. For example: If a company ten years ago had a nominal capital of £2 million and in the course of the next ten years ploughed back into the business another £2 million, it may today find itself paying a dividend of 50% on the nominal capital; whereas on the capital plus reserves the dividend is actually equivalent to only 25% on the capital plus reserves. Now the fashion is to capitalize the reserves and make the nominal capital £4 million, whereupon, other things being equal, the dividend automatically falls to 25% and the market price of the shares is halved—all of which looks better.

The Political Motivation

The political attitude toward company reserves supplies an additional motivation for the Britishers' use of the stock dividend device. As stated in a recent article, "You Have Been Warned," by *Candidus* in "The Investors' Chronicle" of London, socialist-"liberal" financial philosophy is firmly committed to the credo that ploughed-back profits, far from belonging to the owners and entitled to remuneration, belong to the workers and not to the shareholders. The Opposition's Chancellor of the Exchequer, Mr. Hugh Gaitskell, is quoted by *Candidus*: "I still believe that the solution can only be found by some system whereby the workers are given a fair share of the reserves accumulated thanks to their moderation [in wage demands]," to show the need for capitalizing reserves.

Britain's company community has been using the stock dividend to a gradually lessened extent, coincident with press debunking of its advantages to the shareholders. Thus, formerly the impression was widely held that the holder could encash the stock dividend and calculate the yield on the cash-plus-stock dividend proceeds; and maintain his equity nevertheless. But, thanks to press clarification, it is becoming realized that the cake cannot be eaten and had too; that cashing in the stock dividend to realize the apparently increased yield does actually reduce the shareholder's proportionate stake in the enterprise.

Splits Too

The counterpart of the American stock *split*, with the same nomenclature also exists in London's City. After a share of £1 nominal value selling in the market at 80 shillings has been split into four 5-shilling nominal value shares, other things being equal, the new shares will sell at 20 shillings.

While the shareholder's real position is of course unaffected, there frequently follows, as here, a psychological fillip. "The last refuge of the company promoter is to split his shares."

But the stock split in London is not resorted to anywhere nearly as frequently as here; because it raises stock exchange commissions; because it is realized to a greater extent than in the U. S. that the stockholder's real equity is left unchanged; and because the U. K., as the rest of the free world, is generally far less public-relations-minded than are we.

Spectacular Changes In the Banking Scene

By ISAAC B. GRAINGER*
Executive Vice-President,
Chemical Bank & Trust Company, New York

Mr. Grainger reviews fiscal, financial and economic changes since 1933, and points out bankers during the period have faced a never-ending parade of new factors affecting their business. Lists as new factors, the Gold Reserve Act, the Federal Deposit Insurance Corporation, and the alterations in Federal Reserve policy. Comments on reserve requirements instituted by the Federal Reserve Board, and expresses doubt of wisdom of using these requirements as means of credit control. Holds formula for assessing members of FDIC inequitable, and cites employee relations as the "big change" in banking.

It would be a difficult thing in so short a time to cover all of the spectacular changes which we have viewed in the national economic scene, but I will mention a few of them. At the end of 1933 our Federal debt, after what we considered to be an alarming increase of 16% that year, amounted to $24 billion. Now it is $273 billion. The President's Federal budget for the then fiscal year called for expenditures of $9.4 billion with estimated receipts of $3.3 billion; whereas, for the 1954-55 fiscal year the Federal budget anticipates $71 billion expenditures and $68 billion receipts. Money in circulation in the same period has jumped from $5.8 billion to $31 billion. This is a lot of money despite its depreciated value.

Isaac B. Grainger

The corporate tax rate was then 13¾% in contrast to the present rate of 52%.

At the end of 1933, the nation was emerging from a period of financial turmoil. Bankers were still shocked and uncertain of their position. In addition, we were confused by new rules and regulations based on legislation which few of us had an opportunity to study or understand before its enactment. In fact, December 1933 was a period of transition in which many reforms were still in the very early stages of development. But even then, one's imagination was not sufficient to foresee the great man-made changes in the financial climate in which we were to operate. I suppose there would be full agreement in this gathering that the studies necessary today, for all of us to keep abreast with the fast-changing scene, are quite overpowering in contrast to those which were necessary in following what now appears to have been a comparatively simple formula for conducting day-to-day operations 20 years ago.

Bankers have faced a never-ending parade of new factors affecting their business and I will comment upon a few with which we have had to contend. One of the first Acts of Congress early in 1934 was to pass the Gold Reserve Act, under which gold was sterilized and revalued. This revaluation had its impact on the banking system just as did the tremendous increase in the government debt. The resulting expansion of deposits has brought about many new responsibilities for us, but none more pressing than that of maintaining capital adequacy. This problem has not escaped your attention and treatment, as is evidenced by the changes in the capital structure of North Carolina banks. However, its importance may be understood when it is realized that at the end of 1933 deposits of the North Carolina banks averaged 5.9 times capital funds, and deposits of the 25 largest banks of the country were 6.1 times capital. At the end of 1953, these ratios had risen to 13.2 and 12.9, respectively.

*An address by Mr. Grainger before the North Carolina Bankers Association, Pinehurst, N. C., May 10, 1954.

Competition by government agencies, too numerous to mention, has caused us to reorient our lending and operating procedures. The big increase in savings deposits has dictated a new investment policy. Composition of the government debt, with such a large segment in short-term obligations, has created an entirely new medium for temporary bank investments and a new method of daily adjustment of reserve positions. Operation of the Federal funds market has brought into play a new device which, with the bill market, has been the biggest influence in reducing the amount of surplus reserves. Because of the daily purchases now by banks, of the excess reserves of other banks, the total excess reserves of the system are so leveled that proper comparisons with 20 years ago are impracticable.

Creation of the permanent Federal Deposit Insurance Corporation has had a beneficial effect upon the public attitude toward banks, but it has added an extra expense burden upon all of us. Federal regulations governing collateral loan margins, installment credit terms, wages and hours of employment have not made our operations less complicated. The practice of amortization has improved the character of mortgage lending and the acceptance by banks of the concept of personal and consumer loans has given us a new and profitable medium for the employment of deposits.

The effects of changes in Federal Reserve policy have been great. Whereas credit control prior to 1934 was largely confined to change in the rediscount rate —normally a psychological factor — since then, operation of the open market committee and changes in reserve requirements have subjected the banking system to powerful influences in the day-to-day expansion or contraction of reserves. Many are unaware that not until 1935 was there permanent legislation making permissible the doubling of maximum reserve requirements. This power was first exercised in 1936 and we have almost become accustomed to the severe penalties of such increases which have taken place. In 1933, for example, reserve requirements were 7% of demand deposits for most of the Reserve member banks in North Carolina. That percentage was increased to 14 and now stands at 13. New York City reserve requirements were increased from 13% to 26% and now stand at 22%. Although it is true that the more remote a bank is from a Reserve City the less is the immediate effect of changes in monetary control, nevertheless the impact is ultimately felt in all segments of the banking system. Consequently, every bank, wherever located, must adjust itself eventually to over-all policies of the central bank.

There are many other factors, of course, affecting banks and their ability to serve the public. As an example, the speed-up in the collection of checks has been remarkable. In 1939 the Federal Reserve System cut the maximum availability on checks from seven days to three days, and since then the maximum has been reduced to two days. In addition mechanization programs have speeded up internal handling of items. The Federal's wire system and the private bank wire, which is more extensive, have brought a more efficient method of inter-district money transfers.

The purchase by corporations of temporary investments awaiting tax payment dates has had an effect on the government bond market and upon bank deposits. It is estimated that 80% of the U. S. Government bills outstanding are held by corporations. A large percentage of commercial paper is likewise held by corporate treasurers. This is one of the peculiar developments in our business where non-borrowing customers are lending to other prime borrowers by purchasing the latter's paper in the commercial paper market. This process has also had an effect upon bank deposits, and has restricted the supply of commercial paper formerly available for those banks which had no direct relations with prime borrowers.

Reserve Requirements

In mentioning a few of the new factors injected into commercial banking in the last 20 years, I have not attempted to separate the favorable from the unfavorable, but I would like to comment upon one or two matters which affect all of us, either directly or indirectly. The first item is that of reserve requirements. The present schedule of reserves in the Federal Reserve System is quite outmoded and should be revised. A recent study by the New York Clearing House entitled, "The Federal Reserve Re-examined," which I recommend for instructive reading, gives some very helpful views on this subject. I certainly subscribe to the concluding observations of this study and wish I could quote them in full. However, I will give you one of the paragraphs which exemplifies the conclusions: "The history that has been made of reserve requirement changes over the past year—so far from recommending a widened grant of administrative authority — suggests the wisdom of fixing the requirements by law as was the practice prior to 1933. Reserve requirement increases can be a vicious and destructive instrument. In the postwar period they have been a red herring, diverting the attention of the authorities, the Congress and the public away from the fundamentals. The reserve requirement increases since 1933 demonstrably have not stopped inflation but have accommodated a grossly excessive increase in the Federal Reserve banks' holdings of government securities. Clamping higher reserve requirements on the banks is no solution to the problem."

It was never originally intended that reserve requirements should be used as an instrumentality for the control of credit, and I doubt the wisdom of using this device for that purpose. Likewise, I question the concept that the geographical location of a bank has a bearing upon the amount of reserves which it should be forced to maintain. One of the severest penalties inflicted upon banks in so-called Central Reserve and Reserve Cities, has been the higher

Continued on page 26

From Washington Ahead of the News

By CARLISLE BARGERON

The Democrats meeting recently in Washington were in a cocky mood. There is little doubt that insofar as the House is concerned they expect to be back in control next November. The Washington politico lawyers and the parasites peculiar to Washington whose livelihoods depend upon the Democrats, just as other politico lawyers and similar parasites depend upon the Republicans, have no thought of reducing their standard of living. They are all, the Democrats and the camp followers alike, confident that they will be well back in the saddle in a few months.

Carlisle Bargeron

We have had an unusual situation in Washington since the Republicans supposedly came into power in 1953. To say the least they did not come in emphatically and instead of seeing a new group of politico lawyers and parasites, those who have been successful since 1932 have continued to carry on profitably with the same autographed photographs on the wall of their offices. This is not the usual result of a national political overturn. Ordinarily there is a tremendous change in fortunes on the part of those whose business has been attuned to the departing Administration.

In the case of the Eisenhower Administration there have been few changes. Republican politico lawyers and lobbyists have come to town but their Democratic counterparts are still in business and apparently doing well. It was quite apparent at the recent $100 a plate dinner gathering of the Democrats that these counterparts are quite confident, not only of remaining in business but of being practically back on top of things after the Congressional elections.

A few weeks ago this writer would have thought their confidence fully justified. But at this Democratic gathering there was a rather significant change of tune on the part of the Democrats which I think is ominous from their standpoint. A few months ago they were singing happily about the forthcoming depression. They talked gaily about the ineptness of the Eisenhower leadership and the general irresponsibility of the Republican Administration, but underlying it all was their happiness over the forthcoming depression. Such "nonpolitical, objective minds" as Senators Douglas and Morse were preaching this. These two men, you are to understand, are not politicians in the usual sense of the word. They are distinguished from their fellow Senators in that they are above the noise and conflict and intrigue of the great game of politics and only want to serve their country. I have never understood why this is so but it is the picture the so-called liberal propagandists have painted of them.

Well, I, myself, figured that with all their lofty ideals and "dynamic" programs, the Republican Administration couldn't weather a serious unemployment situation. They could talk until they were blue in the face about having reduced taxes, having gotten us out of Korea and even, having passed the St. Lawrence "Seaway," but if there was an unemployment problem they would be sunk.

What I think is significant then about the Democratic jubilee here, a gathering of great rejoicing and faith, was that there was no mention of a depression, a recession, no ridiculing of the term "rolling readjustment." The subject having to do with men and jobs simply wasn't touched upon.

Instead, the Democrats launched upon the theme of foreign policy. There is disunity among our allies, the Democratic orators said, confusion among them, they know not where to go. A terrible sin on the part of the Republicans, as I understand it, is that they have destroyed the "bi-partisanship" in foreign policy, and if that means any more than giving Dean Acheson, a rival to Foster Dulles in the international law firm business, a place in the management of foreign affairs, I don't know what it is.

The important thing, though, is that the Democrats have gotten off of domestic affairs, they have given up hope of a recession or depression, or of an unemployment situation, realizing they are out the window and will have no validity by next November, and have gone to foreign policy for an issue. Unless we get into a war in Indo-China they haven't, to my mind, the slightest chance in the world on this.

The way in which Eisenhower and Dulles have handled world affairs may be delightful subjects for the intellectuals to bat back and forth. The decision of the voters on this, I am convinced, will be that under Truman we were fighting for no particular reason and with no definite goal in Korea; now we are fighting nowhere, assuming, of course, that we stay out of Indo-China. If the Democrats expect to get an issue here they are sunk, I think.

There is no doubt that the Democratic professionals have been considerably comforted by the McCarthy-Army spectacle. That it has been utterly disgusting there is no reason to doubt. I have worked in many political campaigns and it is a fact that the professionals always lay great store by such things as this. But in the end it is the pocketbook nerve of the voters that counts. It looks as though the Republicans, next November, are going to have that in their favor. But it is a fact that there is usually a recession from the Administration in the first off-year elections after it comes in. And in this instance, the Republicans don't have enough strength in either House or Senate to lose a single member. In fact, in the Senate, they've got to gain.

NEW ISSUE

May 12, 1954

$100,000,000
STATE OF CONNECTICUT
Expressway Revenue and Motor Fuel Tax Bonds
Greenwich-Killingly Expressway, First Series

Payable solely from the Expressway Reserve Fund of the State and moneys payable thereto as described in the Bond Declaration

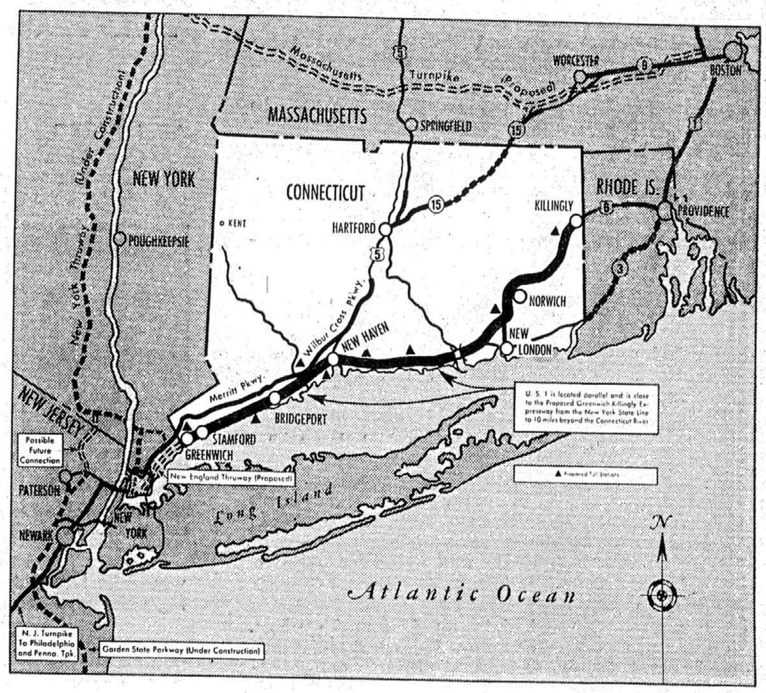
Interest exempt, in the opinion of Bond Counsel, from present Federal income taxes under existing statutes

The bonds, their transfer and the income therefrom (including any profit on the sale or transfer thereof) are exempt, in the opinion of the Attorney General of Connecticut, from all taxation by the State of Connecticut or under its authority.

Dated January 1, 1954 — Due January 1, as shown below

Principal and semi-annual interest (January 1 and July 1) payable at the principal offices of the Manufacturers Trust Company in the Borough of Manhattan, New York, N. Y., and The Hartford-Connecticut Trust Company, Trustee under the Bond Declaration, and the office of the State Treasurer, in Hartford, Connecticut. Coupon bonds in the denomination of $1,000, registerable as to principal only and exchangeable for fully registered bonds in the denominations of $1,000, $5,000, $10,000 and any whole multiple of $50,000, at the principal office of the Trustee in Hartford, Connecticut, and at the expense of the holder, as provided in the Bond Declaration.

The bonds are subject to redemption prior to maturity on or after July 1, 1959, at the redemption prices set forth and in accordance with terms and conditions described in the Bond Declaration.



AMOUNTS, RATES, MATURITIES AND YIELDS OR PRICES

Amount	Rate	Due	Yield	Amount	Rate	Due	Yield	Amount	Rate	Due	Yield or Price
$ 250,000	2½%	1962	1.60%	$2,000,000	2¾%	1973	2.40%	$3,900,000	2⅞%	1984	2.80%
300,000	2½	1963	1.70	2,250,000	2¾	1974	2.45	4,100,000	2⅞	1985	2.80
450,000	2½	1964	1.80	2,400,000	2¾	1975	2.50	4,350,000	2⅞	1986	2.85
600,000	2½	1965	1.90	2,650,000	2¾	1976	2.55	4,500,000	2⅞	1987	2.85
800,000	2½	1966	2.00	2,800,000	2¾	1977	2.60	4,700,000	2⅞	1988	100
1,000,000	2½	1967	2.10	3,000,000	2⅞	1978	2.65	4,800,000	2⅞	1989	100
1,100,000	2½	1968	2.15	3,100,000	2⅞	1979	2.65	5,000,000	2.90	1990	100
1,300,000	2½	1969	2.20	3,300,000	2⅞	1980	2.70	5,200,000	2.90	1991	100
1,500,000	2½	1970	2.25	3,500,000	2⅞	1981	2.70	5,400,000	2.90	1992	100
1,650,000	2½	1971	2.30	3,650,000	2⅞	1982	2.75	7,300,000	2.90	1993	100
1,800,000	2¾	1972	2.35	3,800,000	2⅞	1983	2.75	7,550,000	2.90	1994	100

(and accrued interest)

The bonds are issued under the terms of a Bond Declaration entitled, "Bond Declaration Authorizing $398,000,000 Expressway Revenue and Motor Fuel Tax Bonds of the State of Connecticut for Financing the Greenwich-Killingly Expressway, and Establishing the Terms of Issuance of Bonds of the State Pursuant to Public Act No. 411 of the General Assembly of the State of Connecticut, January Session of 1953", made by the Highway Commissioner of the State of Connecticut and dated April 27, 1954. The proceeds of the bonds are to be applied by the State toward financing its costs of construction of the Greenwich-Killingly Expressway of the State as described in the Bond Declaration.

The bonds are not general obligations of the State of Connecticut for which its full faith and credit is pledged.

These bonds are offered when, as and if issued and received by us and subject to approval of legality by the Attorney General of the State of Connecticut, and by Storey Thorndike Palmer & Dodge, of Boston, Massachusetts, Bond Counsel for the State, and Hawkins, Delafield & Wood, New York, N. Y., Bond Counsel for the underwriters. Such offering is not made hereby, but only by means of the Offering Circular, copies of which may be obtained from such of the undersigned and other underwriters as are registered dealers in this State.

Lehman Brothers — The First Boston Corporation

Blyth & Co., Inc. — Halsey, Stuart & Co. Inc. — Drexel & Co. — Kidder, Peabody & Co. — Harriman Ripley & Co. Incorporated — Smith, Barney & Co.

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Wood, Struthers & Co. — Bache & Co. — Bacon, Stevenson & Co. — Barr Brothers & Co. — William Blair & Company — J. C. Bradford & Co. — Central Republic Company (Incorporated)

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Aubrey G. Lanston & Co. Incorporated — W. H. Morton & Co. Incorporated — Reynolds & Co. — Roosevelt & Cross Incorporated — Shearson, Hammill & Co. — F. S. Smithers & Co. — Van Alstyne, Noel & Co.

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Dealer-Broker Investment Recommendations & Literature

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

Bond Market — Bulletin — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Business Man and His Money—Leaflet—Sidney S. Ross Company, 3070 Hull Aveune, New York 67, N. Y.

Canadian Common Stocks—List of representative issues, with recent price ranges—A. E. Ames & Co. Inc., 2 Wall Street, New York 5, N. Y.

Federal State Stock Original Issue and Transfer Tax Rates—Booklet—Registrar and Transfer Company, 50 Church Street, New York 7, N. Y.

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

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

Natural Gas Stocks—Bulletin—Sutro Bros. & Co., 120 Broadway, New York 5, 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.

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.

Utah Uranium Issues — Current data on **Lisbon Uranium, Atomic Uranium, Sun Uranium, Uranium Incorporated, Aladdin Uranium, Federal Uranium, U. S. Uranium,** and **Mayflower Uranium**—J. A. Hogle & Co., 50 Broadway, New York 4, New York.

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American Research and Development Corporation—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a list of Backward and Depressed stocks.

American Tobacco Company—Analysis—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Atlas Plywood Corporation—Bulletin—DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Goebel Brewing Company.**

Augusta Chemical Company — Bulletin — Hazelett Associates, Inc., 250 West 57th Street, New York 19, N. Y.

Baltimore Transit Company—Analysis—Herbert E. Stern & Co., 30 Pine Street, New York 5, N. Y.

Chase National Bank — Memorandum — McDonnell & Co., 120 Broadway, New York 5, N. Y.

Detroit Steel Corporation — Bulletin — Gartley & Associates, Inc., 68 William Street, New York 5, N. Y. Also available is a bulletin on **Mount Vernon Woodberry Mills, Inc.**

East Tennessee Natural Gas Company — Analysis — Equitable Securities Corporation, 322 Union Street, Nashville 3, Tenn.

Harrisburg Steel Corporation — Analysis — Butler, Candee & Mayer, 44 Wall Street, New York 5, N. Y.

Kansas City Southern Railway Company—Analysis (bulletin No. 164)—Smith, Barney & Co., 14 Wall Street, New York 5, New York.

Lea Fabrics, Inc.—Circular—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available is an analysis of **Aetna Securities Corporation.**

New England Lime Co.—Analysis—Dayton Haigney & Co., Inc. 75 Federal Street, Boston 10, Mass.

Norris-Thermador Corp.—Memorandum—Kidder, Peabody & Co., 11 Wall Street, New York 5, N. Y.

Norwich Pharmacal Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Owens-Illinois Glass Company—Analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a list of 20 stocks in a favorable technical position and the current issue of "Market Pointers" containing a discussion of **Automation** and lists of stocks with applicable working capital in excess of market prices, and some switch suggestions.

Pepsi-Cola—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

Snap-on-Tools Corporation — Report — Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Standard Oil Company (New Jersey) — 1953 annual report — Standard Oil Company (New Jersey), Room 1626, 30 Rockefeller Plaza, New York 20, N. Y.

NSTA Notes

AD LIBBING

Our illustrious National Treasurer, Larry Pulliam, Weeden & Co., Los Angeles, writes "I'm a-working" and encloses a carbon copy of his first letter for a commercial ad for our National Security Traders Association Convention issue put out by the CHRONICLE. He is doing his best to convert his initial effort into an order. Larry, having just had a birthday, might be in a cycle of cooperation, and we member of the National Advertising Committee do appreciate his support.

Lawrence S. Pulliam

The thought now occurs to me, why shouldn't all the National Officers and Executive Committee members go right after one or more commercial ads at this time. This would immediately prove to the entire membership that they were setting a good example for all members to follow in lending a hand to this worthy cause. Whom, next may we write up as one of our backers for our 1954 campaign for our Convention issue? Of course, it need not be a National Officer. I would be happy to hear from any of our members that are making efforts to get business.

HAROLD B. SMITH, Chairman
National Advertising Committee
c/o Pershing & Co., 120 Broadway,
New York 5, N. Y.

PRELIMINARY CONVENTION PLANS

The National Security Traders Association is announcing preliminary plans for the 21st Annual Convention at Atlantic City, Sept. 22-25, 1954.

While this is the 21st Convention, the NSTA will be celebrating the 20th Anniversary of its founding in Chicago in August, 1934.

The Claridge Hotel, Convention headquarters is one of Atlantic City's outstanding hotels which offers the finest accommodations and is equipped to meet our most exacting requirements.

The full registration fee for members will be $50 and $40 for members' wives. The non-member and commercial registration fee will be $65. A partial registration for Friday and Saturday for **members only** will be $35 for the men and $25 for the wives.

Wednesday, the opening day of the Convention, will be given over to registration and renewing old acquaintances with a reception that evening. The municipal forum is planned for Thursday following luncheon under the direction of Ludwell A. Strader, Chairman of the Municipal Committee. Friday will be a day for sports and varied activities. Charles L. Wallingford, H. M. Byllesby & Company, Incorporated, Philadelphia, is Chairman of the Golf Tournament which will be held at the Atlantic City Country Club. The Investment Traders Association of Philadelphia will be hosts Friday afternoon at the Atlantic City Race Course. A shore dinner is planned for Friday night.

The National Committee meeting and election of officers on Saturday morning will be followed by luncheon and the corporate forum. A cocktail party followed by dinner will conclude the program on Saturday evening. All functions during the convention will be informal.

The Security Traders Association of New York is planning a dinner dance at the Starlight Roof of the Waldorf Astoria on Sunday evening September 26 for those visiting New York following the convention.

A special train will leave Chicago, Tuesday afternoon September 21 and members from Cincinnati, Cleveland and Detroit may join at Pittsburgh arriving Atlantic City Wednesday morning. The Special will leave Atlantic City Sunday afternoon arriving New York at 5 p.m.

COMING EVENTS

In Investment Field

May 12-14, 1954 (Boston, Mass.)
Board of Governors of Association of Stock Exchange Firms meeting at the Somerset Hotel.

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 (Baltimore, Md.)
Bond Club of Baltimore annual outing and golf tournament at the Elkridge 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 Whitemarsh 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 18, 1954 (New York City)
"Syndicats" 5th anniversary and outing at the Echo Lake Country Club, Westfield, N. J.

June 24, 1954 (Boston, Mass.)
Boston Securities Traders Association 35th annual outing at the South Shore Country Club, Hingham, Mass.

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

Rafferty Appointed by Nat'l Secs. Research

BOSTON, Mass.—National Securities & Research Corporation, 79 Milk Street, announces the appointment of P. J. Rafferty, Boston securities man, as assistant to Ira G. Jones, Resident Vice-President for the New England area. The corporation sponsors and manages the National Securities Series of Mutual Investment Funds.

Bond Club Stock Exch. Announces "Annual Offering" at $10 Each

The Bond Club Stock Exchange, which opens for trading once a year at the club's annual Field Day, has announced its 1954 offering of 2,500 shares, by means of an "unofficial" prospectus being distributed to members. The shares are priced at the traditional bargain rate of $10 each.

Trading in the shares is expected to turn the outing into a typical "bondmen's holiday." It will take place, as usual, in the Stock Exchange tent on the grounds of the Sleepy Hollow Country Club from 10 a.m. to 6 p.m. on June 4.

Dividends to be declared at the close of the day's trading will set a new high—five automobiles, including a Cadillac "Eldorado" convertible, a Chrysler "Newport" hard-top convertible, a Chevrolet Corvette sports car, a Mercury station wagon and a Ford "Skyliner" with plexiglas top — plus $5,000 in extra cash payments.

D. Frederick Barton, Chairman of the Bond Club Stock Exchange Committee, has notified members that subscriptions up to two shares will be allotted in full. Subscription books on the offering will open May 13 and close at 4 p.m., May 26.

Buffett-Falk Adds

(Special to The Financial Chronicle)

OMAHA, Neb. — David E. Magnuson has been added to the staff of Buffett-Falk & Company, Omaha National Bank Building.

Joins Central Republic

(Special to The Financial Chronicle)

OMAHA, Neb.—Marion Joseph Kennedy has joined the staff of Central Republic Company, Omaha National Bank Building.

With L. A. Huey Co.

(Special to The Financial Chronicle)

OMAHA, Neb.—E. Glenn Chase is with L. A. Huey Co., Patterson Building.

Joins Harris, Upham

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—Ralph E. Randall is now connected with Harris, Upham & Co., Johnston Building. He was formerly with Thomson & McKinnon.

Business Conditions Looking Up

By ROGER W. BABSON

Mr. Babson foresees a leveling off of business activity in second quarter of year and finds there are some substantial reasons for optimism. Says there has been too much loose talk about unemployment, and criticizes the manner in which unemployment data have been presented by many magazines and newspapers.

Last December in this column I predicted we would not have a sharp drop in business during 1954. So far this has not taken place, although there has been a temporary period of unemployment. The question is: What will be the pattern of business from here on? This I will discuss in a few weeks when I make may extended forecast for the last six months.

Roger W. Babson

Because some of my critics were overly pessimistic for the first quarter and business conditions failed to bolster ther attitude, they have now become pessimistic about the second half. I think they are still wrong! Sure, retail sales have dropped some in a number of lines since the first of the year. Automobile sales for most companies have been poor. Steel production has slowed to about 70% of capacity, but is still almost 30% better than that of 1940 or 1946. The squeeze has been on, too, for the marginal farmer, with the trend to larger farms, greater mechanization, and fewer farm hands. Last year's 5% drop in farm income caught the farm machinery manufacturers off balance. I anticipate this condition will continue well into 1954.

The leveling-off in business activity which figures such as these represent will be reflected in the business of the railroads. During this second quarter our railroads are anticipating about a 27% decline in automotive shipments, a 17% decline in steel loadings, and an approximate 8% decline in coal and coke carloadings. On the other hand, some increase is expected in transporting such things as fruits, frozen foods, cotton, and cement. So, I forecast that total carloadings this quarter will reflect a drop of only about 8% over the second quarter of last year.

Reasons for Optimism

There are, in fact, some substantial reasons for optimism. For nearly a year now we have been working down the unsold goods on our shelves and in our warehouses. People are still in a good position to buy; they have the money. Did you know that personal income rose to about $285 billion by the end of 1953, compared with around $280 billion at the end of 1952? During this same period, salaries increased more than 2% so that our living standards and savings reached the highest point in history.

Further, our banks have both cash and government securities in an amount equal to about 60% of deposits, and the easy-money policy which encourages business is back with us. The construction industry keeps booming. For example, the Commerce Department reports that new construction expenditures for first-quarter 1954 were the highest in our entire national history. A number of manufacturers polled indicate that March, 1954 was either the second or third best in the history of their companies.

The Unemployment Question

There has been too much loose talk about unemployment. I am especially concerned by the way in which unemployment data have been presented by many magazines and newspapers. This could have an adverse psychological effect upon business which is not warranted. Granted, across the country there have been more instances of local labor surpluses. No one likes to see anybody out of work. But the picture is not nearly so alarming as some analysts would have us believe.

I believe the best way of presenting unemployment figures is on a per capita or percentage basis. To illustrate: In 1928 the population was 120,501,000. The unemployed totaled 2,935,000. Therefore, the percent of unemployment per capita was only 2.4. In 1938 the population had increased to 129,825,000 and unemployment to 10,390,000. The per capita unemployment, therefore, was then 8%. Now take 1954. Our present population numbers roughly 160,000,000. Even with a high estimate of 4,000,000 unemployed, the per capita percentage figure would equal only 2.5, or about the same as in the boom year of 1928! Be careful how you let the prophets of doom lead you astray. Business conditions are good, and **with your help** they are going to be even better in the months to come.

Continued from page 2

The Security I Like Best

soda, chlorine, sulphuric acid, ammonia and methanol. These products are widely used throughout industry. Mathieson is also a major factor in the field of synthetic fertilizers and agricultural specialties, including a variety of pesticides. Agriculture represents one of the most interesting of all fields for the application of science and the industry is still regarded as in its infancy since large tracts of land are yet too poor to support economic farm yields.

The acquisition of E. R. Squibb, with sales of over $100,000,000, firmly established Mathieson in the ethical drug group. Operating as a separate division, Squibb manufactures and markets four general classes of products: antibiotics, nutritional products, specialties and household drug products. Squibb, today, operates throughout the free world with plants and major distribution facilities in South America, Canada, Europe and Asia.

Other recent investments include a 50% interest in Reaction Motors, a research and development company having its field of interest in liquid-fuel rocket engines.

The exploitation of the new chemical, hydrazine, of promise as a rocket fuel, establishes a starting point for a new family of chemical compounds, the hydronitrogens. In 1953, Olin Industries and Mathieson jointly formed the Matholin Corporation to acquire a hydrazine plant, completed during the year. Olin Industries has, for many years, carried on research in the uses of hydrazine and its derivatives as propellents both for industrial and military application. Over 1,000 trained scientists are now engaged in Mathieson's research program. Last year, several projects, involving new or improved products and processes developed in its laboratories, were brought into commercial production.

In 1953, all divisions participated in increased sales. Every product was ahead in both sales and profits. On a pro forma basis, for Mathieson and Squibb, sales were 13% higher and pretax profits rose $10,700,000 or 45% in 1953. Net profits increased 40% after taxes and non-recurring items.

Net per share in 1953 amounted to $3.30. This compared with $3.44 for 1952 (including Squibb for last quarter) or with $2.53, including Squibb for the full year. Acquisition of Squibb has temporarily retarded earnings but much has been accomplished in the consolidation. Assets no longer needed have been sold and operating units have been consolidated to reduce costs and overhead. Sales and profits should now begin to show marked improvement.

Emphasis in 1954 will be on operating economies and consolidation of recent gains, and new plant facilities should begin to make their first real contribution to earnings this year. Since Mathieson does not consolidate its overseas subsidiaries, about $2,000,000 of net income or 35 cents a share was excluded from profits reported last year. Any relaxation of currency restrictions, therefore, should improve earnings.

Ahead of the outstanding 5,464,782 shares of common (listed on the New York Stock Exchange) are $77,182,150 of long-term debt and 180,000 shares of $4.25 preferred, convertible into two shares of common. Net working capital position is adequate with current ratio of 3.8 to 1.

The market is appraising this equity at 14 times earnings as compared with approximately 20 times for others in the industry. In addition, the stock yields above 4%, which is quite acceptable for a chemical equity with growth potential.

Henry G. Isaacs With Shields in Florida

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Henry G. Isaacs has become associated with

Henry G. Isaacs

Shields & Company. He was formerly Norfolk, Va., manager for Wyllie and Thornhill and prior thereto was a partner in Virginia Securities Company of Norfolk.

With Investors Realty

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Earl D. Van Keuren, Milton Toboco and Arthur H. Wolfe have become associated with Investors Realty Fund, Inc. Mr. Van Keuren was formerly with King Merritt & Co., Inc., and Cantor, Fitzgerald & Co., Inc. Mr. Toboco was with Marache Dofflemyre & Co.

The Central Banks And the Money Market

By ALLAN SPROUL*

President, Federal Reserve Bank of New York

Head of New York Reserve Bank maintains Federal Reserve monetary policy has helped clear the way for economic recovery by taking the offensive and supplying substantial amounts of reserves to the banking system in advance of actual need. Points to reductions in the discount rate and open market operations as assurance that Federal Reserve will readily supply funds as long as present economic situation persists. Says though monetary action cannot stop a decline in economic activity, it can aid in keeping the decline from over-reaching the real needs of economic readjustment.

For the past nine or ten months we have been in a period of declining economic activity, call it what you will. How has the Federal Reserve System reacted to this development? Well, its reaction really began in the preceding period of "boom" when, during 1952 and the early months of 1953, it applied monetary brakes to a situation which seemed to be calling more credit into use than was required to maintain our economic balance. That sort of situation, if unchecked, breeds speculation and may spell inflation and erosion of the purchasing power of the dollar. And it may also spell subsequent deflation; perhaps severe deflation with its accompaniment of widespread human suffering. Helping to prevent the formation of a speculative bubble on top of a boom is the most effective action which the Federal Reserve System can take to make cumulative deflation less likely. We have to try to see to it that, so far as monetary policy is concerned, periods of economic advance are not distorted by speculative excesses which lead to sharp and disorderly declines.

Allan Sproul

Once the turn comes, however, or even when it seems to be coming, an alert central banking system should relax whatever pressure it has put on the reserve position of the commercial banks. Otherwise they may be forced or, at least, influenced to restrict credit and to put pressure on borrowers to repay outstanding loans. In fact it is largely true, I think, that if left to itself the credit mechanism may tend to aggravate an economic downturn, as credit risks rise and lenders become more cautious. The objective of monetary management, in the first phase of a directional change in policy, is to try to prevent this from happening.

If a decline in economic activity persists, of course, the duty of the Federal Reserve System goes well beyond checking the possible perverse action of the private credit mechanism. The System can then see to it that a monetary climate favorable to credit expansion and capital expenditures is created. It can see to it that commercial banks are amply supplied with reserves, and have ample assurance of the continuing availability of reserves at low cost. It can see to it that the cost of borrowed capital turns in favor of the borrower. Its policy becomes an affirmative aggressive policy which helps to remove deterrents to expenditure by individuals, by business, and by State and local governments.

The financial needs of the national government must also be considered in such circumstances, and not in a narrow or political sense. Government deficits are likely to develop or increase in a period of economic decline, either through reduced tax collections or increased expenditures, or both. New money will have to be borrowed, and some of it will have to be and ought to be borrowed from the banks. Unless the banks are provided with ample reserve funds, however, the Treasury will be unable to do its necessitous financing without causing some lessening of the availability of credit to private borrowers. The banks have to be able to meet both private and public needs with some degree of assurance and comfort, or the stimulating effect of government spending of money borrowed from banks will be offset by the restraint which government borrowing has placed on private credit.

A Consistent Federal Reserve Policy

The course of Federal Reserve policy during the past year has been generally consistent with these objectives. The restrictive policy of 1952, and the early months of 1953, was reversed in May 1953, when it was decided that inflationary pressures were no longer dominant in our economy, and when evidence of constriction in the capital and mortgage markets made some reversal of policy a monetary necessity. As evidences of economic decline developed, we took the offensive and supplied substantial amounts of reserves to the banking system somewhat in advance of actual need. And right up to the present moment there has been assurance and reassurance, through open market operations and reductions in the discount rate, that reserve funds are and will be readily and cheaply available so long as the present economic situation persists.

As a consequence, whatever tight spots there may have been in the money and capital markets have been eased or eliminated, first by our action and later by forces within the market. Bank credit, corporate borrowing, mortgage borrowing, consumer credit, and borrowing by State and local authorities (if rightly priced) have all been freed of the restraints of the earlier period. Truly, as is necessary in a period of economic decline, monetary policy has gotten out of the way of production, distribution, and spending. It has helped to clear the way for economic recovery.

There are those, of course, many of whom usually sit facing backward—it is slightly easier to see where you have been than where you are going—who criticize our intervention, and particularly the steps we took to check credit expansion in the boom period which preceded the present decline. Their thesis seems to be that monetary action taken to check a boom will bring on a decline which cannot then be checked. That is tantamount to saying you do not want a central bank, although surprisingly these critics are often the same people who

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*An address by Mr. Sproul before the New Jersey Bankers Association, Atlantic City, N. J., May 6, 1954.

"Whither Electronics?"

By DR. C. B. JOLLIFFE*
Vice-President and Technical Director
Radio Corporation of America

RCA technical director, in pointing out the mutual interest which technicians and investors have in electronic development, stresses changes which will be wrought in our economy by various electronic devices. Lists a number of new and fantastic uses of electronic equipment and predicts potentialities of electronics are unlikely to be more than barely tapped in our lifetime. Reveals accomplishments of transistor and vital functions for industry performed by micro-wave radio systems, computing machines, and television. Asserts future safety and welfare of the United States and the free world itself are dependent on military electronics development. Reviews progress of color television.

Knowing as I do what it costs to bring new ideas from the laboratory to new products, I realize there is a substantial mutual interest in the technical side of electronic development and investments. Someone must pay the bill; ultimately he is the stockholder who has the faith to invest in our industry, directly or indirectly. Electronics is and will be affecting our economy and our investments, both as an expanding industry in itself and as a producer of devices and systems having many uses.

Dr. C. B. Jolliffe

Electronics is one of the wonder sciences of the Twentieth Century. It has almost unlimited power to duplicate and amplify man's senses and to match, as well as sometimes outdo many of his abilities. Electronic devices can hear, see, feel, measure and control; sort, count, compute, and calculate. They can memorize and correlate facts and information and, upon demand, recall them for useful purposes.

It has been said by one of our leading scientists that what man can conceive, understand, and do, he will be able to construct in electronic systems to do his bidding.

With this prospect before us, we have a common interest in taking stock of the changes that have already been wrought in our lives by various electronic devices, and the recent technical developments that appear likely to make significant changes in the years immediately ahead.

A Vision Not Too Far From Reality

One of the advantages of working with electronics is the fact that you can allow yourself to be carried away by visions of the future without straying too far from reality. A few months ago, I described to a New York audience of women a "dream house" of the future, in which electronic devices would prepare the meals, provide the daily newspaper, furnish entertainment, regulate home lighting and temperature, guard the house, and even handle the family accounts. Both my audience and I knew that the picture was sheer fancy—but it happened to be fanciful only from the economic standpoint. Technically, all of the devices I described were feasible, and a good many of them already are in use or involve principles that electronic scientists know to be practicable.

On the same basis of fantasy, you might enjoy a glimpse into the dream office of the future. The statistical, accounting and bookkeeping functions are all done with electronic business machines that maintain complicated stock records, prepare statements, handle debit and credit accounts and perform with fantastic speed any number of related operations requiring the storage, selection and distribution of complicated data. The accounting center is staffed with specialists who feed in the information and take out the results. These are transmitted instantly and automatically to the interested executives by means of rapid facsimile or even television.

The administrative headquarters of a business with a number of branches would be the center of a highly efficient communications system including access to complete microwave radio-telephone, facsimile, and television circuits linking the various units and key personnel throughout the company and in the field.

All executive desks would be equipped with small television cameras and receivers to form a closed-circuit inter-office visual communications system for individual and conference discussion. The chief executive could call a conference at any time simply by dialing a number. He does not need to wait for people to travel. Also, the conference, images and words, could be recorded on tape and a record retained for as long as necessary for reference and checking or for review by some executive who could not participate. The same system could be used for inspection of offices and plants wherever located.

The working areas for executives and clerical personnel would be far quieter and more comfortable even than today's offices, thanks to electronic sound-absorbers and air conditioners. You would see no lighting fixtures—the office walls, coated with synthetic phosphors, would glow with any desired brightness or color under "black light" or ultra-violet rays turned on automatically as daylight falls below a certain intensity.

The radical changes we have found in this dream office are matched by electronic advances touching nearly every aspect of our daily environment—at work, at home and even between, with driverless automobiles and pilotless planes, ships and trains, guided more safely and surely by known electronic principles than they are guided today by human drivers. Economically fantastic, of course, but all technically feasible.

Speculation of this sort is not a daily practice among our research and engineering people in the electronic field, I assure you—but a certain amount of it is hard to avoid when we try to look ahead. The fact is that we know today of no limits to technical developments in electronics.

Electronics Relatively New

The very existence of the electron was practically unknown half a century ago: our electronics industry has become a major factor in the national economy only in the past ten years. But already our ability to employ and control the electron is the basis for all modern methods of communication, for all of today's mass entertainment, for present-day air transportation, for a multitude of intricate control functions in commerce and industry, and for the tools of modern warfare.

Against this background, it may sound somewhat rash to say that we have merely scratched the surface and that the potentialities of electronics are unlikely to be more than barely tapped in our lifetime. Yet you will agree that this is the case when you consider the vast domain that lies before us for new applications of the devices that have already been developed, even before we turn to the products of research and development now underway in our laboratories.

The transistor is a startling example. Only six years ago, a research group at the Bell Telephone Laboratories discovered that electrons in certain solid materials—notably the metal germanium—could be controlled while still inside the solid. Up to that time, it had been necessary to "boil" electrons out of a heated electrode inside a vacuum tube in order to use them in our various electronic devices. Other laboratories, including our own at RCA, that had been working in the same field of solid-state physics, immediately turned to this new device—and today the transistor is entering the commercial field as a replacement for vacuum tubes in many functions and as the heart of totally new electronic equipment.

The transistor is launching a new era in electronics. It is tiny as you see in this picture slide. It takes a fraction of the power required by a vacuum tube—meaning that many transistorized devices can operate for long periods on very small batteries. It is remarkably rugged, having resistance to shock and to atmospheric change far greater than any vacuum tube. It has the ability to amplify, oscillate and detect—three basic electronic functions hitherto performed by vacuum tubes.

Already the transistor is at work in an estimated 90% of all hearing aids sold today and in certain types of telephone equipment. In our laboratories it has been tested in scores of experimental devices, some of which promise to be of major significance in the near future. For example, in recent years we have seen a trend toward smaller portable radio receivers as television has taken over the place once occupied in the home by the large console radio. Transistors are now reducing the portable radio to vest-pocket size. For example, we have here one developmental model which can operate for 500 hours or more on six small-size flashlight batteries and yet produce twice the audio output of a typical portable receiver using vacuum tubes. The space saved by the transistors and their small batteries permits use of a 4 x 6 inch speaker—considerably larger than usual speakers in portable sets.

These are only a few of the vast number of applications awaiting the transistor as today's intricate manufacturing process is simplified and mass production is achieved. In large installations that now require thousands of vacuum tubes, such as electronic computers, the transistor will mean great savings in space, power supply, heat output and tube replacement. In addition to its ruggedness, its compactness and low-power requirements make it useful for a number of applications in military electronic equipment.

Many of you are familiar with another remarkably useful electronic development in the communications field—the microwave radio relay. Such relays are used extensively by the AT&T for the distribution of television programs, but that is only one use. Similar systems can provide multiple-channel communications over long distances for teletype, facsimile, voice, telemetering, traffic control information and supervisory electronic control functions. RCA alone has installed more than 4,000 miles of microwave systems for various users in the United States.

Today, microwave radio systems are performing vital functions for industry, for network television and for the military—with greater reliability and at lower cost than has yet been accomplished by any other means. Microwave radio signals beamed from station to station eliminate the need for wire lines, carry a far greater variety of traffic than present wire facilities, and insure a high degree of secrecy. They permit remote control of unattended pumping stations, railroad signals and switches, and auxiliary power plants.

A typical installation is the 425-mile system completed by RCA for the Union Electric Company, St. Louis. A microwave system is a flexible tool that can be arranged according to individual requirements. This one fans out from the St. Louis headquarters in three directions—to Wood River and Joppo, Ill., and to Bagnell Dam, Mo. The chain includes 12 relay and six terminal stations, including a combination terminal and repeater installation in St. Louis. The system has channels for voice communication, automatic switching at remote points, push-button signalling, and a service and fault channel set aside for maintenance, including the observation of unattended repeater stations. This is a large system, as you may see from these pictures of the telemetering installation and one of the terminal units. Mobile stations such as repair and construction trucks can be tied in if required.

Microwave relay systems provide a versatile tool for industry and commerce, and as a replacement for long-distance telephone and telegraph wire systems. The American Telephone and Telegraph Company uses extensive microwave systems not only to distribute television programs but also for long-distance telephone circuits. The first coast-to-coast color television broadcast last fall was carried over 4,000 miles of the AT&T microwave system having more than 100 intermediate relay stations.

Electronic computers and business machines are already in operation—and here again is a potentially broad field of electronics. Of

Continued on page 41

*An address by Dr. Jolliffe before the 1954 Institute of Investment Bankers, University of Pennsylvania, Philadelphia, Pa., April 15, 1954.

We Have a Selling Job to Do!

By FRANK C. PESVEYC*

Sales Promotion Manager.
Public Service Electric and Gas Company, Newark, N. J.

Asserting prime function of private enterprise is not to meet demand, but to create it, Mr. Pesveyc lays down basic principles that underlie every good sales job. Advocates salesmen avoid being faint-hearted; talk to right people; watch your language; and use "showmanship" in making sales. Indicates value of sales promotions by banks.

Get out there and sell! That's the best suggestion that can be made to a banker—or to any other businessman these days. In a no-shooting-war era such as the one we're in now, the see-saw changes its position. Production takes the secondary spot and selling automatically rides high.

Frank C. Pesveyc

Mutual savings bankers particularly must be guided by three basic principles that underlie every good sales job:

(1) Don't be on the defensive.
(2) Don't take pot shots at competitors.
(3) Do sell positively, using the latest thinking in selling without sacrificing basic tenets of banks.

Because of their outstanding record and reputation, savings banks actually have a headstart on other businesses when they begin a real sales program. For instance, since 1888 no mutual savings bank depositor in New Jersey has failed to get back his funds with interest in full. Other States have equally impressive records. And a good reputation helps to sell.

Deposits in the nation's 528 mutual savings banks increased by $541,000,000 in the first quarter of 1954 which brought the total to a new high record close to $25 billion. This reflects the continuation of the vast increase in savings that has taken place since Pearl Harbor.

Since 1940 the discretionary spending power in the hands of the public has increased five times. The owners of these vast savings have greater confidence in spending current earnings. The banker's selling job is to make them want to save current earnings in HIS bank or, more importantly, to BUY some of the banking services he has to offer.

To do that, selling—hard, realistic, constant selling—is needed. Competition is tough and is getting tougher. Everyone who has something to sell whether it be autos, automatic clothes dryers, color TV, dresses, or vacations, will be in there fighting every inch of the way for every dollar that John and Jane Prospect have.

The basic function of private enterprise is not to meet demand. It is to create demand—to build up desires. That's our most important selling job.

Desires are the important things. Our economy is built on the sale, use, and enjoyment of things that are definitely not necessities. Does anyone really NEED a TV set? Of course not! But we've built a multi-billion industry on TV.

Desires, remember, are created only by salesmen.

It seems to me that mutual savings bankers can't afford to forget that very important fact if they want to sell more of their services and sell the American way of life. Practically no one is breaking down the doors of any bank to buy its services, be they savings accounts, Christmas or vacation clubs, safe deposit rentals, or trust department services. These things must be sold harder than ever from here on in.

And isn't there an extra big sales job facing mutual savings banking itself? The 31 States that do not now have mutual savings banks might change their minds if they were *sold* the idea.

Selling banking services and banking itself is no different from selling merchandise. All of the steps in the selling function have to be followed. All of the techniques employed in merchandise promotions can and should be used.

Above all, bankers, beware of kerosene lamp thinking. I'm told by a banking friend or two that some savings bankers seem particularly to be afflicted with this kind of thinking. What is it? Take a look at any kerosene lamp that was in use 50 years ago. Look at the chimney, the bowl, the wick holder. Here's a lamp that's every bit as good as it was 50 years ago. And *it gives just as much light today as it did in 1904!* Yet no banker would use kerosene lamps in his bank or in his home. Nothing but modern incandescent or fluorescent lighting will satisfy him. But what about his thinking about promotion? Is he still using the old ideas that he won't discard because, "We've done all right this way; no need to use any of these new fangled promotions"?

Salesmanship Rules

My research reveals that down through the ages, men who have done an outstanding job of selling anything—ideas, goods, services—have all been guided by six precepts. I pass them along in the belief that they can help you do a better sales job for your bank.

(1) *Be Not of Faint Heart*—Even though the job might be tough and get tougher, we've got to keep trying to sell. The champion striker-outer in all of baseball history was also the world's champion home-run hitter. Babe Ruth had to keep swinging at the ball in order to hit it. We have to keep swinging at the sales ball. This is no time to sit back and say, "We're in a recession; we won't spend time or money on promotion."

(2) *Talk to the Right People*—The right people include those at the bottom of the economic ladder, the middle class, and our youth. Our youth are especially important because in a few years they'll be marrying, starting homes, making loans, and voting. Are we selling them on our bank?

(3) *Watch Your Language* — In talking to the right people let's make sure that we use the language of the customer and not the language of banking. Words that have a clear and unmistakable meaning to our customers are the only ones we can afford to use. Did you ever use the words mortgagor and mortgagee when talking with customers? You'll be surprised at how few customers know which refers to the borrower and which to the lender. Watch your language!

(4) *Be Enthusiastic*—As Emerson told us, "Nothing great was ever accomplished without enthusiasm." Nothing much has ever been sold without enthusiasm on the part of the salesman. Top management and employees talking and acting enthusiastically about the bank's services can't help selling more of those services.

(5) *Use Showmanship* — These days showmanship makes the sale a little easier. And what is showmanship? It's anything that makes people stop, look, and listen or get into the act. Having a currency exhibit in your bank is a simple, effective bit of showmanship. A little study will reveal to you effective forms of showmanship that you can use in your bank.

(6) *Ask 'Em to Buy*—Suppose that every employee in your bank was trained in the right ways to ask people to buy. Suppose, further, that for just one week your employees asked every customer who visited the bank to buy one additional bank service from you. Would you sell more? Of course you would! Not every customer would buy. But many hundreds percent more would than if you hadn't asked anyone to buy.

No set of six precepts can be a magic formula or an easy way to increased bank business. But by applying these time-proved precepts and working hard at them, any bank can increase its business. It's been my observation that those banks that have tried to sell and have used promotion have grown much faster than those that have done no promotion.

What to Expect

Our statisticians tell us that today in these United States approximately:

10,800 babies will be born.
4,100 people will die.
85 people will emigrate.
720 people will immigrate.

Thus we see an endless parade stretching before us, with 7,300 more people daily joining it than drop out of it.

What a selling job we have ahead selling our complete services to these folks! I can't say any more than that because every time anyone has tried to predict the future of our grand country, events have proved him to be outstandingly pessimistic.

I've never been known as a pessimist.

*Summary of a talk by Mr. Pesveyc at the Annual Convention of the National Association of Mutual Savings Banks, Chicago, Ill., May 11, 1954.

Harold Allen Elected Director of Alabama Gas

Harold Allen

Harold Allen, partner in the investment banking firm of Allen & Company, New York City, has been elected a director of The Alabama Gas Corporation, Birmingham, Ala.

Joins Kidder Staff

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla. — Melbourne F. Cody is now with A. M. Kidder & Co., 506 Florida Avenue.

Now With Louis McClure

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Louis M. Saxton has been added to the staff of Louis C. McClure & Co., 617 Madison Street.

Schwanz Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

AURORA, Ill.—Jack A. Rogan has joined the staff of Schwanz & Company, Inc., Merchants National Bank Building.

We Are on the Upward Swing Again!

By LOTHAIR TEETOR*

Assistant Secretary of Commerce

Stating "we feel in the Commerce Department that we are about ready for another advance," Secretary Teetor holds there is a solid basis for confidence and that we can anticipate a bigger and much better development in the national economy. Says "We're taking advantage of some built-in stabilizers in government, which have not been there long."

It seems to me that we have a new philosophy in this government today. It is a philosophy of relying on the resourcefulness of businessmen to maintain the prosperity of America. It is not a dependency on government, but a dependency on you and on hundreds of thousands more like you today. We in the Department of Commerce don't believe that one master plan is going to solve any of our problems. We believe it is going to take millions of individual plans—each fellow working out his own salvation in his own way—it is this which brings about prosperity.

Lothair Teetor

We realize that you have your problems most of which you'll have to lick yourself. We can help in the department of Domestic Affairs—we're trying to help in as many ways as we can. To give you an example, we have had about 22 industry conferences so far. We bring in from 25 to 35 leading people of a particular industry to one of these conferences. We ask those industry representatives what their problems are so that we may be able to help them. They tell us; then we start to work on the things we can do. We found that there are many things government can do.

The principal role of governments today, as we see it in the Department of Commerce, is to try to take the stumps out of the way, to try to remove the deterrents of business so that you can go ahead under your own steam.

There has been some progress made—not as much as you would like to see and not as much as I would like to see.

But at least steps have been taken in the right direction. Probably the principal deterrent to business has been taxes. Taxes have been lowered, not as much as you would like, but taxes have come down and they will come down more as expenditures come down.

You realize that great strides have been made in the last 15 months in bringing down the expenses of government. New records have been made. A new record has been made in the tax cut. Such steps are in the right direction—a stimulant to business. And I think as time goes along, you'll see more steps in that right direction.

We're taking advantage of some built-in stabilizers in our government which haven't been there too long. The stabilizers are funds paid out by government from trust funds into the economy. One is, of course, unemployment compensation; another is retirement benefits, veterans' payments, public assistance—all of those have been of help in stabilizing the economy in recent months. Money and credit have been eased, and the economy has thereby been stabilized by that.

But these assistance payments are larger than most of us realize. They're up 10% this year over 1953. They're now running at the rate of $15 billion a year, which is a sizable sum.

So we do have many things this Administration is doing. One of the principal things they're doing is to try to keep out of your way. I think you businessmen appreciate that sort of thing. Jobs that create prosperity are useful private jobs. We want employers, many employers, new employers. We want our nation's vital forces to grow. They can only grow as we take away the deterrents that would keep them from growing.

Now we have no crystal ball in the Department of Commerce, but we have lots of figures. We have buildings full of statistics. We have people full of statistics. You might be interested in a few that I have drawn out of the Office of Business Economics which comes under Domestic Affairs. I think you would be very much interested in the figures on retail selling, inventories, and disposable income, and others.

Here are some figures that you may not have heard—the liquid assets held by all of our people here in the U. S. are trmendous. At the end of 1952 they amounted to $359 billion. That's cash, Federal securities, cash values of life insurance policies, etc. By the end of 1953, that had increased to $379 billion, up about $20 billion. New debt of individuals in 1952 was $70 billion; in 1953 it increased to about $80 billion; so the net liquid assets of our people aggregated $289 billion in 1952, and $300 billion in 1953, at the end of those years.

So we started in 1954 with liquid assets in the hands of people up about $11 billion. Now add to that the corporate and other securities held by these people—that's another $200 billion. So we have a total of $500 billion of such assets at the beginning of 1954.

How about the state of saving in this nation of ours? In 1952 and again in 1953 the rate of saving out of disposable personal income was 7%. Preliminary estimates for the first quarter of 1954 put the rate of saving at slightly more; about 7.5% for a total annual rate of over 19 billions of dollars. The rate of saving is increasing, and short-term debts of individuals are being paid off faster than they are being incurred. Now that is a bit unusual, but that is occurring today.

We have been going through a readjustment, that's sure, due principally to a decline in defense procurement, and that's a sizable figure. It was at the peak in the second quarter of 1953, at a rate of $53½ billion a year. It has now dropped in the first quarter of 1954 to a rate of $47 billion. Liquidation of inventories, too has had a substantial effect on purchases.

We feel in the Department of Commerce that we're just about ready for another advance. Those who think that a rainy day is coming may very well find themselves out in the sunshine with their overshoes on. We think there's a solid basis for confidence today. Businessmen are backing it with real money in expenditures for plants and equipment. Yes, we think that better and much bigger days are ahead.

*Extemporaneous comments of Mr. Teetor before the Annual Conference of the U. S. Chamber of Commerce panel in Washington, D. C., April 27, 1954.

Industrial Application Of Atomic Energy

By HENRY D. SMYTH*

Member, U. S. Atomic Energy Commission

Prefacing his remarks by stating that the economic future of nuclear power is limited to the solution of various technical problems, Mr. Smyth, however, says there is no doubt about our technical ability to make electric power from fission of uranium. Calls attention to present large investment required to build reactors and stresses importance of aiding our allies to build nuclear power plants as part of our foreign policy. Furnishes estimates of our capacity to produce nuclear power plants within the next 25 years. Concludes, despite nuclear power progress, it will be only a minor factor, and demand for other fuels will increase rather than decrease, while atomic power for peaceful purposes will not be a world-wide panacea.

A few weeks ago, when I spoke to the American Institute of Chemical Engineers in Washington, I analyzed the technical problems of developing cheap nuclear power and announced the plans of the Atomic Energy Commission for an attack on these problems over the next five years. At about the same time, the Joint Congressional Committee on Atomic Enery issued a report on the same subject. In speaking to the engineers, I naturally emphasized the technical aspects of nuclear power development. Today I shall emphasize the economic aspects of nuclear power.

Henry D. Smyth

There are two reasons why I am perhaps less happy in this situation today than when I was before the Chemical Engineers in March. The first reason is that I am not an economist although I have learned more about economics in five years on the Atomic Energy Commission than I ever expected to know. The second and more important reason is that everything I say about the economic future of nuclear power has to rest on the assumption that various technical problems can be solved. So today, in discussing the economic future of nuclear power, I find myself talking somewhat outside my field and on the basis of assumptions that may or may not be right. In short, my remarks will be speculative, which I hope will not be held against me if I prove to be entirely wrong. Of course, if I turn out to be right, I shall in the future quote myself unblushingly.

Electric Power From Fission Of Uranium

There is no doubt about our technical ability to make electric power from the fission of uranium. We are already doing so in three nuclear reactors, each differing radically from the other in design. The question is: "Can power from uranium be made cheaply enough to be competitive with that from other more conventional fuels?"

If we are to achieve this goal, we must continue to find uranium ore that can be mined for about the same price that we now pay. In terms of recent rates of discovery, this seems a reasonable assumption for many years to come, but it is an assumption.

At present, we use only the rare Uranium-235 isotope which occurs in natural uranium only to seven-tenths of one percent. Eventually, the successful discovery of new ore must be backed up by some way of using the fission energy in thorium and in Uranium-238, the common isotope of natural uranium. We already know how to do this through the so-called breeding process. We do not yet know how cheaply it can be done. It is reasonable to assume that such a process can be carried out at moderate cost, but again this is an assumption.

The fuel elements we now use in reactors are short lived and have to be replaced after using only a small part of the potential energy they contain—it is as if the grates in an old fashioned furnace had to be replaced when only a small part of a charge of coal had been burned. The manufacture and reprocessing of these fuel elements is very expensive at present. To bring these costs down, chemical and metallurgical processes must be simplified. Improvements to reduce costs on such processes are constantly being made by the chemical industry in this country. It should be possible to achieve them in nuclear reactors.

The investment required to build reactors is very high at present. Amortization of this investment is an important factor in the present high cost of nuclear power. The present downward trend should continue.

Finally, we must learn to build nuclear reactors that are so safe they can be put on relatively small plots of land conveniently near large centers of population. The source of power should be reasonably near the user. Personally, I have no doubts on this score. I think our reactors are already safe. Chemical processing plants may be somewhat more of a problem since they have to handle radioactive fission products. If necessary, however, these chemical processing plants could be located in more remote areas without greatly raising costs.

These are the major fields which the Commission's reactor program will explore. Several approaches are to be followed. Several may be successful, and on the other hand none may be successful. Our definition of success, our objective, is to bring the cost of generating power from nuclear fuel down to eight mills or less per kilowatt hour.

Even at eight mills per kilowatt hour at the generating station, the market for nuclear power would be confined to regions with high power costs. However, these relatively high cost regions might provide locations for the first competitive nuclear power plants. To become widely competitive with efficient coal-burning plants in the United States, nuclear power costs would have to get down to the range of four to seven mills per kilowatt hour.

My general over-all assumption, then, will be that technical progress within the next 20 years will bring nuclear power costs down to somewhere around four to eight mills per kilowatt hour.

Now let me review why this seems a desirable objective and what effects may result if it is attained.

New Energy Requirements

The 1952 report of the President's Materials Policy Commission[1] estimated that energy requirements in the United States for all purposes would double in the next 25 years while the consumption of electric energy would triple in that period. Conventional fuels, which are the present sources of energy, are considered adequate to meet these expanding needs up to 1975 with little or no increase in real costs.

Beyond 1975, the picture is more uncertain. Coal in the United States is abundant, but its real cost will probably go up. Proved reserves of oil and gas are respectively 12 and 27 times present annual consumption. Discovery of new fields cannot be guaranteed and already the cost of finding new reserves is rising. With the demand for fuels expected to rise so sharply between now and 1975, there would be good reason to explore other possible sources of energy even if they did not look capable of competing with fossil fuels in the next 20 years.

The energy potentially available in the world's reserves of mineable uranium has been estimated as between 20 and 25 times the energy from world reserves of oil, gas and coal added together.

But let me confine myself to the next 20 years and the assumption that power costs from conventional plants will not go up appreciably. Nuclear power plants will have to compete, not with the average present cost of power, but with the cost of power produced from conventional fuels in new, efficient plants as they are built to add to our total capacity. The cost of power from such modern plants is estimated to cover a wide range, but 90% of the 1,400 billion kilowatt hours expected to be generated in 1975 should cost somewhere between three and eight mills per kilowatt hour.

This range of costs for power from efficient coal or gas burning plants is exactly in the range that the Atomic Energy Commission has set as its objective. Of course, this is more than a coincidence. It is neverthless true that serious, competent and unbiased studies, not only by Commission engineers, but by several private power groups, show cost ranges of five to 10 mills per kilowatt hour as reasonable goals for nuclear power. Such engineering studies presumably ignore the price range of the competition. I have occasionally been so blunt as to suggest that if the price of power from coal burning plants was one mill per kilowatt hour, our enthusiastic advocates of nuclear power would produce a fully documented analysis showing that nuclear power prices could reasonably be expected to get down to the 1 to 1.5 mill range. But to have progress we must of course have hope.

It really does not matter very much whether the estimates made on the probable future cost of nuclear power are somewhat influenced by the cost of conventional plants. These estimates show that, from the purely economic point of view, it is sensible to push the development of nuclear power in this country.

Quite apart from general economic considerations, there are special reasons which may make it desirable to build nuclear power units in this country before they can compete generally with conventional plants. A nuclear power plant, once built, can run many months on its initial fuel charge. This could be very important in time of war. There is also the dual purpose feature inherent in many reactor designs which make it possible for such reactors to produce atomic explosives as well as power.

There are some isolated areas in this country where fuel is so expensive that nuclear power may be worth while as soon as practical operating units can be built. Small "package" power units suitable for such locations might be adapted from similar units now under development for military use at isolated sites. Therefore, we have many domestic reasons for pushing the development of nuclear reactors for power.

Nuclear Power and Foreign Policy

At least as important in my mind is the role that nuclear power may play in supporting American foreign policy. There are many parts of the world where power is much more expensive than it is here. It may be that we can help our friends abroad to build nuclear power plants that will be valuable to them long before we have been able to reduce costs in this country to a level competitive with power produced from our cheap fossil fuels.

Let us assume that our domestic technical program will be pushed and will be successful. What will be the impact on our economy between now and 1975?

I will examine two specific cases. Both assume that a development program including construction of several large nuclear power plants by the mid-1960's will lead to the building of a growing number of nuclear plants generating power at competitive costs. The two illustrative cases differ in their additional assumptions.

Case I assumes nuclear power costs at seven mills per kilowatt hour in 1963 falling to four mills by 1975. It further assumes that as power plants are built in different parts of the country, giving power at different costs, one-half will be nuclear if the costs are the same.

For example, if a capacity of 1,000,000 kilowatts is to be built in 1970, then perhaps 65% or 650,000 kilowatts, of this capacity will furnish power at costs of five mills or more. The assumption is that one-half of this capacity, or 325,000 kilowatts, would be nuclear since the cost assumption indicates five mills as the cost of nuclear power by 1970.

Case II assumes seven mills per kilowatt hour in 1965 falling to five mills in 1975. It further assumes that nuclear power plants will be built only if they have an advantage of one mill per kilowatt hour over conventional plants.

Compared to Case I, in 1970, the cost would have fallen only to six mills and plants would be built to compete with seven mill conventional power. Again, assuming 1,000,000 kilowatts in 1970, only about 14%, or 140,000 kilowatts would produce energy at costs of seven mills or more. It is assumed that one-half of this capacity, or 70,000 kilowatts, would be in nuclear power plants.

Under these assumptions, the first competitive plants under Case I would be producing power in 1963, and in Case II in 1966.

In Case I, by 1975 the nuclear power component of the electric

Continued on page 24

*An address by Mr. Smyth at the Third Annual Conference of Business Economists at the University of Chicago, Chicago, Ill., April 23, 1954.

1 Report entitled "Resources for Freedom, 1952."

Recent Monetary Policy and the Government Bond Market

By F. M. KNIGHT*

Vice-President, Continental Illinois National Bank & Trust Co., Chicago, Illinois

In reviewing recent "flexible" policies of the Federal Reserve, Mr. Knight points out that first credit restraint was applied to stop inflation, and when this tended toward deflation, the policy was reversed, so an easy money plan was followed. Says this policy is best in period of business readjustment. Calls Federal Reserve Board an "All American Team," and points out Federal Reserve's recent easy money policy, despite its temporary adverse effect on savings institutions and commercial banks, will aid in stabilizing the economy.

I feel somewhat as a foreign diplomat must feel when he is asked to talk before an audience whose language he does not speak nor perhaps does the audience understand his language — he is honored for the privilege, but stumped on what to do. I know that the Mutual Savings Banks are rapidly growing and now have about twenty-five billion of deposits, but I am not familiar with your investment policy, except that I know that you don't make ordinary business loans; are not, with few exceptions, members of the Federal Reserve System; you are supposed to be buyers of long, high grade bonds and of mortgages, and owned not long ago over ten billion United States governments, but now, just slightly over nine billion; and you can't operate in the State of Illinois, and yet here we are—so I shall not try to talk your language, but will talk my own, learned in the field of commercial banking. The two systems are fundamentally closely interlocked; what actions you take affect us, and what we do, affects you, and what the Federal Reserve and the Treasury do, affects both of us, as well as all of our customers, which is another way of saying the welfare and business of everyone in the country.

Francis M. Knight

I am sure you will agree with me when I say that you, as a banker and a good citizen, should have a full understanding and an appreciation of the operation of the flexible monetary policy of the Federal Reserve in cooperation with the Treasury on which public attention has been so sharply focused for the last year and a half. In my talk this morning, I want to review how this has already affected the United States government bond market as well as the economy of the country.

A few days ago an out-of-town banker stopped in to see me and said "Won't you tell me in a few words what made this government market go down so terribly a year ago that it scared the daylights out of us, and then last fall go up so fast and high that we are now scared that we won't have adequate earnings at present yields?" And then, he added, "What's going to happen from now on?" I presume that the banker is echoing what you would all like to have me tell you in about two minutes, but it can't be done. I trust that a discussion of what has happened since November '52 in the flexible monetary policy will, however, make it possible for you to answer the questions my banker friend asked of me.

*An address by Mr. Knight before the Annual Meeting of the National Association of Mutual Savings Banks, Chicago, Ill., May 10, 1954.

Observations on General Principles

Perhaps a few observations on general principles would be helpful before going further. The economic welfare of the nation as it relates to national credit policy is a primary responsibility of the Federal Reserve Board, and the Federal Open Market Committee that reports directly to the Congress, and of the twelve Federal Reserve Banks. Also under The Employment Act of 1946, the Federal Reserve, in the sense that it is a Government agency, is directed as far as it can to help keep up full employment of the workers of the nation. The President campaigned on a platform to protect the integrity of the dollar and fight inflation. Secretary Humphrey has made his position very clear that a sound, honest dollar is the cornerstone of the Government's financing policy. The most commonly recognized weapon in the monetary field for fighting inflation is credit restraint. Any new financing within the banking system increases the money supply, and feeds the forces of inflation. Conversely, to finance through non-bank investors—that is to say, with mutual savings banks, insurance companies and individuals—does not increase the money supply—it actually at times may be deflationary.

Obviously, credit restraint reduces the availability of money and thus raises interest rates and, if strongly used, can actually prevent banks from increasing their loans. Conversely, the Federal Reserve can ease the money market by supplying reserves to the member banks by buying governments through the Open Market Committee, by reducing reserve requirements, or they can make credit less costly by reducing the discount rate—the wholesale cost of money. As interest rates decline and banks have more and more loanable funds, there is a greater urge for banks to make commercial loans, an urge which in turn spreads throughout the entire monetary system, and business is stimulated.

So, as I tell the story of what happened in the last year and a half, you can see how credit restraint was applied at first—it helped to stop inflation—then the inflation started to become deflation, the policy was reversed and we are now seeing active ease in the banking system, the best climate for a period of business readjustment and an aid in stopping the deflation. Under the law, the Federal Reserve is responsible for the monetary policy and the Treasury for the debt management policy; each makes its own decisions, and yet they must keep each other informed and consider each other's position. The Federal Reserve, reporting to the Congress, handles the monetary policy without regard to and independently of the Administration in power.

A Picture of the Pegged Market

Let me give you briefly a picture of the situation that existed in 1951 with a pegged market and then you will understand perhaps the important change that led into the accord between the Treasury and the Federal Reserve and the adoption of a flexible monetary policy.

Wasn't it wonderful back in 1951 for you and everyone else to have the long 2½s pegged at par? You had demand money from the Government at 2½%, and the stability of the government market made for a similar stability in the corporate market, so with reasonable care you had demand money in that market as well.

But there was another side to the story. When, for instance, insurance companies or other investors found attractive new loan opportunities and dumped governments in the market in order to get the money to make the loans, the Federal Reserve found itself compelled to buy these governments in order to prevent prices from declining below the pegs. In the process, commercial bank reserves were increased by the amount of the Federal Reserve purchases. This made possible an expansion in commercial loans and investments of five to six times the amount of reserves released and thus an equivalent increase in the amount of money in the country.

So long as the Federal Reserve had to stand there and take the bonds, no matter when offered or in what amounts, there were no brakes on credit. The Reserve was then described as "an engine of inflation" under such a policy. They were adding to the force of inflation, they had lost the initiative of buying bonds or not buying bonds as general credit conditions and business conditions would require.

I don't have to remind you that commodity prices kept on going up. In the four years ending December, 1950, the broad index of wholesale commodity prices moved up by more than 22%. Consumer prices, as measured by the Bureau of Labor Statistics, moved up by over 16%. Inflation was well on its way, and so long as we had a pegged market, the Federal Reserve could only watch from the sidelines while the economy continued along its inflationary path.

In the latter part of 1949, when inflation was threatening, the Douglas Committee held hearings and issued a report in 1950, recommending a flexible policy for the Federal Reserve and an end to pegged prices for government bonds. This would have put the power to control back with the Federal Reserve.

However, nothing conclusive happened until March of the year following the Douglas report—March of 1951. At that time the Treasury and the Federal Reserve reached an accord to put an end to pegging and to give the market a certain amount of freedom to find its own levels on prices and interest rates. Shortly after the accord was reached, Chairman McCabe of the Federal Reserve Board resigned and was succeeded by Mr. Martin who had been Secretary Snyder's Assistant in the Treasury. Mr. Overby, who had been with the International Monetary Fund, later on succeeded Mr. Martin in the Treasury.

The Treasury-Federal Reserve accord was reached in March '51, and the market reacted as was expected with a drop in long bond prices; at the same time a special conversion offering was made to take the overhanging supply of long 2½s off the market. As you may remember, holders of the long 2½s were given the chance in March, 1951, to exchange their 2½s for approximately 30-year non-marketable 2¾s. However, these had a "mouse-trap" of further inflation in them, too, due to the fact they were convertible at the option of the holder into shorter term marketable Treasury notes. If a large insurance company, for instance, decided that it could do much better than 2¾% with its money, it could simply convert its 2¾s into 5-year 1½% marketable notes, sell them in the market and take the loss. There would still be a loss, but it would be less than on longer 2½s and even after the loss it would still provide the funds for new and more profitable loans, and add more fuel to the inflation fire, because the buyers of the notes would be the commercial banks. I tell you this, because I note that the Mutual Savings Banks still own $1,264 million of them.

At the time—March, 1951—the convertible investment bond served its purpose, and was, in fact, reopened a year later on a minor scale. But no more bonds like that have been offered since May, 1952.

During 1952, the now famous Patman report came out, greatly strengthening the resolution of the Federal Reserve System to take a firm position in control. In the hearings conducted by Mr. Patman, quite an array of talent lined up behind a flexible credit policy and against price pegging. The report itself was generally in agreement with the Douglas Committee's recommendation for a return to free markets in which bond prices and interest rates could once more respond to changes in the natural forces of supply and demand and for a high degree of Federal Reserve autonomy in the direction of credit policy.

Then followed the Presidential election, and a new team in the Treasury prepared to come on the field on January 20, 1953. May I take a moment to say that in my opinion you have an "All-American" team in the Treasury in both senses of the expression. I know most of the members personally and believe that they are intelligently organized by the Secretary to perform efficiently the specific work for which they were selected. They are patriotic, honest, interested in the welfare of the country as a whole, unselfish and loyal. The difficulties they are encountering in administering their divisions are legion—to work effectively in our American democracy where the political "know how" and keen sense of public relations are so important, may at some times cause us to question the wisdom of their actions which, of course, is our privilege — but they are trying to do the best job possible under circumstances which at times are discouraging.

Federal Reserve—an All American Team

And, although I am not as well acquainted with the Federal Reserve in Washington, I can say for them that they are also an "All-American Team" with a grand Chairman. It is apparent to all of you that the two teams must work together, otherwise the Treasury's new offerings might happen to be made in the non-bank area when the Federal Reserve expected an offering in the bank area; when the Open Market Committee wanted to sell, the Treasury's trust accounts might neutralize it by buying; or when the Treasury was financing in the market, the Federal could be using credit restraint in a number of ways which could wreck the financing. They are as separate entities as husband and wife, yet must live together happily and depend on one another. Now let's see how these two teams worked when they got into action.

President Eisenhower had made a pre-election pledge to protect the integrity of the dollar. That meant keeping the value of the dollar stable, instead of letting it get chipped away all the time by rising prices. The new Administration was ready to cooperate with the Fed's policy of a flexible monetary policy. In a period of excessive demand for loans, such as we were in during late 1952 and early 1953, a flexible policy called for putting on the brakes. There were several levers the Reserve could pull—raising reserve requirements, raising the rediscount rate, selling government bonds from its portfolio or even by not buying government bonds to supply reserves to meet the strong demand for credit of various types. By taking reserves out of the banking system, which results in an increase in the cost of reserves, these actions cut the banks' loaning power in the ratio of 5 or 6 to 1, thus diminishing the money supply.

How Federal Reserve Policies Affect Savings Banks

You may say that none of these actions affect you, the mutual savings banks. True but yet how untrue! For if credit restraint is being applied to member banks, and they are short of required reserves, their first impulse is to sell whatever governments they can with a minimum loss; first, they start letting their shorts go; then as their shorts have been sold, they will attempt to move longer notes or bonds, even with a loss, in order to get money to lend to their good customers. They say to themselves "The government is paying at least 52% of the loss, or a lot more with the excess profits tax still in effect," so they don't mind the loss and go ahead; thus a wave of selling is generated, knocking down first the price on bills, then notes, then bonds.

However, when bank reserves are in generally short supply, the sale of securities from one bank's portfolio is quite likely to lead simply to additional sales from the portfolio of some other bank. You see, when you mutual savings banks or other non-bank investors see bargains develop as prices fall, and start picking them up, you pay for the bonds you buy by charging your account with a commercial bank—and down go their deposits so that they must sell securities, and so a grand, soft market develops.

Let us see now what actually happened after election and in early spring of 1953. The Federal's policy was one of mild credit restraint. Banks were borrowing heavily from the Federal Reserve and the immediate concern of the Federal Reserve and the Treasury was protection of the purchasing power of the value of the dollar. In January, 1953, the Federal Reserve raised the discount rate by ¼%—from 1¾% to 2%. The purpose of this action was to bring the discount rate in line with other rates and make the heavy member bank borrowing more costly and during this periods in some Federal Reserve districts where banks had been consistent borrowers, the Federal Reserve Bank officials suggested to certain of those banks that they cut their borrowings down.

Because of tight reserve positions and heavy private credit demands, commercial banks reduced their holdings of governments by several billions early in 1953. As part of the same situation—tightening credit — interest rates of all kinds rose. The Treasury, which wanted to push forward its debt funding program—that is, to extend maturities whenever it could—offered a 30-year bond in April, 1953. It had to pay 3¼% interest to meet the market and to place this issue with non-bank investors, and make its offering in the non-bank area to fight inflation by soaking up long-term funds that were going into business and excessive mortgage expansion.

So credit restraint was really beginning to take hold—Federal had started to contract reserve bank credit shortly after the turn of the year—forcing commercial banks to sell over 3½ billion governments in the first six months of that year. Business in certain lines showed signs of faltering. There was a real question of whether or not the "Fed's" credit restraint had not operated with power brakes, and instead of fighting inflation, there were slight signs of deflation. Many banks were fully loaned up—the prime loan rate of commercial banks had been moved up to 3¼% in April 1953. The 91-day bill rate award by June 1, had gone to 2.58%; the 2½s of '72 that a few years back had been pegged at par were selling almost down to 90. A bank could buy a three- to five-year issue and get a yield of 2.92%. On the quote sheets, practically every government bond could be bought at a discount below par! There doesn't seem much doubt that the power of the "Fed," working with the Treasury, to exercise credit restraint really bites; it slowed down business, helped stop inflation, and necessarily raised interest rates, and lowered prices of government bonds.

Monetary Policy and Economic Stability

Let me interrupt the story by quoting here from a Statement on National Policy issued March 15, 1953, by the Research and Policy Committee of the CED. "Monetary policy, fiscal policy and debt management should all contribute to the goal of economic stability. In view of its relative flexibility, great reliance must be placed on monetary policy as a principal instrument for preventing inflation and deflation. In inflationary conditions the monetary authorities should pursue a tight credit policy. But they should be prepared to reserve this policy promptly should a downward trend in economic activity begin to develop. The present organization of the Federal Reserve System and the establishment of mutual understanding between the System and the United States Treasury give reason to think that effective monetary policy can be pursued in the difficult years ahead."

And so by the month of May, 1953, the "Fed" must have thought that the threat of inflation was over, and it was time to reverse its policy lest deflation go too far. They began in the second week of May to purchase securities in order to provide reserves for estimated private credit needs and Treasury financing requirements. In addition, they lowered reserve requirements by about one billion one hundred million on July 9, playing an important part in revising its policy quickly and supplying to the banks the reserves which they needed to underwrite the Treasury's cash offering of $5.9 billion tax 2½% certificates of July 6, and for the expected increase in loans later in the year.

And here, it is important to point out how the Treasury cooperated with the Federal Reserve to prevent deflation. If the Treasury financed in the nonbank field with a long bond, as it did in April, 1953, it would have been competing with other borrowers for available purchasers, such as home and farm mortgage borrowers and with business itself. To borrow from that source might be deflationary, whereas to borrow from commercial banks increases the money supply and is a business stimulant. It is interesting to observe that the Treasury's two cash offerings in the last half of 1953, following the "Fed's" reversal in policy, were both in the banking area. When the market realized that no long term bonds were forthcoming—and notice, there have been none so far this year—it began to dawn on the investors that there was no reasonable doubt that there had been a change in the flexible monetary policy and debt management to one of active ease. The market started to go up sharply last September, and has been continuing to rise steadily—you all know only too well what has happened to the market and to interest rates—the 2½s and every other issue is now above par or close to par.

It was interesting to observe the Treasury's offering less than two weeks ago of a billion 52-day tax bills on which tax and loan credit was allowed, thus giving an added incentive to commercial banks to bid for and buy the new issue. To the extent that banks took the bills and continue to hold them, the money supply will be increased, but as the maturity approaches and corporations buy them from the banks, to use them for tax payments, the money supply drops back to the former level.

Can Monetary Policy Stop Deflation?

There can be no doubt about the Federal Reserve's hope that by easing the money market, it would help stop deflation. But can monetary policy alone stop deflation? You can lead a horse to water, but you can't make it drink. However, a horse standing in a pond is more apt to drink than a horse standing in a desert. Or putting it another way—easy money is a climate favorable to business recovery and judging by the action of the stock market, it would appear that the favorable climate is having its effect on business. With 91-day Treasury bills selling on less than a 1% basis it was only logical for the discount rate to be lowered from 1¾% to 1½% less than a month ago. Back in the middle of 1948 to the middle of 1950, the discount rate had been 1½% and during that same period, the bill rate had been consistently higher than the present rate, so the reduction merely adjusted the discount rate to the already changed bill rate.

When the Federal Reserve Act was passed in 1913, it was not contemplated that use of reserve requirements would become one of the most important factors for managing money. All member banks were required to keep a minimum of 7-10-13% on deposit with the Reserve—7 for country, 10 for reserve city and 13 for New York and Chicago, or the central reserve cities and 3% for time money everywhere. For years these percentages remained unchanged. Provision was not made in the law to permit changes in these requirements until the Banking Act of 1935. After the moratorium, it was necessary to increase these percentages in order to give the Reserve power to control credit in case of a resumption of inflationary pressures. With higher percentages, a stronger credit restraint could be put on the member banks, because there was no way by which the banking system, if requirements were raised, could regain needed reserves on its own initiative except by borrowing from the central bank. While we were still in depression, reserve requirements were raised to absorb the excess reserves created by large imports of gold. In fact, by May 1, 1937, they were boosted to the maximum, or twice the minimum 26-20-14 and 6% for time. Since then they have been decreased or increased depending on economic conditions. And now, when there is no longer need for credit restraint, where are they? 22-19-13 and 6 against the statutory minimum requirements of 13-10-7 and 3. If the Reserve is to be consistent in exercising a flexible control, why doesn't it adjust requirements downwards?

The Federal Reserve Act says that in order to prevent injurious credit expansion or contraction, the Board may by regulation change the requirements as to reserves. If their policy is to be truly flexible, let them flex them down as well as up. I admit that there can be an argument as to the timing of the change; surely the cash financing estimated at 12.5 billions to be done between now and the end of the calendar year will call for additional reserves in the banking system to the extent that the financing is done in the banking area; perhaps some part of the adjustment could be made independently of the cash financing, and neutralized by open market sales. If, later on, there is need for credit restraint, the Reserve will have the room to adjust upwards again.

During the War Finance period, the Reserve has accumulated a very sizable percentage of the Treasury's marketable debt in its own portfolio. In a growing economy it can be expected to increase its portfolio to supply necessary reserves over a long period of time. But it is obviously not wise for the Central Bank of the government to own too much of the debt—its holdings have increased from a little over two billion in 1941 to over twenty-four and one-half billion now. Would it not be an opportune moment for the Reserve to cure both the high reserve requirements and the large portfolio acquired by open market purchases, by reducing both?

In the course of the last few months, I find that I have talked to quite a few of our customers, correspondent bankers, officers in insurance companies, corporations and individuals. I think they talk freely with me and generally it doesn't take long for criticisms and complaints to be made about the Treasury's debt management policy or what the Federal Reserve is doing. A year ago, one would say "Why does the Treasury pay as much as 3¼% on its new offering?" "Just look at what the Government has done to the market value of our portfolio—we are badly in the red at the present market! How low are they going to let this go before they do something about it?" and many other similar remarks. These people did not understand the monetary policy of credit restraint that was being applied for the good of the country.

And being pinched for reserves, and over-loaned or over-invested, they were in no position to make additional investments at the higher yields. Many tax switches were made, but it was as refundings came along at higher yields that the investment yields of portfolios were improved. And the depressed market reached bottom shortly after June 1; the Federal Reserve already had revised its policy, and had begun working toward the higher prices and lower yields in the market of active ease which we now have.

So now the complaints are that we are back again to the old market with all the trimmings, and, except for the appreciation in practically all portfolios and tempting capital gains to be taken, the outlook for current earnings is for lower yields. And don't forget that the average life of the commercial banks' portfolios is less than four years in sharp contrast to the portfolios of the mutual savings banks whose continued earnings are assured by mortgages and by long-term government and other bonds. So if bankers object to what Washington is doing with easy money and low yields, those of us who understand what they are doing should back up the two Washington teams, the Treasury and the Reserve.

If business can be stimulated to improve by having easy money for awhile what bank, be it commercial or savings, would not gladly say "go ahead — even though I lose in the immediate outlook for income, I'll gain in the long run." We don't want a depression nor wild inflation; if a flexible monetary policy can help to keep us on even keel, who wouldn't willingly, even gladly welcome it? Or would you rather have Washington go all out in government spending, increasing of taxes, and deficit financing? Don't forget that for 20 years that had been going on — in a little over one year the government has cut its spending rate by $12.3 billion, lowered taxes by $7.4 billion and there is a strong possibility of balancing the cash budget this fiscal year; the heavy cash financing to be done in the balance of this calendar year is occasioned largely by the Mills plan, under which most of the corporation taxes come into the Treasury during the first six months, and practically none the second half.

What about the mutual savings bankers who have portfolios of high grade bonds and other investments with a long average life? Who do not have a prime loan rate reduction nor commercial loans—who will have no great loss of earnings if the flexible monetary policy doesn't settle permanently into one of active ease. If the recession ends and our economy recovers to the point where once again we are fighting inflation, you will be in a position to understand and watch the flexible policy going back into credit restraint, and you will know what to do with your portfolio, and with your better understanding can perhaps be enthusiastic over the flexible monetary policy and the debt management policy of our two All-American teams, the Federal Reserve and the Treasury.

Morton Weiss Joins Singer, Bean & Mackie

Morton Weiss

Morton Weiss has become associated with the trading department of Singer, Bean & Mackie, Inc., 40 Exchange Place, New York City. Mr. Weiss was formerly with Eastern Securities, Inc. and J. Arthur Warner & Co.

Parker & Devens on Trip to Pacific Coast

BOSTON, Mass. — William A. Parker, Chairman of the Board and Charles Devens, newly elected President of Incorporated Investors are making a visit to the major cities of Washington, Oregon and California during the latter part of May and early June. The purpose of visiting these cities is to contact the many investment dealers who distribute Incorporated Investors for the Parker Corporation, nation-wide wholesale distributors. Mr. Parker and Mr. Devens will be accompanied by Robert H. McCrary, west coast Vice-President of the Parker Corporation.

Continued from page 3

Additional Comments on "Full Employment and Its Dangers"

lines, all this, that and the other, including mechanized equipment on the farms, we would find that the 60 million people could produce twice as much as our 155 million people would consume. He said, "That's going to be your problem; what are you going to do with it after you have produced it?" I wish I had the answer, but I'm sorry I don't.

In my opinion, the answer as to whether or not our country, as well as the entire world, will continue to exist and go along in its present direction is dependent entirely on the solvency of the American dollar. It has lost 50% of its purchasing power within the past 20 years and unless something is done to stop the trend, we may find that it will lose 50% more of its purchasing power within the next decade. If that happens, then everything is gone.

HARRISON L. AMBER
President, Berkshire Life Ins. Co.

I was very much interested in the article, "Full Employment and Its Dangers," by Dr. Wiegand. He certainly covered the subject most thoroughly and I agree with his reasoning.

Harrison L. Amuer

I think we all agree that full employment is desirable but whether it will cure all economic ills is another question. In these uncertain times it seems to me that we must take a day to day look and not jump headlong into any panacea as a cure for economic ills.

I enjoyed reading the article very much.

W. T. PIPER
President, Piper Aircraft Corp.

I think that Dr. Carl Wiegand has done an excellent job in showing some of the weaknesses of the Full Employment idea. For years, I have felt that the Full Employment Act is unsound and that the unemployment compensation has serious weaknesses and can be greatly abused.

W. T. Piper

Everybody needs some kind of an incentive. Some employees have that incentive in trying to better their position in the plant; others care nothing about anything of that sort and are just looking for their pay check. A lot of people don't realize this, but the value of anything in a job depends upon its scarcity. Water is the most valuable liquid in the world, but it isn't rated very high because there is so much of it. When an employee can loaf and kill time in his plant, he often thinks he is doing a very smart thing. If, in course of time, he is discharged and we have full employment and he can go out and get a job just as good, the old job has no value. To successfully run a country with free economy, it is essential that people exert themselves to earn a living and any smart employee will try to do enough work so that someone else will be laid-off before he is. With full employment, that incentive is entirely removed. In addition to that, if a satisfactory unemployment compensation can be obtained, there are many people who would prefer to loaf or go fishing instead of looking for a job, and the higher the unemployment benefits are, the more of this loafing will take place.

I have expressed myself rather crudely, but I think you will understand that I feel that a certain amount of unemployment is necessary if we are going to get a reasonable day's work from a large number of our employees, and a very small allowance for unemployment insurance must be granted, or the incentive for getting a job is removed.

I have to take my hat off to the women of the past who, when their husband died leaving them with a number of children, buckled down and supported them. We have practically sold our soul in this country for security and it's no bargain at all.

HON. SINCLAIR WEEKS
Secretary of Commerce

You are to be congratulated for running such articles in your fine paper, such as the very provocative article by Dr. Carl Wiegand, entitled "Full Employment and Its Dangers." This illuminating historical treatise brings the whole subject into perspective and will stimulate thought on the whole subject.

Sinclair Weeks

B. F. PITMAN, JR.
President, Pitman & Company, San Antonio, Texas

Since I am a dyed-in-the-wool "reactionary"—Tory, if you please—it goes without saying that I am in enthusiastic and complete accord with Dr. Wiegand's views.

The consequences of the government's endeavoring by artificial means to superimpose a forced-draft boom on top of the high level economic acitivity of recent years will, I fear, be disastrous. A collectivist state may be one result. A collapse brought on by dislocations in the economy, which are bound to occur when some segments of the economy are given hypodermics, is another possibility.

Benj. F. Pitman, Jr.

The lasting benefit to the economy of the currently fashionable easy money policy is, I think, doubtful. The superabunant credit seems to me to be causing people to make purchases today that should be made six months or longer hence. Certainly it discourages thrift, with a corresponding diminution in the reservoir of private funds available for capital investments. Borrowing tomorrow's business to stimulate the economy today is not sound. Extraordinarily abundant credit for new housing, another device to keep the economy running in high gear, is going to boomerang, I think. In our area, at least, people are moving out of apartments and older houses into new residences with virtually no down payment and the monthly installments less than rent. It seems obviously unwholesome, and I can not see how it will fail to cause a serious decline in residential real estate values. Evidently it is virtually impossible to sell a home five to ten years old and obtain a reasonable down payment. Buyers appear to disregard completely the price, and inquire only how much of a payment is required per month.

HON. EZRA TAFT BENSON
Secretary of Agriculture

With reference to the article by Dr. Wiegand, my feeling is that the proper role of government is to do for the people those things which need doing, but which the people cannot readily do for themselves. If, for some reason which the people individually seem unable to correct, those who seek work cannot find it while goods which are needed are not being produced, then I think government should endeavor to correct the situation. This should be done, of course, with due regard to costs and benefits and to lessons of history, and with proper protection for the democratic institutions which we value so highly.

Ezra Taft Benson

It seems to me that government has an interest in encouraging the utilization of our human as well as our material resources.

IVAN WRIGHT
Economist, Box 172, Montclair, New Jersey

Professor Wiegand has ably presented an analysis of the "Full Employment Act" and its economic consequences. It seems to be just as Dr. Wiegand outlines—a legalized plot put over on Congress to impose upon this country planned control which can only operate with regimentation and finally complete governmental control of the Stalin or Hitler type. To carry out the mandate of the "Full Employment Act" would require the elimination of freedom, and the control of production, wages, prices and profits. Any such doctrine must presuppose the end of a free private enterprise democracy. Could this be a part of the well laid scheme to hand the control of this country over to the dictators of Moscow?

Dr. Ivan Wright

Fortunately, the present Administration has so far slowly moved toward free market adjustments.

As Dr. Wiegand points out, the peaks and valleys in business and employment can best be eliminated by preventing inflation and booms. The real problems today are how to drain out of the financial and enterprise system the postwar inflation so well described by Dr. Wiegand. Instead, it seems that we are trying to heap another inflation upon an extreme inflation when the dollar has already lost half of its purchasing power. A continuation of this inflation with a further loss of purchasing power, no matter how well intended the purpose, and may well lead to a flight from the dollar on the part of the mass of people who will some day discover the growing worthlessness of bonds, pensions, insurance, savings bank accounts and all forms of creditor wealth.

Sound money, free markets and the freedom of all to look after themselves seems to me the right road to full employment, and not dictatorship, regimentation and controlled inflation all of which will lead only to destruction which is just what the Communists want.

It is strange that the idea still lives that savings by people and businesses are withheld from doing their work in furthering production and employment. All savings deposited in banks or invested in securities or in enterprises are immediately on the way to provide production and employment. The amount of savings hoarded is so small that they have no significance. The millions of individuals and enterprises with savings will seek to invest these savings productively, enriching the economy and making employment, while the government when it steps in to create employment must take the savings of the people, either by taxes or borrow them, and usually promotes nonproductive enterprises at the expense of the people, thus delaying sound economic adjustment and recovery.

Of the government may, as it has so much in the past 20 years, inflate the money and credit through the manipulation of the Federal Reserve System and carry out its purpose with deficit financing thus reducing the purchasing power of the money of all savings—present, past and future. How much has the inflation expropriation of one-half of the purchasing power of the dollar in recent years cost the people? How long will it be before the people discover this continued deterioration in the value of their savings and seek to convert all their savings into tangible things for protection? That will be the last big boom for some years. Isn't it just what the Communists have prescribed?

BERKELEY WILLIAMS
Richmond, Va.

In the first place I am neither economist nor philosopher (only a superfluous John Q. Man in the Street, long overdue on Charon's ferry). In the second place, I am inclined to feel that "less is known about economics than about the weather. Look at Edgar Allen Jr.'s immortal cartoon "Market Analyst." All I know, or think I know, is simply that the 7 ways to be happy are—"Keep out of debt and you needn't bother about the other six."

Berkeley Williams

Having thus disqualified myself, I will proceed with "verdict first and testimony after," which is my policy.

Dr. Wiegand's paper is an interesting contribution to arguments that have been conducted on his subject by great economists and "worldly Philosophers" for the past 150 years, from Adam Smith to Joseph Schumpeter, without their arriving at any unanimous conclusion.

I crave to read some comment by Dr. Wiegand on how the Mormons, or Latter Day Saints, and Quakers handle the unemployment problem. They appear to show the way for I understand they have consistently declined any government aid. Can't we profit by their experience? I am entirely mindful of the fact that administration of 4 or 5 million people is much easier than 150 million, but why not study their systems, for after all, in the words of Alexander Pope:

"For forms of government let fools contest;
What'er is best administered is best."

Mormons and Quakers seem to have the know how. Is their system too simple and efficient for our politicians and bureaucrats?

P. S.—"Business prophets tell us what's going to happen. Profits tell us what's happened."

CHARLES A. WARD
President, Brown & Bigelow

I read the Wiegand article and, in great part, I agree with the writer.

Employment, just the fact of having a job, has always been a privilege. And when we accept our privileges, any of them, in a matter-of-fact way, then we lose them.

Charles A. Ward

I believe in competition. I believe in competition between businesses, competition between men in any business, and competition for jobs. Only by competition can we expect civilization to advance.

LEWIS A. SHEA
President, The First National Bank & Trust Co. of Bridgeport, Conn.

I am very much in favor of "full employment" but nothing can be accomplished by interfering with the economic laws of supply and demand and diminishing returns. Therefore, I subscribe to the thoughts expressed by the learned doctor.

A. L. HAMMELL
President, Railway Express Agency, Inc.

Certainly we all want to see the highest possible level of employment in America but I have always felt that private enterprise can and will provide an increasingly abundant life for all of our people. Government can well exercise the limited police power of reasonable regulation but should not be permitted to encroach as a competitor of private business nor as a dictator of our day to day economy.

A. L. Hammell

Incidentally, the express industry has long been the suffering victim of subsidized government competition through the parcel post system. The 82nd Congress passed Public Law 199, effective Jan. 1, 1952, to reverse the trend of further and further encroachment into this field of transportation. Since that time great effort has been made to repeal that law. In this connection you may be interested in noting the enclosed booklet entitled "A Case for Private Enterprise."

THE MARKET... AND YOU

By WALLACE STREETE

There is a lot of skepticism about the lofty level of the stock market, largely because of the 65-point rise in the industrials in eight months without a worthwhile correction. And a good bit of it showed up in the trading this week as it has for several weeks now.

* * *

It didn't prevent the strictly technical achievement of posting still another new top for the industrial average after its ploughing through the 300-band for the second time in history. The rails did little, at least of technical significance and are roughly midway between the February high of this year and the virtually identical highs reached in 1953 and 1952.

* * *

Part of the caution around traces to the feat of the rails in exceeding the February level and confirming the bull swing. There was rather widespread disappointment that it was accomplished without obviously whetting the appetite of the general public or even, for that matter, that of the many sold-out bulls among the trading element who are waiting on an overdue brisk correction before assuming new positions.

* * *

Celebration in Business Machines

The feature of the week was International Business Machines. Its 25% stock payment became effective for trading purposes on Tuesday. Despite an automatic slash of 67⅝ points because of this payment, the issue's previously posted 1954 low remained inviolate which is the best illustration of what recent strength meant in the stock. And while there seemed to be a general disposition toward heaviness once the dividend was assured in other issues, IBM was able to celebrate its stock payment with a run-up of more than half a dozen points.

* * *

More in the recent tradition was Rohm & Haas which coincidentally went ex-dividend on its own, a 40-cent payment. The day before the effective date this sprinter added no less than 28 points to a peak of 228 which is the best recorded since it became publicly held in 1949 when released by the Alien Property Custodian. But the day the dividend was garnered, the issue fell back to 208 at the low, for a net drop of almost a score of points which is quite a reaction over a dividend of less than half a dollar.

* * *

As a matter of fact, the week was something of a dividend one and the payments put some rather widespread weight around on the quality end of the list. Such stalwarts as Coast Line, Allied Chemical, General Foods, Home Products, Carrier, Freeport Sulphur, Reynolds Tobacco, Sinclair, Chrysler, Goodyear and Kern County Land had to contend with these automatic trims.

* * *

The enthusiasm over Chrysler's confidence in continuing the quarterly $1.50 rate — although earnings for the first three months fell to 88 cents—had pretty well run its course. There were some indications that the protective short-covering just before the dividend meeting was quickly replaced by new short-selling on the rather mild run-up after the news. In the last report Chrysler was far away the leader among shorts but the specific details of what change has transpired will have to wait on the next report due early next week. Among the other motors the only action of note was a rather spirited run-up on one day in American Motors which was its first show of strength since the Nash-Hudson merger formed this new unit.

* * *

A contrary note was Mathieson Chemical. In the highly selective markets recently, the actions best calculated to cause a market fillip were, first, a stock split and, second by a slim margin, some kind of merger. But with the announcement of the Mathieson-Olin Industries union, the issue actually lost ground on the day and was far from in any position to equal either its 1952 or 1951 peaks. The only concrete result was lifting it to the No. 2 spot on the most-active list which for this issue is a somewhat out-of-ordinary prominence. Nor was it because of any dullness among the chemicals generally because at the same time Monsanto Chemical was carving out a gain of several points, and Dow Chemical, in favor for the first time in quite a while, was featured on good strength.

* * *

Blue Chip Irregularity

du Pont and General Electric, the skyrockets of a few weeks back, continued in the irregularity column and both touched new reaction lows since their peaks were established several points higher. The aircrafts fitted this category, too, with Douglas trading this week a dozen points under its peak.

* * *

For the first time in a long while the liquor shares enjoyed some concerted popularity without anything too concrete to account for it. Park & Tilford was a star on one session with an improvement of some 14%. American Distilling, Schenley and National Distillers — all prominent among the "long depressed" issues—following along moderately. But they are all far under their best prices of recent years and for American, for instance, its best price was only around the low for the year in 1951.

* * *

Spotlighting of Two Oils

The oils, while backing and filling for the most, occasionally promote one of their members to the spotlight and one of these this week was Texas Gulf Producing. On a gain of several points it plunged to a new all-time high reading by a good margin. This is one of the exceptions to the rule, since this issue, which reached a high in 1946 of only 18 today commands a price some 40 points higher. A more striking comparison is that the issue in 1937 never reached 10.

* * *

One oil not yet appearing in listed trading but due to reappear on the New York Stock Exchange shortly is Royal Dutch. Largely because of a flood of studies put out by member houses since its listing was assured, the issue has made good and sustained progress in over-the-counter trading and moved into the mid 40's this week for something like a half a dozen points improvement since the reappearance was arranged. The company refused to go along with Securities and Exchange Commission requirements when the era of control began and left organized trading.

* * *

The erratic issues of the week were the common and preferred of Robbins Mills, and especially the latter. The senior stock added some 20% in value in a rush as the week started on all sorts of rumors of a merger or a deal. But before the day was over it had lost two-thirds of the gain as American Woolen indicated no agreements on any immediate merger had been worked out and the vague information that the chief executive officer of the firm was negotiating to dispose of his 40% interest in the firm. But they continued to seesaw in subsequent sessions in ranges far wider than normal for them. Both have been depressed members of the list since the common dividend was omitted in mid-1953 followed by omission of the preferred payment last month.

[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.]

Bennett Representing First of Texas Corp.

DALLAS, Texas—Delton Bennett, Jr. has become associated with the First of Texas Corporation, as representative in Dallas, with offices in the Wilson Building. Mr. Bennett was formerly with Estes & Co. of Topeka.

With H. C. Aiken

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Herbert C. Morgan has become connected with H. Carl Aiken, 1160 Sherman Street.

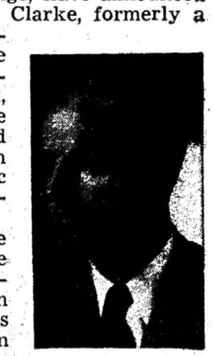
Halbert, Hargrove Adds

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Robert B. Culvyhouse has been added to the staff of Halbert, Hargrove & Co., 115 Pine Avenue.

Paul F. Clarke Now With Lehman Brothers

Lehman Brothers, 1 William Street, members of the the New Stock Exchange, have announced that Paul F. Clarke, formerly a Vice-President of The Chase National Bank, has become associated with the firm in its public utilities department.



Paul F. Clarke

Mr. Clarke joined the Chase National Bank in 1930 upon his graduation from Dartmouth College. Initially assigned to the personnel department he was transferred to the public utilities department of the bank in 1935. He was elected Second Vice-President in the public utilities department in 1950 and subsequently a Vice-President. Mr. Clarke served with the United States Navy during World War II.

Eddy Brothers Adds

(Special to THE FINANCIAL CHRONICLE)

NEW BRITAIN, Conn.—Charles A. George has become affiliated with Eddy Brothers & Co., 55 West Main Street.

Thatcher M. Brown

Thatcher M. Brown, partner in Brown Brothers Harriman & Co., passed away on May 2.

State Experience in Defending The Right to Work

By W. R. BROWN*
Research Director, Missouri State Chamber of Commerce
Jefferson City, Mo.

In his survey of the experience of states in enforcing their "Right-to-Work" laws, Mr. Brown finds: (1) the laws are generally obeyed but the extent of protection varies; (2) that the enforcement of laws by officials is helpful, but not essential; (3) that Nebraska and Virginia have had noteworthy support by officials in the law's enforcement; (4) the courts have effectively enforced the laws they have tested, and have ruled out subterfuges; and (5) that unions will go to great lengths to evade the law. Claims Right-to-Work laws have helped to produce more peaceful labor relations and they do not hamper collective bargaining.


W. R. Brown

Should the Right to Work at a chosen occupation regardless of union membership be protected by State law? Or should this right be denied workers who do not or cannot join or maintain membership in a particular union? This is the issue raised by current efforts to enact or repeal State Right-to-Work laws.

Extent of State Protection of The Right-to-Work

Today 16 States have Right-to-Work laws that outlaw all forms of compulsory union membership agreements.[1]

South Carolina became the 16th State to adopt a full-fledged Right-to-Work law on March 19, 1954, following a powerful appeal by Governor Byrnes. In Oklahoma, Governor Murray has come out for letting the people decide through an initiative petition. It appears that other States, including Missouri, may use the referendum or petition route.[2]

However, relatively little attention has been given to how these laws are working out in practice.

Survey of Experiences of Right-to-Work States Made

In order to correct this situation, the Missouri State Chamber of Commerce has made a survey of the actual experiences of the Right-to-Work States to seek answers to the following basic questions:

(1) Do Right-to-Work laws really protect the Right to Work regardless of union membership? Or are the laws being generally violated in fact or spirit?

(2) Do they hurt or help improve labor relations?

(3) Do they contribute to economic growth or hinder it?

(4) Do they destroy unions or hamper collective bargaining?

A complete report on the results of this survey is available from the Missouri State Chamber of Commerce in Jefferson City, Mo.[3] There is time now to give only a few of the highlights of the findings of this survey.

Do They Really Protect the Right to Work?

Laws Are Generally Obeyed, but Extent of Protection Varies.

Letters from businessmen operating in Right-to-Work States indicate that for the most part the law is obeyed and the Right to Work regardless of union membership is actually protected. However, some businessmen admit that the law is not always fully complied with in their industry or area. *But, even in these cases, they usually add that the law is a big help in improving their labor relations.*

A Tennessee textile mill operator put it this way, and I quote in part: "We know from contact with a number of organized industries here in our State, that the Right-to-Work Law has prevented the establishment of closed-shop contracts, has prevented the discharge of many loyal employees who do not wish to join a labor organization. . . ."

Similarly an Arizona general construction contractor wrote that: ". . . the law has been very effective in curbing dictatorial union demands and the unions are hesitant to disobey the law."

Complete Protection in Construction Industry Especially Difficult, but Laws Are a Big Help.

An Iowa contractor wrote that: "In general, this law affects our operations less than it does other industries because the construction industry is strongly organized and has been operating under closed shop conditions in all of the larger cities of the State for many years. Generally speaking, that condition continues to prevail. Although contracts negotiated between the unions and the employers do not contain the closed shop clause that prevailed previous to the passage of the Right-to-Work Law. . ." But, this same Iowa contractor nevertheless added that the law had helped their labor relations.

A Nebraska contractor wrote: "Most of the union representatives accept the State law, but they do not like it. Some business agents attempt to evade the law through side agreements that the employer will hire all union employees, or will hire all employees through the union, or that any non-union men hired must join the union in order to retain their jobs. We have been successful in keeping out of such side agreements."

Enforcement of Laws by Officials is Helpful, but Not Essential.

Official law enforcement action is *not* essential to make Right-to-Work laws effective because these laws permit the individual to appeal directly to the courts for protection and the courts have usually given such protection.

Some State officials have been conscientious in carrying out their duties to enforce Right-to-Work laws. For example, the Attorneys-General of Arizona, North Carolina, and Nebraska joined forces in 1949 to defend the constitutionality of their Right-to-Work laws before the Supreme Court of the United States.

Legal opinions by Attorneys-General also are sometimes significant. For example, last year the North Carolina Attorney-General ruled out attempts to evade the law through credit unions and "service" charges.

Support of Right-to-Work Laws by Nebraska and Virginia Officials Noteworthy.

In April of last year the Assistant Attorney-General of Nebraska, Robert A. Nelson, appeared before the United States Senate Committee on Labor and Public Welfare in behalf of his State and Governor Battle of Virginia.

He asked the Committee, "Has the result been such that Congress is justified in pre-empting the field?" His answer in part was: "*First*, a better relationship has developed between the union and its members. *Union membership is now obtained by persuasion rather than coercion.* This is the American way. Individual members are free to think and act and need have no fear of losing their jobs if they express ideas which are contrary to those of the union leaders. Under a compulsory union agreement, the union leaders have no particular interest in whether or not the members attend union meetings; they either did as they were told to do or lost their jobs. Now the individual members must be satisfied with the action *of the union or they are free to sever their membership. . . .*"

"*Second*, a better relationship exists between the employer and the union. No employer wants to be *told that he must fire an employee*, perhaps one who has been in his employ for years and whose competency and loyalty to the employer is without question, merely because such employee cannot agree with certain principles of the union or union leaders. . . ."

"*Third*, one of the greatest causes of strikes has been eliminated. *The closed shop has been one of the primary causes of strikes.* Although the questions of wages, hours and working conditions were all agreed upon, a strike would be called because the employer refused to agree to a closed shop. . . .

"*Fourth*, public confidence in labor unions is being restored. This, in my opinion, is one of the important achievements in labor-management relations under our law. . . ."

Mr. Nelson concluded as follows: "While I have limited my statement to giving the results of the *trial in my own State, I am confident that the results in other States, where Right-to-Work laws have been on trial, are similar to those of Nebraska.* With these proven accomplishments, is Congress now justified in enacting legislation which will strike down the good which has been done and take from the States the right, which under the Constitution is theirs, to preserve to all individuals the inalienable right to work? The answer is an emphatic 'No'."

Most Laws Tested in Courts and Courts Have Effectively Enforced Them.

A review of the court enforcement cases in the Right-to-Work States reveals that the courts have not failed to give relief from violation of the Right to Work through injunctions and fines *when asked to do so.* The following brief summary of some of the leading Right-to-Work court enforcement cases will tell much about how effective these laws have been in protecting the Right to Work.[4]

Early Cases Held Closed Shop and Maintenance of Membership Provisions Invalid and Invoked Criminal Penalties.

In 1947 State courts in North Carolina and Tennessee ruled out closed shop provisions under their Right-to-Work laws. In the same year, a Florida Court applied its constitutional amendment to a maintenance of membership contract provision which would deny the Right to Work to any union member who did not maintain his membership. The North Carolina decisions were especially significant because they involved criminal penalties.

Written Agreements Not Necessary to Violate Laws.

Another North Carolina case at the same time illustrates that a written compulsory membership agreement is not necessary to violate Right-to-Work laws.

Other Subterfuges Also Ruled Out by Courts.

The Arkansas Supreme Court in 1950 in the case of *Self v. Taylor* struck down a contract provision which it described as creating a "closed shop by subterfuge." In this case an electrical union local insisted on a contract provision for cancellation at any time upon 60 days' notice. This after the employer refused to continue an old closed shop provision because of the new Right-to-Work law. The union constitution prohibited members from working with non-union employees. Therefore, it was clear that the union intended to use the 60-day cancellation provision to force the discharge and prevent the hiring of non-union employees.

Still another method of evasion by subterfuge came before the Virginia Supreme Court of Appeals in 1949 in the case of *Hawkins v. Finney*. Hawkins had obtained a contract with the Newport News Building Construction Trades Council to print their labor journal on the condition that only union labor would be *employed in his shop*. Thereafter, Hawkins discharged Finney when he refused to join a union. The court granted *damages of $330* to Finney for *4 weeks of unemployment* which resulted. The court commented on the law involved as follows:

"Legislation that protects the citizen in his freedom to disagree and to decline an association which a majority would thrust upon him on the ground that it knows what is best for him, does no violence to the spirit of our fundamental law. The protection of minorities is the boast of our institutions and a basis of their asserted superiority over totalitarian regimes. The results have demonstrated the value of the democratic process."

Virginia Bill of Complaint Strikes at Evasions of Law.

The Bill of Complaint filed by the Attorney-General of Virginia in a Richmond Court on Aug. 7, 1953, reveals the extent to which some plumbing unions have gone to evade the Virginia Right-to-Work Law.

There Local No. 10 of the A. F. of L. Plumbers and Pipefitters Union demanded and obtained in some cases agreements with the following provision:

"The employer will employ journeymen and apprentices who are in good standing in the local union unless the local union fails to supply an adequate number upon request."

The union refused contractors' requests to change this clause so as to provide that the employers might employ either union or non-union members.

The Richmond Court showed that its powers were broad enough to handle this situation by issuing a temporary injunction which enjoins and restrains the defendants, their agents, servants, employees and representatives from ". . . in any manner, directly or indirectly, violating the provisions of . . ." the Right-to-Work Law.

Brown and Root Case Shows Lengths to Which Unions Go.

The case of Texas State Federation of Labor v. Brown and Root, Inc., decided by the Texas Court of Civil Appeals on Feb. 6, 1952, provides another excellent case study of the lengths to which unions will go to evade the law. It also shows that the courts will thwart such efforts if the injured parties only have the nerve to appeal to them.

The Court record shows that the occurrences which led up to this decision included picketing of construction jobs; refusal to handle or install products of companies that crossed picket lines; mob violence; beatings; threats; forcing non-union workmen off jobs; throwing beer bottles at a busload of non-workers; declaring the entire Austin City power project a restricted area for union men although other contractors on the job were working only union men; trying to get Brown to operate closed shop without a written closed shop agreement; a union attorney telling a State Federation of Labor Convention that it could get around, through, over, or under the law; and the Secretary of the State Federation of Labor telling Austin City officials that "union men won't work with non-union men."

The result of these occurrences were court injunctions worded to prevent their recurrence in such a manner as to violate the Texas Right-to-Work Law.

Courts Have Rejected Right of Contract Arguments.

It has, of course, been contended in almost every case involving a compulsory membership provision that the Right-to-Work Law violated freedom of contract.

The Tennessee Supreme Court rejected this objection very succinctly in February of 1948 in affirming a permanent injunction against the Teamsters striking Joe Mascari, a wholesale distributor of produce, to force him to sign a union shop and check-off agreement in violation of the Tennessee Right-to-Work Law. The court simply ruled such a State police power regulation would be an unconstitutional interference with freedom of contract without due process *only* if it unreasonably restricts certain employment to a favorite group. The court concluded that the Tennessee law does not restrict employment, but rather makes employment *open* to all regardless of membership or non-membership in a union.

This interpretation of freedom of contract and due process was upheld by the United States Supreme Court on Jan. 3, 1949, in the famous Lincoln Federal Labor Union Case.

Courts Will Not Tolerate Disobedience of Orders

The Florida Circuit Court for the 6th Judicial Circuit demonstrated in September, 1951 that courts will not tolerate disobedience or defiance of court orders. This case involved picketing of the Pasco Packing Company by the Food, Tobacco, Agricultural and Allied Workers Union of America. The court held union leaders in *contempt of court* for not immediately obeying a court

*A paper prepared for presentation to the semi-annual meeting of the Academy of Political Science, New York City, April 21, 1954.

1 Several more states have laws requiring a vote of the workers before such compulsory membership agreements can go into effect. But these election provisions do not effectively protect the Right-to-Work because they permit the majority to deny minority rights. The Right-to-Work States are Alabama, Arizona, Arkansas, Florida, Georgia, Iowa, Mississippi, Nebraska, Nevada, North Carolina, North Dakota, South Carolina, South Dakota, Tennessee, Texas, and Virginia. For a description of these provisions, see W. R. Brown, "State Protection of the Right-to-Work," *CCH Labor Journal*, June, 1953. (Reprints available from Missouri State Chamber of Commerce, P. O. Box 149, Jefferson City, Missouri.)

2 Arizona, Nebraska, and Nevada adopted Right-to-Work Laws by initiative petition while the Legislature referred such issues as constitutional amendments to a vote of the people in Arkansas, Florida, and South Dakota. These issues were approved by majorities ranging from 50.6% in Nevada to 70.3% in South Dakota—5 of the 7 states had greater than a 55% majority. (Voting statistics compiled by Council of State Chambers of Commerce at request of Senator Goldwater, "Taft-Hartley Act Revisions Hearings" before the Committee on Labor and Public Welfare, U. S. Senate, 83d Congress, 2nd Sess., Part 6, p. 3386.)

3 "State Experience With Right-to-Work Laws" (Research Report No. 22, Oct. 29, 1953).

4 For a more detailed account of these cases see, "State Experience With Right-to-Work Laws, Missouri State Chamber of Commerce Research Report No. 22."

order to cease blocking ingress and egress of the company in violation of the Right-to-Work Amendment and the Anti-Violence Statute by at least setting a personal example of compliance instead of just paying lip service. A few comments from the court opinion will illustrate the philosophical basis and necessity for such injunctions:

"In our present day society labor unions are recognized by law as affecting the public interest, and are charged with a public use.

"However, a charter issued to a labor organization is not a license for mob violence. . . .

"The evidence here is clear that certain of these respondents by reason of their actions and in wilfull defiance of this court's order prevented ingress and egress to and from the premises of the plaintiff. . . .

"The consequences of such action on the part of the defendants were that persons who desired to work at the plaintiff's plant were prevented from doing so, and the 'Right to Work' Amendment to the Florida Constitution previously referred to for that period of time was rendered a nullity.

"The necessity of terminating effectively the defiance of the defendants is readily apparent.

"No effort was made by the defendants to avail themselves of the orderly processes of the law to vacate or modify the temporary restraining order. The defendants, on the contrary, resorted to mob rule and openly defied and made a mockery of this Court's order.

"The public interest requires not only that such contumacious acts be effectively terminated, but also that such acts in the future be deterred.

"Such a requirement in the public interest is imperative. If any group, however named or in whatever guise, can with impunity invoke mob rule to defy and flout the authority of the lawful government of our State, then the overthrow of our government by force and violence is no longer an eventually to be feared, it becomes locally an accomplished fact. . . ."

U. S. Supreme Court Upheld Restraint of Picketing in Violation of Virginia Right-to-Work Law.

The most recent United States Supreme Court opinion on State Right-to-Work Laws on March 16, 1953, affirmed the Virginia Supreme Court of Appeals in upholding an injunction against picketing of the George Washington Carver School project by unions of the Richmond Building Trades Council for the purpose of forcing the use of *only* union labor on the job.

Application of State Laws to Railroads.

While Section 14b of Taft-Hartley and the Supreme Court decisions leave no doubt as to the applicability of State Right-to-Work laws to interstate businesses covered by Taft-Hartley, there is doubt about railroads.

Nebraska and Texas State Courts have recently ruled that the Railway Labor Act provision exempting railroads from State Right-to-Work laws is invadid. But the U. S. Supreme Court is yet to be heard from on this question.

Do Right-to-Work Laws Hurt or Help Labor Relations?

Both Organized and Unorganized Companies Say They Help.

One of the best evidences as to the effect of Right-to-Work laws on labor relations is the experience of the companies operating under such laws. Letters from businessmen in the Right-to-Work States who operate all the way from 100% union to 100% open shop all indicate that the Right-to-Work Law has helped improve their labor relations.

An Arkansas wood products company wrote: "I think the law has helped labor relations because we do not have to argue between us about whether we will have union maintenance in our contracts. It has also helped the individual worker in avoiding the pressure that might be put upon him to join a union or to remain in a union against his wishes. . . . There seem to be less labor troubles in Arkansas than in other industrial States, and any trouble results only from disagreement on rates or frills."

"A Tennessee printing company said that in one of its departments ". . . there are a total of approximately 125 employees with less than 50 belonging to the union. This would not be possible if it were not for the Tennessee Right-to-Work Law. . . . Fortunately there is no damaging friction between those who belong to the union and those who do not."

A Virginia contractor wrote: "As we see it, the law has helped our labor relations policy considerably. Our employees appear to be entirely satisfied in their non-union status and under this law they are assured that they may remain that way anywhere in the State of Virginia."

The Florida State Chamber of Commerce reported that a cooperative survey with Associated Industries of Florida of representative firms in Florida resulted in three-fourths of the firms stating that the Florida Right-to-Work Amendment had a good effect on their labor relations and one-fourth that it had had no effect. The Florida State Chamber interpreted this to mean that: "In view of the fact that Florida has been an open shop State for many years and was such at the time of the passage of the amendment, to say that the amendment has had no effect would mean that it has resulted in continuing the open shop."

Right-to-Work Laws Have Helped Produce More Peaceful Labor Relations.

Generally the effect of Right-to-Work laws is to make labor relations more peaceful than they would be otherwise, according to letters from businessmen operating in Right-to-Work States.

A Nevada construction contractor put it this way:

"It has helped our labor relations policies since now it seems as though less agitation is present."

Similarly an Iowa engineering and contracting firm wrote: "The law has curbed many union activities and has made it necessary for their representatives to be somewhat more thoughtful in their claims and activities. It has been very helpful from our standpoint."

A Texas engineering and construction firm summed up the effect of the Right-to-Work laws this way:

"The Texas Right-to-Work laws and other labor laws, such as the Anti-Violence Statute and the Picket Limitation Statute, have brought an era of industrial peace for Texas that we think is unmatched in any of our neighboring States. While they in no way hinder the organizational attempts of legitimate unions they do give pause to those organizers who would enforce their demands through violence and brutality." [5]

Do Right-to-Work Laws Help or Hinder Economic Growth?

Right-toWork Laws are an Attraction for New Industry and Expansion of Business.

There is growing evidence that Right-to-Work laws are having a favorable effect on industrial development in those States which have such laws. This business expansion has resulted in increased wages and markets. [6]

As a case in point there is the recent location of a $3.5 million industry in Gainesville, Texas Locations in both Oklahoma and Texas were considered.

While the decision was being considered, the Oklahoma Legislature failed to pass a proposed Right-to-Work Law which was pending there, and this tipped the scales in favor of the Texas location.

That this is not an isolated case is indicated by letters from businessmen who are in daily contact with business expansions.

For example, a Texas engineering contracting firm wrote that: "As constructors we have many inquiries from Eastern industries for advice as to plant locations. Almost invariably these industries are fleeing from union despotism in the Eastern States and Texas has gained many more of the migrant industries than such States as Louisiana, for instance, simply because the Texas labor laws give employers some protection whereas Louisiana's do not.

Industrial Development Expert Supports Right - to - Work Laws as a Means for the Midwest to Overcome Its Labor "Black Eye."

Maurice E. Fager, former head of the Kansas Industrial Development Commission and now a consultant to that State agency, has emphasized the favorable effect that Right-to-Work laws have on industrial development.[7] Passage of Right-to-Work laws is one means recommended by him to improve the labor situation in the Midwest.

Do Such Laws Destroy Unions or Hamper Collective Bargaining?

Laws Have Not Stopped Union Growth, but They May Slow It Down.

It is impossible to obtain accurate figures on union membership by States; therefore, no categorical statement on overall union growth in Right-to-Work States can be made. However, letters from businessmen indicate that the Right-to-Work laws have not stopped union growth in their particular businesses. Also, studies by Professor DeVyver of Duke University on Unions in the South indicate that most unions have continued to grow despite the Right-to-Work laws.

It is, of course, probable that union growth might have been faster if it were not for the Right-to-Work laws because they require the union to sell the worker on the value of union membership instead of compelling the employer to force employees to join unions against their will.

Nor Do They Hamper Collective Bargaining.

Right-to-Work laws do not result in abolishing collective bargaining and a return to individual bargaining as has been charged by the opponents of such laws. As Professor DeVyver pointed out as long as the union retains a majority in the plant, it continues as the legal bargaining representative of all the workers under the Taft-Hartley Act. Professor DeVyver adds that in the South, at least, there have been very few NLRB decertifications of unions.

In fact, instead of doing away with collective bargaining, the Right-to-Work laws have helped improve collective bargaining, according to letters from businessmen operating in the Right-to-Work States.

A Texas metal manufacturer put it this way: "These laws have not had any adverse effect on union growth in our company but have been a very great contributing factor in maintaining some *semblance of balance between management and labor.*"

Summary and Conclusions

The results of the Missouri State Chamber survey of the experience of the Right-to-Work States warrant the following conclusions:

(1) Right-to-Work laws really do protect the Right to Work regardless of union membership when either the employer or the worker asks the courts to enforce the law. The extent of violation of the laws varies with industries and areas, but even where the law is being violated, it has improved labor relations. Government officials can rarely be counted on to see that the law is enforced, but the court cases reviewed in the Missouri State Chamber report clearly show that the courts effectively enforce the law and rule out subterfuges when asked to do so by injured parties.

(2) Businessmen operating under State Right-to-Work laws say these laws greatly improve their labor relations in both negotiating and operating and generally make for more peaceful labor relations. This was found to be the case with both highly union organized companies and non-union employers.

(3) Definite evidence was cited which shows that Right-to-Work laws encourage economic growth by providing an attraction for new industry and expansion of present businesses.

(4) That Right-to-Work laws do not destroy unions or hamper collective bargaining is shown by the experience of the Right-to-Work States. What evidence there is available indicates that unions have not stopped growing in the Right-to-Work States, although their growth may have been slowed because the laws require the union to sell the worker on the value of union membership instead of compelling the employer to force employees to join unions against their will. Right-to-Work laws do not result in collective bargaining being replaced by individual bargaining—in fact, they have resulted in improved collective bargaining by making for a better balance between management and labor.

5 See W. R. Brown, "State Legislative Protection From Violence and Coercion," CCH Labor Law Journal. Dec. 1953 (available in reprint form from Missouri Chamber).

6 "The Relation Between State Right to Work Laws and Economic Growth," (Missouri State Chamber of Commerce *Research Report* No. 25, Nov. 18, 1954) gives wage and retail trade statistics.

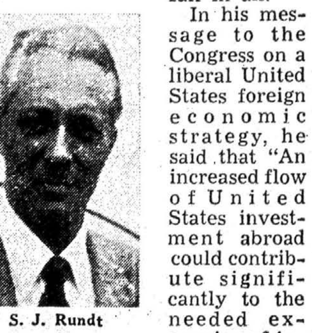
7 Statements made to a class in Industrial Development at the 1953 sessions of Southwestern Institute for Commercial Executives at Dallas, Texas.

Our Private Foreign Investments

By S. J. RUNDT
Export and Foreign Exchange Consultant

Calling attention to pending legislation in Congress to liberalize the tax laws so as to encourage private investment abroad, Mr. Rundt points out American private capital invested in foreign lands has to be freed from the double tax burden if this is to be accomplished. Reveals U. S. direct private foreign investments between 1940 and 1950 have doubled and now have reached a peak of $16 billion. Lists a number of factors inhibiting American capital from going abroad, and finds relief proposed in new tax measure is inadequate and largely nugatory.

President Dwight D. Eisenhower told the world that "if we fail in our trade policy, we may fail in all."



S. J. Rundt

In his message to the Congress on a liberal United States foreign economic strategy, he said that "An increased flow of United States investment abroad could contribute significantly to the needed expansion of international trade. It also could help maintain a high level of economic activity and employment in the United States." The Chief Executive added that "such investment contributes to the development abroad of primary resources needed to meet our ever-increasing needs while it helps to strengthen the economies of foreign countries."

Mr. Eisenhower stressed that, together with the curtailment of U. S. public aid, the furtherance of currency convertibility and the expansion of world trade, he considered the encouragement of private American overseas investments a pillar of his Administration's platform. To this end, he re-emphasized that "we must help to close the dollar gap by expanding our foreign investments and trade."

Specifically, the President asked that taxation of business income from foreign subsidiaries or from segregated foreign branches which operate and elect to be taxed as subsidiaries be 14 points lower than the regular corporate rate. He also demanded that the definition of foreign taxes be broadened which may be credited against the U. S. income tax. Moreover, he asked for the removal of the over-all limitation on foreign tax credits. Furthermore, he proposed that the flow of private American investments abroad be given full diplomatic support so that other nations may accept and understand the "prerequisites for the attraction of private foreign investments."

Finally, President Eisenhower suggested that the Congress consider the desirability of widening the existing authority within the frame-work of the Mutual Security program to guarantee against losses on new investments abroad, so as to cover losses caused by war, revolution and insurrection.

In conclusion, he said it "should be made clear (to other nations) that foreign laws or established business practices which encourage restrictive price, production or marketing arrangements will limit the willingness of U. S. businessmen to invest abroad and will reduce the benefits of such investment to the economies of the host countries."

Throughout, the President followed the recommendations of the bipartisan, mixed Congressional-free-enterprise Randall Commission on Foreign Economic Policy. His requests were also endorsed as "in general agreement" with the policies adopted by the Chamber of Commerce of the United States, according to Mr. Richard L. Bowditch, its President.

Moreover, the Chief Executive's major policy presentation toward a specific legislative program, as regards a reduction of U. S. taxes on earnings accrued abroad to American investors has been approved by the House Ways and Means Committee. Under the chairmanship of Representative Daniel A. Reed (Rep., N. Y.), a protectionist, it was agreed that direct foreign investments by U. S. firms willing to shoulder a risk outside our country, should be promoted by a decrease of such corporate imposts from 52% to 38%. The measure has passed the House. This appears to be one of the few incentives to greater private participation in overseas ventures likely to pass the Congress in the nearer future. The way for its passage had also been paved by the President in his Budget Message.

The Senate Finance Committee has for some time deliberated regarding an overall internal revenue reform bill of which a liberalization of foreign investment taxes is a part. Secretary of the Treasury George M. Humphrey, among many others, has already been questioned about certain inadequacies of the bill. What the New York "Times" termed "vagueness," "loose draftmanship" and "ambiguous phraseology" have become apparent.

Unfortunately, there is a joker in the forthcoming 14 point concession. As this is written, it will not be valid for the dividends of foreign corporations nor for the yield of wholesale, i. e., trading, concerns among the overseas branches of American firms. The tax reduction in its present form is only applicable to profits accrued by factories, mines, wells and — of all things! — by retail establishments "or similar business in a foreign country." Thus, exports from the U. S. which normally are the trail-blazers for subsequent industrial investments, would by no means benefit. Nor would the many subsidiaries of American concerns which are commercial rather than producing or exploiting enterprises gain any — and naturally not retail outfits. Yet, such purchasing or distributing and trading branches are again the very type of branches and subsidiaries which normally precede the establishment of factories because they are the vanguard which prepare the foreign market which creates the demand for our sort of merchandise. Therefore, the incentive about to become reality (limited as it is in percent!), in its original form, is not too likely to achieve its avowed aim.

Above all, it would not undo the injustice of double taxation. American firms with overseas establishments would continue to operate under a distinct handicap vis-a-vis native enterprises or those of other nations which do not elect to tax the foreign branches and associate firms of their own citizens.

Regrettably, this is not the only inadequacy of the projected reformation of foreign investment taxes. All concerns which are to benefit from the measure in its present draft form, will have to comply with most inflexible and absurd provisions. At least 90% of foreign income to be granted the 14 point reduction must have been derived from a specific kind of gainful operation. Moreover, a minimum of 95% must originate from sources outside this country; and only a maximum of 25% of gross income can be earned as a result of sales of foreign-produced items intended for sale, use or consumption in the U. S.

The last-mentioned limitation is clearly in the category of protectionist measures. How the average American overseas branch or subsidiary can comply with such rigid provisions is more than uncertain. As a rule, very few would qualify for the tax reduction because manufacture, import, processing, assembling, servicing, sales abroad and to the U. S., distribution on a wholesale scale and trading in general are so intertwined and inseparable that it will be impossible in most cases to segregate them in order to qualify for the lower tax rate. Any attempt to do so could only result in aggravated operational inefficiency.

To what degree the Senate will rectify these unfair provisions of HR 8300, the revised omnibus Internal Revenue Code as presently drafted, remains to be seen. In terms of Federal income, the sections pertaining to foreign earnings represent the bill's third highest revenue loss, totaling almost $150 million.

In one respect, however, the inadequacies of the bill as it looks at this time of writing, are not expected to be dealt with. No relief for the American overseas investor is anticipated, no special inducements are likely to be offered, as regards the revision's "per-country limitation." The latter hits some U. S. concerns with interests abroad even more than the previously outlined injustices of the projected tax legislation.

The hodgepodge of rules laid down mainly in 1918, 1921 and 1932, governing the applicability of tax credits in this country for imposts paid in other countries, in all likelihood will continue to be on the books. The intricacies of these regulations which have plagued our overseas investors for more than three decades cannot possibly be detailed in one article. It may, however, be said in summation that they definitely block the flow of private funds from our shores to others. This is especially true where larger American firms are forced to operate their various establishments in different countries abroad as if they were non-connected, and even more so, in instances where new investments abroad are penalized as long as they operate at an initial loss. Beyond that, our present legislation, in many cases, discriminates against Americans operating only in one country vis-a-vis those established in several.

It may be added that the Tenth Inter - American Conference of Caracas committed the 20 represented New Hemisphere republics to strive toward ultimate abolition of double taxation by degrees but, unfortunately and not without U. S. official persuasion, the resolution permits far-reaching latitude.

Some Foreign Concessions

The United Nations Economic and Social Council, in a special report, found that investments abroad have become easier, or, at least, that their status has been clarified—admittedly not always to the investors' advantage. In India, for instance, a rather typical "underdeveloped area," General Motors had to close its plant because, in the wake of progressively tightening regulations, its operation had become unprofitable. Investment laws of varying trends have recently been passed by Argentina, Chile, Colombia, Egypt, Iran, Israel, Japan and Turkey, according to the summary. While some nations have lately restricted their preconditions, Colombia, Peru, Israel and the countries of the Arabian Peninsula have eased their specifications, i. e., made concessions. But to what avail?

Obviously, American private capital has to be completely liberated from the double burden of U. S. as well as foreign taxation, if it is to go abroad and compete with enterprises subject only to payment of local revenues.

This is the more the case, if the export of private funds from this country is to be a basic ingredient of U. S. world leadership, a cornerstone of our platform designed to help cement resistance by our friends and allies to Communist encroachment.

Since 1945, we have dispensed some $40 billion in governmental foreign assistance of all sorts. This expenditure was responsible for about 15% of our record tax burden during the postwar years. If we are to terminate the grants, and if trade is to take the place of aid, more non-public American money will have to be enticed to venture abroad than has in the past. It will have to help establish capital markets in areas still unable to do so by themselves and, therefore, continually dependent upon outside assistance. To invest private funds abroad is in our enlightened self-interest in as much as it furthers western solidarity and cohesion and because it can be good business.

U. S. Foreign Investments At Peak

To be sure, between 1940 and 1950, our direct private foreign investments have doubled. Between 1946 and 1951, some $630 million went abroad each year; U. S. citizens collected $1.2 billion annually from foreign investments. Approximately half of their earnings were reinvested abroad.

Between 1950 and 1953, our capital exports grew by 30% or $3.2 billion. In 1952, they totalled $1.7 billion. During 1953, our foreign investments probably amounted to somewhat less but apparently were still above the yearly postwar average.

By now, our aggregate direct private investments abroad have reached an all-time peak of around $16 billion.

And yet, we invest overseas less than 4% of what we invest at home. Moreover, a generation ago, when Great Britain, as the then foremost creditor nation, was in our shoes, her business concerns invested yearly beyond her boundaries 2½% of her national income. We, today, invest outside our country only one-third of 1% of our national income.

If we, constituting but 7% of the global population, albeit producing more than half of the world's goods, were to invest overseas 1% of our national income (less than half the percentage Britain did when she held uncontested leadership), some additional $2 billion annually would go to work abroad. Of this amount, a substantial portion would flow to less developed areas where Communism represents the most acute peril.

Nevertheless, the present picture is not altogether discouraging. Our direct foreign investments after the past global conflict, are considerably above those of the years following World War I, even if one makes adjustments for the difference in real monetary values.

At present, 25% of all U. S. imports come from enterprises abroad which are owned by Americans. Between 1946 and 1951, 33% of all incomes earned by United States enterprises located abroad were derived from sales to the U. S. market. In turn, the countries where our establishments operate, collected about $1 billion in imposts from American-owned enterprises. Thus, much of our exported capital contributed to raising our domestic standard, represented material assistance to the treasuries as well as the over-all economies of friendly nations —and, at the same time, was highly profitable to the American investors.

About 70% of our direct foreign investments went to the Western Hemisphere, $4.6 billion of them to Canada, where, in 1951, nearly 1,000 of this country's 2,500 foreign investors participated in the boom.

Americans have sunk about $1.2 billion in Venezuela, $1 billion in Brazil, $700 million in Cuba and some $600 million in Chile.

In some of our Latin American investments, we were admittedly not very fortunate. U. S. property was expropriated by extremist regimes. In Argentina, our capital has for the most part yielded no returns in several years.

More than $2 billion in American money is now invested in Europe, fully half of it in the United Kingdom where a momentous growth of U. S. private capital reflects our regard for Britain's credit rating. A comparably sharp rise in direct American investments is being registered in the Netherlands and their increase, of late, in Western Germany is also noteworthy.

In 1929, our European direct private investments totalled $1.35 billion; they dropped during the depression years and reached a low of around $1.25 billion in 1936; by 1943, they had again risen to $2 billion. Five years after V-E Day, they were down to $1.72 billion, but in the past three years they went up by more than 20% and continue to climb. Up to 1950, the most noteworthy decline was registered in Germany, Spain, Austria and Italy. Since then, especially Western Germany is receiving increasing American funds from private sources.

In the Middle East, American private direct investments have passed the $800 million mark.

Manufacturing Chief Field of U. S. Private Investment Abroad

If our direct foreign investments abroad are categorized by fields of endeavor, manufacturing enterprises lead as a group. Total U. S. dollars sunk abroad into industrial plants, in 1950, amounted to $3.8 billion. Two years later, they totaled $4.9 billion. They have by now reached and surpassed the $5 billion level.

The book value of foreign investments made by American petroleum concerns is now close to $5 billion, having risen some 30% in the past four years, or better than doubled since the outbreak of World War II.

American mining interests have invested in excess of $1.5 billion in their foreign ventures, or 30% more than was the case in 1949.

American investments in foreign transport and communications enterprises, already in 1950 accounted for $1.4 billion. Our commercial ventures on foreign soil were worth $760 million, and American insurance companies had a stake valued at $425 million outside our borders.

The Chamber of Commerce of the United States is asking for more protection of American overseas investments. Our capital in many instances is given unfair treatment by certain other nations.

Factors Discouraging Private Foreign Investment

In the following are listed the various factors inhibiting American capital from going abroad. Most of them have been so labeled by the National Association of Manufacturers, the National Foreign Trade Council and Government spokesmen. Not necessarily in the order of their global applicablity, they are: (1) world-wide uncertainties and fear of armed conflict; (2) internal political instability in some countries; (3) inflationary dangers and adverse economic conditions prevailing in others; (4) currency restrictions; (5) trade barriers such as import controls, export limitations, discriminatory duties and protective customs curbs; (6) nationalism as revealed in autarchic experimentation; (7) trends toward nationalization and expropriation; (8) discrimination against American investors through foreign government subsidies granted to native businessmen, officially-backed cheap bank credits offered to resident enterprises and publicly-supported development projects of a competitive kind. (9) Above all, however, the NAM lists the opportunities in this country which afford American investors comparative safety and reasonable expectation of adequate returns.

Secretary of the Treasury George M. Humphrey insisted that the Export-Import Bank cut its lending. And he suggests that "The American Government must make it clear to countries who endeavor to obtain loans that they must apply to private investors, as American taxpayers' money will not be indefinitely at the disposal of (foreign) government banks."

The more public U. S. moneys are used to assist the underdeveloped nations, for instance, the less will such countries be impelled to pave the way for conditions likely to be palatable to private American investors. Thus, it seems, any reduction of official U. S. investments would tend to place the countries requiring capital in a position where they will either have to do without or where they would have to bring about under their own power an economic and political climate which can attract private funds.

This thought has been elaborated by proposals to the effect that the United States offer friendly nations tariff concessions and, in return, demand that such favored nations afford American investors the same rights as are enjoyed within their territory by resident firms. In other words, unless we accommodate foreign interests by facilitating their exports to the U. S., it seems unlikely that some nations will create a more conducive atmosphere for our private investments.

Governmental Insurance Programs

As previously indicated, there exists a Governmental insurance program for U. S. investors which offers some guarantees against the risks entered into on foreign soil. It is, however, perhaps not overly enticing because, in the final analysis, it attempts to make up for the very attitude of other nations now obstructing free investments. Or, to put it plainer, our own Government has embarked upon a scheme designed to remove what only other governments can do away with.

Perhaps as never before, Americans have the liquid funds and are in a frame of mind to try their luck outside the familiar homeground. But American capital insists on safety, equality in competition and the certainty that earned profits can be repatriated at will. In one sentence, American investors want economic freedom.

These demands will have to be met if more private dollars are to venture beyond our frontiers. Our own authorities may have to exert some influence to bring about equitable conditions for our foreign investments. Beyond this, the foreign countries eager to welcome American capital will have to be more vocal, more lucid and more convincing in their invitations. They will have to offer not only opportunity of earnings but also pledges of greater security, liberty of initiative and enterprise.

As Secretary of State John Foster Dulles told the Caracas conference, one cannot force private capital to go abroad. "It has to be attracted. Therefore the decision rests with you."

In this connection, as also with regard to our own trade barriers and the instability of the U. S. tariff, the words of an eminent last-century historian and statesman come again to mind, and their implications may once more serve as a warning. Lord Macaulay said that "Free trade, one of the greatest blessings which government can confer on a people, is in almost every country unpopular."

Frank Fisk Joins Garrett & Company

DALLAS, Texas—Frank Fisk has joined Garrett and Company, Fidelity Union Life Building, as head of their recently established oil and gas evaluation division. Mr. Fisk is also President of of Subsurface Studies, Inc. He is a graduate of the University of California. Prior to the war he was a geophysicist in Egypt for Socony Vacuum. During the war he served as Lt. Commander with the U. S. Navy in charge of Naval Reserve Program No. 4 at Point Barrow, Alaska.


Frank Fisk

Since the war he has been Vice-President of Exploration Surveys, Inc. and had charge of geophysical programs in Ecuador, Brazil, Uruguay and other South American countries. He has worked extensively in the oil areas in Texas, including the Gulf Coast; also Oklahoma, Arkansas, Louisiana and New Mexico.

Mr. Fisk's most recent work was in Cuba where he recommended the location of the recent 250 barrels a day discovery well in central Cuba, the first major production in that country.

FHLB Notes Offered

Public offering of two new issues of non-callable notes of the Federal Home Loan Banks totaling $115,000,000 principal amount was made on May 6 by the Home Loan Bank Board through Everett Smith, fiscal agent of the banks, with the assistance of a nationwide group of securities dealers. The issues consist of $55,000,000 of 1.15% series E-1954 consolidated notes, dated May 17, 1954 and due Sept. 15, 1954, and $60,000,000 of 1.30% series A-1955 consolidated notes, dated May 17, 1954 and due Jan. 17, 1955. The issues were priced at 100%.

The notes are the joint and several obligations of the Federal Home Loan Banks and are legal for investment by savings banks, insurance companies, trustees and other fiduciaries under the laws of many states.

Proceeds from the sale of the notes will provide funds for retiring $104,000,000 of outstanding 2.10% series D-1954 consolidated notes on maturity on May 17, 1954 and for making additional credit available by the Federal Home Loan Banks to their member institutions.

Upon completion of the financing, outstanding consolidated note obligations of the banks will total $115,000,000.

Hot Money in London

By PAUL EINZIG

Dr. Einzig calls attention to the inflow of foreign short-term funds to London, which he notes is due to high level of interest rates and growing confidence in the pound sterling. Points out a sudden withdrawal of these funds, may cause difficulties, and ascribes large increase in Sterling Area gold reserve during March to this inflow of "hot money."

LONDON, Eng.—The inflow of foreign short-term funds to London is becoming a problem of some importance. It is due to the relatively high level of interest rates, and to the growing confidence in the prospects of sterling. But speculative anticipation of a rise in Stock Exchange prices in general, and of the quotations of Government loans in particular, provides an additional attraction of funds from overseas. Up to now the extent of the inflow has not been acutely embarrassing. But the authorities have to reckon with a gradual increase in the volume of short-term balances subject to sudden withdrawal.


Dr. Paul Einzig

There are several reasons why Mr. Butler, Chancellor of the Exchequer, wishes to maintain the bank rate at its present high level, in spite of recent bank rate reductions in the United States and elsewhere. The view is held that, even though much of the postwar inflation has been mopped up during the last two and one-half years, some of it is still in existence. It is felt that any relaxation of credit control would result in a resumption of the rising trend of prices. In any case it is feared that the wages increases which have been granted, or are about to be granted, will affect Britain's competitive capacity in the world markets. If, in addition to this, domestic demand were to be inflated through easier money, British exporters might find themselves gravely handicapped in international competition. An expansion of the domestic demand for their goods might induce them, therefore, to relax their efforts to maintain and increase their sales abroad.

Moreover, Mr. Butler is anxious to avoid doing anything that would discourage saving. Even though it has become fashionable to say that interest rates are of secondary importance as an incitement to save, this view is not shared in official circles.

The attraction of the maintenance of a high level of interest rates would not be so effective were it not for the strong confidence in the position and prospects of sterling. This confidence has a two-fold result. It induces many people abroad to keep sterling balances without covering the exchange risk by forward exchange operations. And even many of those who feel that, with the sterling-dollar rate in the close vicinity of its upper limit of $2.80, it is risky to hold uncovered sterling, they are willing to take that risk in the hope that the Government may decide to widen the existing margin between the upper limit and the lower limit. This would make it possible for sterling to rise above $2.80.

Many of those who have transferred money to London in recent weeks have not been interested in the fractional differences offered by interest arbitrage. Their aim is to benefit by the rising trend on the Stock Exchange. They have based their operations largely on the assumption that the bank rate would be lowered in the immediate future, and that this would result in a sharp rise in Government loans and in other sections of the Stock Exchange.

It seems probable that this inflow of "hot money" was largely responsible for the unexpectedly large increase of the Sterling Area gold reserve during March. If so the gold figures are apt to convey an entirely misleading impression. Sterling's position is not stronger if for each £1 million of additional gold there is an addition of £1 million to Britain's external short term liabilities. Foreign balances are subject to withdrawal at very short notice, and the increase in their size is a source of weakness. It is possible to visualize a number of causes that might induce foreign holders to withdraw their funds. If, and when, that should occur there would be a loss of gold, conceivably at the wrong moment when it is liable to cause the greatest degree of inconvenience.

The unduly favorable picture conveyed by the increase of the gold reserve is in itself calculated to produce results detrimental to the inherent strength of sterling. It is likely to encourage wages demands on the ground that the workers want to share in the growing prosperity of the country as indicated by its increasing gold reserve. Higher wages would cause a deterioration of the balance of payments. This would mean that Britain might lose her newly-acquired gold even before the inflow of foreign funds becomes reversed.

It is a pity that the monthly publication of changes in the gold reserve should be allowed to present such a one-sided and misleading picture. In order to arrive at the true picture it would be necessary for the Treasury to indicate the changes in overseas holdings of sterling. Even that would not be sufficient. Changes in stocks of imported commodities are an important factor. If an increase of the gold reserve by £10 million coincides with a decline in such commodity reserves by £20 million there is no cause for rejoicing.

Gratifying as the evidence of worldwide confidence in sterling may appear to Britain, it is certainly not an unmixed blessing. Paradoxical as it may sound, a country can ill afford to have a currency which enjoys a high degree of confidence unless its technical and fundamental position justifies the confidence. Otherwise it might easily become a source of difficulties.

Gilbert Gardner With Doremus in New York

Gilbert Gardner, former Chicago newspaper man, has joined the New York news department of Doremus & Company, 120 Broadway, New York City, advertising and public relations firm.

In Chicago, Mr. Gardner was correspondent for the New York "Journal of Commerce," the Fairchild Publications, and did free lance publicity and trade publications reporting for a variety of business publications. He also worked for the Chicago "Herald American" and "Sun Times."

Auerbach, Pollak Admit

S. Paul Kramer will be admitted to partnership in Auerbach, Pollak & Richardson, 30 Broad Street, New York City, members of the New York Stock Exchange, on June 1.

Tax Reduction and a Balanced Budget—Twin Objectives

By ROWLAND R. HUGHES*

Director, Bureau of the Budget

Asserting the present Administration's determined purpose is to make further reductions in taxes, but only as far as justified by prospective revenues and expenditures, U. S. Budget Director points out menace of unbalanced budgets and their impact on dollar deterioration. Calls for an enlightened and positive public opinion which will resist demand for unwise, hasty, and extravagant action in tax and budgetary matters and looks for more and sounder progress in relieving individual citizens of their tax burdens.

The Administration took office on a platform which stressed that reduced government spending, reduced taxes, and a balanced budget were not only necessary for the Nation's welfare but could be achieved coordinate with improved national security and well being. Since last spring, therefore, a very substantial share of our attention has been directed to bringing the Federal budget under control.

Rowland R. Hughes

The inherited budget problem was a staggering one.

The Federal budget had been balanced in only three of the 20 fiscal years ending in 1952; as a result, the national debt had increased twelve-fold in two decades and the purchasing power of the dollar had declined by nearly one-half.

The budgets for the fiscal years 1953 and 1954, which had been transmitted to the Congress before the new Administration took office, called for further deficits in each of those two years.

Appropriations authorized by Congress from fiscal year 1950 through 1953, plus those requested in the 1954 budget, provided for expenditures exceeding by over $95 billion the estimated revenues of the same five years. This meant an enormous overhang of COD goods on order, which would have to be paid for on receipt. However, at the same time Congress was authorizing this backlog of expenditures, tax expirations were written into the law which would lower government income in peak expenditure years by up to $8 billion annually.

Finally, legislation enacted since 1933 had provided for a large number of fixed charges against the government for domestic purposes, such as farm price supports, veterans' benefits, and grants to State and local governments. The effect of this costly trap of automatic expenditure requirements was to make about a fifth of the budget subject to only very limited control in any one year, and also to lead to situations in which unexpected demands under these mandatory expenditures could cancel hard-won savings elsewhere.

The Legacy of Previous Years

Reducing this legacy to simple terms, Mr. Joseph M. Dodge, the former Director of the Bureau of the Budget, has likened the government's situation, when the new Administration took office, to the status of a family that had consistently lived well beyond its means; had five years of real adversity (related to World War II); had only three times in 20 years provided itself with more income than it had spent; had acquired a debt over four times its yearly income; owed more than a year's income on COD's that would have to be paid for on delivery; normally had about one month's living expenses in the bank; had relatively little margin before reaching a fixed limit on its borrowings; was aware of an impending 10% reduction in its income; and had no immediate plans for changing its habits.

As you will appreciate, regaining control of the budget under these conditions is an extremely difficult task. The wealth and resources of our nation and its people are the envy of the world, our desires are substantially unlimited, and most existing and proposed projects have some degree of merit. There are other important considerations, such as the need to maintain an adequate defense, the possible disturbing effects on the economy of action which is too abrupt, and the existence of large areas of human welfare which have been so interwoven into government expenditures as to be continually dependent upon them. It is obvious, however, that we cannot permit ourselves the luxury of perfection or provision for all contingencies. The difficult question, therefore, is what services and activities should be carried on by the Federal Government and on what basis. When we get to that point we encounter the habits encouraged over the past two decades and the pressures which have been built up behind the discovery of how much can be done to benefit a particular group or area as a result of persuading the government to finance it from taxes levied on all the people.

As we move into the problem we find that everyone is righteously for government economy—in the abstract. But it is too often assumed that economy should always begin somewhere else and not affect the projects of a special interest or locality. It is admitted, of course, that expenditures should be reduced, the budget should be balanced, and taxes should come down—but nevertheless proposals for government spending too many times are tagged as "having merit" or "being in the public interest." Denial or retrenchment always brings charges of "false economy" or something worse.

Demand for Tax Reductions

As the reverse side of the coin, there is the continuing demand for greater and greater tax reductions. The Administration is anxious to have taxes reduced as fast as that can be done—without building up inflationary deficits and adding still further to the fearsome legacy of debt we are turning over to our children. It is our conviction, however, that reductions in tax rates must be related to reductions in government expenditures. Expenditure rates govern and determine tax requirements. Expenditures which are not paid for by tax revenues can, in the end, be paid for only by a far more insidious type of taxation—by inflation. It is our determined purpose to make further reductions in taxes—but only as rapidly as those reductions are justified by prospective revenues and reductions in expenditures. As President Eisenhower emphasized recently, it is the Administration's conclusion that the budgetary situation does not justify large additional tax reductions at this time. As we continue in the future, however, to reduce and eliminate the less desirable or the unnecessary government expenditures, it will become possible to turn to other purposes which are the most desirable in terms of their benefits to all of the people. These purposes certainly include our twin objectives of balancing the budget and further reducing tax rates.

How the Administration has met the challenge of its fiscal inheritance and how its basic philosophy has been put into practice is illustrated by the three budgets with which is has been concerned to date. We have proceeded on the principle that when costs are not an issue expenses will multiply, and when costs are made an issue savings will multiply. Costs have been made an issue for the first time in many years and will remain an issue.

Fiscal year 1953—the year ending June 30, 1953—was in its last few months under the budget enacted by the previous Administration when the new Administration assumed office. In the last five months of the fiscal year the new Administration effected expenditure reductions of well over a billion dollars as contrasted to the estimates of the previous Administration, although these reductions were cancelled out in reported results by unexpected expenditure increases, notably a $1.1 billion increase in mandatory expenditures for farm price supports.

The fiscal year 1954 budget had been presented to the Congress before the new Administration took office; in consequence, the revisions which could be made in the few short months prior to the opening of the 1954 fiscal year last July 1 were necessarily limited. However, current figures indicate that requests for new appropriations were reduced about $12½ billion dollars and expenditures about $7 billion below the totals estimated for the 1954 budget by the previous Administration. Furthermore, as contrasted to the $10 billion deficit for the year estimated by the past Administration, it is now estimated that the fiscal year 1954 deficit will be held to $3⅓ billion, even though budget receipts will be less than estimated when the budget was prepared a year ago.

Budget for the Fiscal 1955

The budget for fiscal year 1955—which begins this coming July 1—was submitted to the Congress on Jan. 21 and is the first "Eisenhower Budget." It proposes expenditures of $65½ billion, receipts of approximately $62½ billion, and a budgetary deficit of a little less than $3 billion. In summary, this means that the request to Congress for spending authority has been reduced $15½ billion and estimated annual expenditures have been reduced $12⅓ billion since this Administration took office. Put in simpler terms, this is a reduction of almost 20% in proposed budget expenditures—from $486 for each man, woman and child in the nation down to $404, a reduction of $82 per capita.

To understand the budget at all, it has to be greatly simplified; perhaps the easiest way of describing it is to discuss the three principal categories of expenditures: (1) national security; (2) relatively uncontrollable major programs; and (3) all other government programs. National security programs require approximately 70% of all government expenditures; the relatively uncontrollable programs slightly over 20%; and all other government activities about 10%.

Take the middle 20% category first—those expenditures which are, by law, relatively nondiscretionary and depend largely on factors outside the annual budgetary process, such as matching grants to states, veterans' benefits, farm price supports, and the like. In fiscal year 1955 about $14 billion will be required to support these mandatory programs, about the same as now estimated for this year and about $800 million less than similar expenditures in 1953. Unless basic legislation is rescinded, there are few opportunities for further savings here.

Budget expenditures for the category of "other government activities" have been reduced about 25% over the last two fiscal years. This category includes the numerous day-to-day operations of the government, such as law enforcement and administration, the postal service, tax collection, and the cost of direct civil public works.

Expenditures for major national security program—for the military functions of the Department of Defense, the mutual military program, atomic energy, and stockpiling of strategic materials—comprise the remainder of the budget. The inescapable fact is that any way you analyze the budget, the final status in dollars primarily will depend upon the needs and the cost of our national security programs. Our endeavor is to place our defense establishment on a basis on which it can be maintained for an indefinite period of time without endangering our economic health. As President Eisenhower has pointed out: "Our military strength and our economic strength are truly one—and neither can sensibly be purchased at the price of destroying the other." The question is what kind of a defense structure can be reasonably effective under present circumstances, will be economically bearable, and can be maintained, if necessary, over a relatively long period of time.

Proposed reductions in major national security expenditures in 1955 represent the largest single element of reduction from the current year's level of expenditures. However, while the total is down and the expenditures for some programs in this category will be reduced, others will be increased. The Atomic Energy Commission and the mutual military program, for example, in the President's budget recommendations, will be at the highest levels since the initiation of the two programs.

Expenditures in the principal security category — the Department of Defense itself—will be less in total than in 1954, but once again the expenditure reductions are selective, reflecting a dynamic long-range plan recommended by the Joint Chiefs of Staff. We will spend more on our air power next year than in any year since World War II. We will spend more on continental defense than in any year in our history. Other reductions in defense expenditures have not resulted from a meat-ax approach. They have resulted in part from a new concept for planning and financing our national security program. Our military planning in previous years had been based on several successive assumed fixed dates of maximum danger, which were extended from time to time with procurement and personnel plans focused to achieve maximum readiness by each such date. This budget is aimed instead at providing a strong military posture which can be maintained successfully over an extended period of uneasy peace. Expenditure reductions have also resulted from taking into account the most effective application of our growing number of nuclear weapons; to an important degree from improved management and better balanced procurement; and from the termination of active hostilities in Korea. As the result of such savings as these, we hope rapidly to move from the crisis atmosphere of past years into a period which can see sustained defense made compatible with a continuing approach to a normal prosperous economic life.

Task Requires Teamwork

A point I wish strongly to emphasize is that this fiscal and budget task is one which requires teamwork. There are three distinct parties to it: the Administration, of course; the Congress, definitely; but the public—the citizen—is equally important. How much can be done by the Administration and the Congress is primarily dependent upon the support of public opinion.

The Administration is convinced that the 1955 budget is a sound budget, and one which meets the Administration's pledges of efficiency and economy—consistent with national security and the valid and necessary functions of government.

In last analysis, however, our budgetary policies must be backed by an enlightened and positive public opinion, which recognizes the need for resisting demands for unwise, hasty and extravagant action. To the extent that you, as citizens, can assist us in developing that kind of support for doing the things necessary to reduce expenditures and to maintain revenues, you will help immeasurably in supporting sound fiscal policies.

Now, in summary, when President Eisenhower took office a year ago, he promised the Congress and the people that his Administration would seek to chart a fiscal and economic policy which would reduce the planned deficits and bring the budget into balance as rapidly as our national security and well being will permit.

He warned that this would not be easy. There still are heavy national security requirements. Substantial expenditures are by law relatively non-discretionary. The far-reaching activities of the Federal Government are extremely complex.

Despite these inherent difficulties, we have not only stemmed but have turned the tide of colossal spending and mounting taxes. The $12 billion reduction in proposed expenditure programs effected since inauguration day is the greatest reduction in proposed government expenditures in any comparable period in our history. The $7 billion reduction in taxes anticipated this year—made possible by these reductions in Federal spending—will be the largest single tax reduction in any one year in American history. We have, nevertheless, made appropriate provision for our national security and for our international obligations and we have been able to propose certain increases in Federal expenditures to advance our domestic well-being and to foster economic growth.

As the President emphasized in his budget message, by using necessity—rather than mere desirability—as the test for our expenditures, we will continue to reduce the share of the national income which is spent by the government. We are convinced that more progress and sounder progress will be made over the years as the largest possible share of our national income is left with individual citizens to make their own countless decisions as to what they will spend, what they will buy, and what they will save and invest. Government must play a vital role in maintaining economic growth and stability. But we believe that our development, since the early days of the Republic, has been based on the fact that we left a great share of our national income to be used by a provident people with a will to venture. Their actions have stimulated the American genius

*An Address by Director Hughes at the Finance Luncheon of the 42nd Annual Convention of the Chamber of Commerce of the United States, Washington, D. C., April 27, 1954.

for creative initiative and thus multiplied our productivity.

The new budget proposes that such progressive economic growth will be fostered by continuing emphasis on efficiency and economy in government, reduced government expenditures, reduced taxes, and a reduced deficit. The reduced request to Congress for new spending authority promises further that, barring unforeseen circumstances, the budgets which will be recommended in the future will be directed toward the same objectives.

We firmly believe, therefore, that this budget represents a plan of government which will not only protect our way of life but will also strengthen our economic base and enhance the welfare of all our people.

Shields Group Offers Keystone Portland Cement Common Shrs.

Shields & Co. headed a group of investment bankers which on May 11 offered publicly 330,296 shares of $3 par value common stock of Keystone Portland Cement Co. at $15.37½ per share.

The net proceeds from the sale will be received by the selling stockholders and no part thereof will be received by the company.

Shields & Co. earlier this year headed a group of nine other investment banking firms which purchased 60% interest in the company.

On April 21, 1954 the sole capitalization consisted of 545,736 shares of $3 par value common stock, the stock issued having been split 4 for 1.

In 1953 the company had net income of $808,394, equivalent to $1.48 per common share, compared with 1952 net income of $748,406 or $1.37 per share. In both years, per share earnings are adjusted for the 4 for 1 split. Sales in 1953 were $6,491,524 against $5,945,851 in 1952.

For the two months ended Feb. 28, 1954 the company had sales of $553,000 and net income of $74,000 compared with unaudited sales and net income of $654,000 and $71,000 respectively for the corresponding period in 1953.

The company has been in business for more than 25 years and is primarily engaged in the manufacture and sale of Portland cement. The cement company's quarry and manufacturing plant are located near Bethlehem, Pa.

Baltimore Bond Club Outing June 4th

BALTIMORE, Md. — The Annual Outing of the Bond Club of Baltimore is scheduled for Friday, June 4, 1954 and will be held at the Elkridge Club in Baltimore. Festivities will begin at 1:00 p.m. with the Annual Golf Tournament, tennis and an outside bar. The popular "Stock Exchange" will take place at 4:30 p.m., and dinner at 7:30 p.m. will top off the evening's activities. Guests from New York, Philadelphia and Washington are expected to attend.

W. Wallace Lanahan, Jr., of Stein Bros. & Boyce, is Chairman of Arrangements and Committee members are: E. Clinton Bamberger, Baumgartner & Downing; C. Prevost Boyce, Stein Bros. & Boyce; Carter Hoffman, Mead, Miller & Co.; Jack A. Kolscher, George G. Shriver & Co.; Joseph Sener, John C. Legg & Co.; Clinton P. Stephens, Alex. Brown & Sons; William S. Warner, Stein Bros. & Boyce; S. Bonsal White, Alex. Brown & Sons; and William O. Schach, Merrill Lynch, Pierce, Fenner & Beane.

Savings Banks and Common Stocks

By ALFRED J. CASAZZA*

Vice-President, Savings Banks Trust Company, New York City

Mr. Casazza, commenting on privilege granted two years ago to New York savings banks to invest in common stocks so as to obtain a higher return on investments, discusses methods for minimizing dangers inherent in common stock investments and describes the organization of the Institutional Investors Mutual Fund, Inc., created for this purpose.

Although New York State has had mutual savings banks for 135 years, it was only two years ago that the Legislature granted them authority to buy common stocks. Savings banks are continually seeking to improve the overall return on their earning assets to cover operating expenses, pay satisfactory interest dividends, and to build up surplus and reserves for the protection of depositors. The right to buy common stocks now provides savings banks with a new class of investments offering a relatively attractive return.

Alfred J. Casazza

Stocks Give More Income

A representative group of common stocks today yields around 5%. By contrast, United States Government bonds yield less than 2.75%, high-grade corporate bonds around 3%, and insured and guaranteed mortgages about 4¼% net after servicing charges and acquisition costs.

But yield comparisons do not tell the whole story. Savings banks were made subject to the Federal corporate income tax in 1952. Any savings bank whose surplus, undivided profits and reserves equal at least 12% of its deposits must pay income tax on net income after dividends and franchise tax. However, dividend income received by corporations (including savings banks) is given a tax credit of 85%, excepting dividends from certain public utility preferred stocks. This means that the present corporate income tax rate of 52% amounts to only 7.8% on total dividends received by corporations from stocks, whereas the 52% tax on taxable interest, as from United States Government bonds and from mortgages, cuts the net yield after the tax by more than half. Therefore, savings banks that have to pay the corporate income tax net a much better yield from stocks than from taxable interest income of like amount. And the more that savings banks are able to increase their net earnings, the more their surplus and reserves can be built up to absorb future losses and to margin future growth of deposits.

While the return from common stocks is relatively tempting, these investments involve greater risk of possible loss than do mortgages and bonds. As a holder of common stock, a savings bank has neither the senior contractual position as to principal nor the right to a fixed rate of return that it has as mortgagee or bondholder. Stockholders incur the risks of wide market price declines and reduction of dividends.

Methods for Minimizing Dangers

Savings banks are using three techniques to minimize the hazards inherent in common stock investments.

First, risk is reduced through careful selection and purchase of high quality stocks, favoring those of leading companies in basic industries that indicate satisfactory earnings and dividends into the future. Savings banks now hold common stocks of approximately 200 companies.

Secondly, risk is being reduced by not concentrating purchases at any one time, no matter how attractive the prices may appear to be. Because heavy losses may be incurred by purchasing a portfolio of stocks, even the best of issues, around the top of a boom, when the favorable factors are over-discounted and the unfavorable factors ignored, many savings banks are reducing the timing hazard through the use of the "dollar cost averaging" principle. This calls for the investment at regular intervals, say each month or each quarter, of equal sums in common stocks for a period of years, say five to 10 years in order to include at least one or two stock price cycles. Under this plan a savings bank buys both in strong and in weak markets, and thus averages out the timing risk. Moreover, dollar averaging gives the arithmetical result that the average cost of the equities purchased will be lower than their average price during the period of years in which the plan operates. This is so because more shares are purchased for the same number of dollars when prices are low than when they are high. By spreading the time of acquiring common stocks, the danger of loading up with stocks at prices that subsequent events prove too high is lessened. Through dollar averaging savings banks are using a simple, convenient and practical means of accumulating a common stock portfolio until the legal maximum total amount that may be invested in it is reached.

A third way in which savings banks are minimizing risk in common stock investments is by setting aside each year out of dividend income 1% of the cost of common stocks purchased as a reserve to absorb future losses or cushion depreciation. Any capital gains realized are also added to the reserve.

The savings banks, therefore, are realizing the relatively higher yields available on common stocks by reducing the inherent risks in equity investment in three ways: by careful selection of common stocks purchased; by spreading the timing of purchases; and by means of an equity reserve.

The Legislature was aware of the risks of common stock investment and restricted the purchase of common stocks by each savings bank to an amount equal to only 3% of its assets or one-third of its surplus, whichever is smaller. This means that for all savings banks the total authorized limit of investment in common stocks is around $425,000,000 at the present time. Of this potential, total purchases of savings banks to date have utilized about 10%.

Because savings banks are limited in their investments in common stocks to a maximum of only 3% of assets, it is not economical for each savings bank to set up an organization of specialists for common stock investment.

Institutional Investors Mutual Fund, Inc.

In recognition of the special problems involved and to facilitate equity investment by savings banks, the Legislature authorized them to invest in shares of an investment company owned exclusively by mutual savings banks. The Institutional Investors Mutual Fund, Inc. has been organized and its operations are geared to the particular requirements of savings banks.

The Institutional Investors Mutual Fund, Inc. is an open-end diversified management type of fund organized under the Investment Company Act of 1940, registered with and subject to the regulations of the Securities and Exchange Commission. The policy of the Fund is to keep fully invested in common stocks. However, up to 10% may be held in cash and short-term United States Government securities combined to provide funds for meeting redemptions, or to take advantage of special investment opportunities. A substantially full investment position in common stocks by the Fund is necessary because savings banks intend and expect to invest in common stocks when they purchase its shares.

Stocks purchased are selected by the investment adviser (which is Savings Banks Trust Company under contract) from a list of 190 issues approved by the directors of the Fund. Deletions or additions are made to this Approved List on recommendation of the investment adviser and approval of the directors of the Fund. Sales of securities or changes in portfolio policy recommended by the investment adviser also must be approved by the directors.

The Fund presently holds 67 different stocks representing 18 basic industries. Of these only 20 issues are among the 50 most popular stocks held by the country's investment trusts. This indicates that the selection of stocks for the Fund aims to meet the requirements of savings banks for adequate diversification, maximum income and minimum risk. The Fund varies the proportion of non-cyclical and cyclical stocks from time to time when such action appears warranted. Stocks with growth characteristics are favored for purchase except when market prices necessitate paying too much for future growth of earnings and dividends. Yield is considered very important, but in terms of both current and future return. The average yield on cost of stocks held by the Fund is currently 5.27%.

The Fund offers the following advantages to savings banks:

(1) Continuous professional supervision by specialists in individual issues and industries.

(2) A high degree of diversification is provided each participating bank no matter how large or small because of the pooling together of the funds of many banks.

(3) Economy of operation because expenses are spread over all participating banks. This brings down the cost to any one bank to a fraction of what would be required if the bank were to set up its own organization to do a good job. As the size of the Fund grows, the expense ratio per dollar invested should decline.

(4) The Fund offers a convenient vehicle for dollar cost averaging by savings banks.

(5) Savings banks can buy and redeem shares in the Fund without a "loading" charge.

Conclusions

Savings banks are investing in common stocks directly and through the Institutional Investors Mutual Fund, Inc. to obtain the relatively higher return from equities. The risk involved is being minimized through careful selection, diversified timing and by setting up a reserve out of dividend income.

Because of the specialized knowledge and experience that successful investment in common stocks requires, and in the interest of economy of cost to each savings bank, the Institutional Investors Mutual Fund, Inc. has been set up. Although the Fund is less than a year old, already 65 savings banks out of the 130 in the State have become shareholders in the amount of approximately $8,000,000.

The entire financial community and the private enterprise system have a stake in what the savings banks are doing in the field of equity investments. By providing equity capital to industry they encourage equity financing by corporations, and the resulting freer flow of institutional savings strengthens capital structures of private corporate enterprise.

*An address by Mr. Casazza, at a Conference of the Graduate School of Business Administration, New York University, New York City, March 20, 1954.

J. B. Joseph Partner

J. Bernard Joseph & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange, will admit Astolfo C. Ottolenghi to partnership on June 1.

Public Utility Securities

By OWEN ELY

Pacific Power & Light Company
Mountain States Power Company

The pending merger of Pacific Power & Light Company and Mountain States Power Company has been approved by stockholders and by several state commissions. The consent of the Federal Power Commission is also required, but thus far there has been no opposition to the merger and barring new developments it may be completed within a few weeks. President Paul B. McKee of Pacific Power & Light Company recently addressed the New York Society of Security Analysts and presented a brochure containing *pro forma* figures for the merged company.

The merged company (which will retain the name Pacific Power & Light Company) will have a net plant account of about $155 million, the depreciation reserve being about 14% of gross plant. Combined revenues in 1953 approximated $37 million. *Pro forma* earnings on the common stock for 1953 were $1.65, after deducting 15 cents provision for Federal income taxes deferred; of this amount, interest on construction credit supplied 45 cents a share. Combined earnings for 1954 are estimated by Mr. McKee at $2.08 before provision for deferred taxes resulting from accelerated amortization and $1.42 after that charge.

It is expected that the $1.20 dividend rate on Pacific P. & L. will be continued after the merger and that the two companies will adjust their current payments up to the date when the merger becomes effective. Since each share of Mountain State Power Company common stock receives nine-tenths share of stock in the merged company (Pacific P. & L. stock remaining unchanged) this has the effect of increasing the dividend rate on Mountain States from 84 cents to $1.08.

During the last four years of the accelerated amortization period its is estimated that dividend payments on the common stock of the merged company will be about 35-40% "tax-free" (subject of course to capital gains taxes when the stock is sold).

Capitalization of the merged company is approximately as follows:

	Millions	Percentage
Mortgage bonds	$82	54%
Serial Notes	13	9
Preferred Stock	13	8
Common Stk. Equity (3,329,000 shs.)	44	29
	$152	100%

Book value of the new common, based on the pro forma balance sheet approximates $13.

Pro forma revenues and share earnings for the merged company have been as follows in recent years (reference should be made to the explanatory footnotes contained in the brochure):

	Revenues (Millions)	Share Earnings
1953	*$37.0	$1.65
1952	*35.2	1.62
1951	32.6	1.48
1950	30.3	1.58
1949	28.1	1.13

*Adjusted for temporary surcharge on customers' bills.

Mr. McKee did not make any forecast of future earnings beyond 1954 but it is understood that the projected earnings and dividend figures prepared by an engineering firm in connection with the merger proceedings indicated a rather favorable long-term trend. It appears unlikely that any adjustment of rates will be required over the next year or so.

The merged company will serve a large area in Oregon together with smaller areas in Washington, Idaho, Montana and Wyoming. The Wyoming property, the easternmost part of which is nearly 1,000 miles from the Coast, is isolated from the main properties, but is considered to have excellent possibilities.

Regarding the general power situation in the Northwest, Mr. McKee indicated that the Columbia River could probably provide a total hydro-electric capacity of some 20 million KW—equivalent to roughly one-fifth of present U. S. capacity. About four million KW have now been installed by Federal and other public agencies and three million by private utilities. Federal projects now under way, which are expected to be completed by 1960, should provide another three million KW and it is estimated that the rapid growth of the area will require still another three million by 1965.

Five companies—Pacific Power & Light, Mountain States Power (now merging), Montana Power, Portland General Electric and Washington Water Power — recently formed a new jointly-owned company, Pacific Northwest Power Company, to plan the future development of two large water-power sites. It is hoped that the Federal Government will participate in the program by contributing an amount representing the estimated value of flood control, navigation, etc. The power component of the cost would be contributed by the utility companies, and the company would probably have a fairly high debt ratio. Filings with the FPC have been made on two sites on the Clearwater River in Idaho. These sites are expected to develop about 530,000 KW, with perhaps 250,000 KW more downstream on the Columbia River. There are various other plans under way involving large amounts of power but these have not "jelled" as yet.

Natural gas will eventually be brought into the Northwest either from Canada or New Mexico. However, since electric residential rates are extremely low (less than half the national average) gas should not be a serious competitor with electricity except for house heating, and the electric utilities would be glad to dispose of this business to the gas companies since the load factor is bad and the service burdensome. Natural gas should help industrial development, which in turn should benefit the electric utilities.

"Syndicats" to Hold Anniversary Outing

The "Syndicats," organization of the secretaries of syndicate managers in New York investment firms, will celebrate the fifth anniversary of the club on June 18 with an outing at the Echo Lake Country Club, Westfield, N. J.

Lillian G. Naylon, Harriman Ripley & Co. Incorporated is President of the "Syndicats" and Claire Happener, Goldman, Sachs & Co., Secretary-Treasurer.

Forms First Chelsea Corp.

First Chelsea Corporation has been formed with offices at 52 Broadway, New York City, to engage in a securities business. Irving Resnick is a principal of the firm. He was formerly an officer of Cantor, Fitzgerald & Co., Inc. and Trinity Securities Corp.

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Industrial Application Of Atomic Energy

generating industry would have an installed capacity of 21 million kilowatts. On an 80% plant factor, such a capacity might generate 147 billion kilowatt hours out of 1,166 billion to be generated from all steam plants in 1975. The share of nuclear power in the total projected electric generation of 1,400 billion kilowatt-hours in that year would thus be about 10%.

In Case II, with its less optimistic assumptions, the nuclear power share is, of course, smaller About five million kilowatts of nuclear capacity would be in operation in 1975, generating about 35 billion kilowatt hours. The share of nuclear power in total U. S. electrical output would be about 2%.

Nuclear Power in 1975

Today no one can predict whether the nuclear power industry will in 1975 be producing 10%, 2%, or some other share of the U. S. electrical output. Nevertheless, these illustrative estimates indicate the scale that might be achieved if development is pressed and proves successful. Either case represents a sizable nuclear capacity: in one case 140 reactors, in the other case 33 reactors, of 150,000 kilowatts average capacity would be in operation. 1975 would be the end only of the first decade of economical generation, and growth could be more rapid in succeeding years. In 1975, nearly half the new plants might use nuclear fuel on the more optimistic assumption, and one-sixth on the less optimistic. At such rates of building new nuclear capacity, the share of nuclear power in the generation of electricity would increase rapidly in subsequent years. Should we fail to reduce costs for nuclear power to the low four to five mill level, a much smaller share of the electrical output would be nuclear, on cost considerations alone.

Nuclear power plants differ from normal power plants only by substitution of a nuclear reactor for the firebox and boiler. The steam turbines will be essentially the same and so will the electric generators. The gradual introduction of nuclear power does not represent a new industry but merely the modification of a familiar one. The change consists in the substitution of a new fuel for an old one, but this must take place rather more slowly than the substitution of oil for coal in commercial power furnaces because a totally different type of furnace is required.

The growth of nuclear power I have suggested in my illustration would occur in a period of general industrial expansion accompanied by a very rapidly rising demand for electric power. Should this prediction be wrong, nuclear power would probably be less important in this country than I have suggested.

Since nuclear power will be a minor factor in a major expansion of power plants, the demand for other fuels in this period will increase rather than decrease.

The building of a considerable number of large nuclear power plants will make some demand on special skills and special materials. These will largely fall in the general area of the chemical and metallurgical industries and should be readily absorbed.

I have been assuming that the costs of conventional fuels will not go up appreciably before 1975, and that nuclear fuel will therefore be supplying only 2% to 10% of our power needs by 1975. Should power from conventional fuels start to rise materially in cost, nuclear power plants may well come in faster. In fact, perhaps the most important role for nuclear power may be as a restraining force exerted against rising power costs. If nuclear power in 1975 could hold down the average cost of electricity by one-quarter of a mill per kilowatt hour, the saving to the country would be $350 million annually.

If the predictions I have been making are approximately right, nuclear power will play an important but not overwhelming role in our national power picture by 1975. The next 20 years will be a period of development and transition. Presumably, most of the power plants in the nation's electric supply network will continue to be privately owned. The bulk of the additions to our power plant capacity, whether conventional or nuclear, should be built and operated by the privately owned power companies and financed by them. But at present, atomic energy is a monopoly of the Federal Government.

The transition from this Federal monopoly to normal competitive private enterprise presents many novel questions. As you are well aware, one of the first things that needs to be done is to change the Atomic Energy Act which sets up the monopoly. This has been under consideration by the Joint Congressional Committee on Atomic Energy and by the Atomic Energy Commission for about a year, and proposed legislation has recently been introduced in the Congress.

Difficult Financial Problems

Financial and technical problems may be even more difficult. It is clear that most of the special knowledge in this field is held at present in the staffs of Commission laboratories or in industrial groups working directly for the Commission. However, for the last two years there have been various studies made by associations of private companies preparatory to getting into this field. The companies involved have contributed the time of some of their men and have done a certain amount of research in their own laboratories. Revised agreements already made, or in prospect, anticipate greater investment by private companies. Nevertheless, the principal burden of nuclear power development both technically and financially, will have to be carried by the government for some years to come. We have good reason to hope that by 1960 or 1965, technical advances will be sufficient to justify private capital in picking up most of the financial and technical burden of development and construction.

As a final topic, I would like to return to the question of nuclear power in other countries. Earlier, I suggested that a compelling reason for developing nuclear power was to support our foreign policy. Power costs are generally higher in Europe than here and are still higher in some other parts of the world. I have had some difficulty in finding out what these costs are. In Japan, the estimated cost of power is 20 mills per kilowatt hour, probably the highest of any industrialized country. The best figures I can get as examples of power costs in Europe are: For the United Kingdom, about seven mills or more per kilowatt hour; for Belgium, nine to 10 mills and probably about the same for France. Since the last few mills will be the hardest to cut from our nuclear power costs, it is evident that nuclear power may well be competitive with these foreign costs considerably before they can compete with our own costs of four to seven mills per kilowatt hour. The picture in other countries over the next 10 to 20 years may be entirely different from the one I have drawn for this country. Nuclear power may be much more important elsewhere.

The United Kingdom, France and Belgium are presumably all capable of developing their own nuclear power industries, but they still might appreciate help from us. Other parts of the world may need nuclear power more and may need much more help. To meet such needs, President Eisenhower, in his speech of Dec. 8 before the United Nations, suggested an international pool of materials and knowledge. The amounts of fissionable material needed by this pool would be relatively small in terms of our total supply of fissionable material in this country, but the resulting benefits could be great, both in terms of nuclear power and in other uses of atomic energy which I have not mentioned. I sincerely hope the President's suggestion will be carried out successfully.

Atomic Energy—No Worldwide Panacea

In conclusion, let me sound a note of warning. The use of atomic energy for peaceful purposes certainly is not a panacea for all the world's ills. In backward parts of the world, cheap power is of little help until there are useful outlets for it. Atomic energy can be only one factor in raising the standard of living.

The production of power is one aspect of the peaceful uses of atomic energy. Other aspects include the benefits we already see from the contributions of atomic energy to medicine, to agriculture and in other fields.

We believe that our strength in atomic weapons is a vital deterrent to war. If peace can be maintained, we have good reason to hope that the economy of the free world will be invigorated by the development of this new resource which science has discovered.

Blyth Group Offers No. Nat. Gas 3¼% Debs.

Blyth & Co., Inc., heads a group who offered on May 11 $40,000,000 of 3¼% sinking fund debentures of the Northern Natural Gas Co. The debentures, priced at 101.45% and accrued interest to yield 3.15%, are due Nov. 1, 1973.

The debentures are callable at regular redemption prices ranging from 104.45 if redeemed before Oct. 31, 1955, to 100 after Oct. 31, 1972, and at sinking fund redemption prices starting at 101.31 after Oct. 31, 1956.

Proceeds from the current sale will be applied toward the redemption in June, 1954, of $40,000,000 of 4½% sinking fund debentures due Nov. 1, 1973.

The company, owns, operates and maintains a pipeline system of approximately 6,542 miles through which it transmits natural gas, which is sold for consumption and resale by 27 non-affiliated gas utilities, serving Kansas, Nebraska, Iowa and neighboring states.

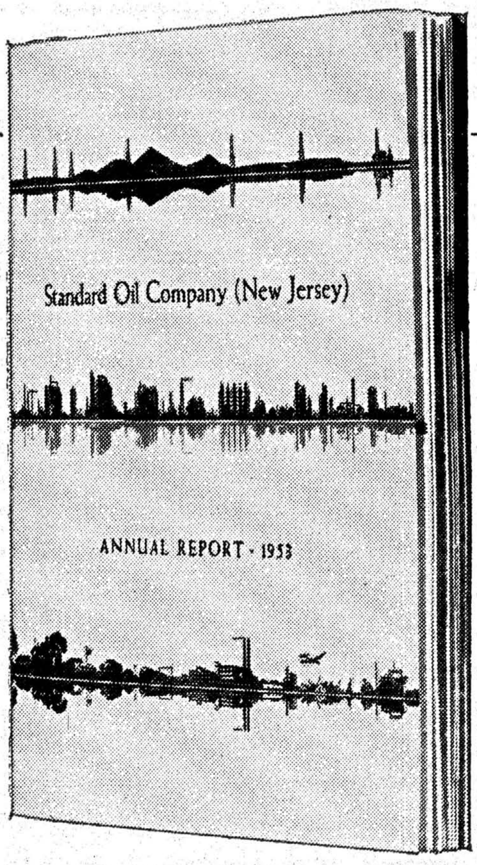
In 1953 Northern Natural Gas Co. and subsidiary companies had net operating income of $11,474,375 and total operating revenue of $66,210,401.

Joins H. E. Work Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Franham A. Damon is now associated with H. E. Work & Co., 100 Bush Street. He was previously with Weeden & Co.

A report that concerns everyone!



THE BUSINESS OF FINDING, refining and bringing to market the world's oil is a big and continuing job—one in which Standard Oil Company (New Jersey), among many others, plays a significant part.

How this job is done affects America in many ways—and is therefore important to every American. Our Annual Report for 1953, recently mailed to the 284,000 shareholders who own this company, tells about our part in this job, and some of its high lights may interest you.

* * * *

Today, when many thoughtful people are wondering about the economic future, we're glad to say that things look good to us. As far as we can see from the evidence available, the economy of the free world is stronger now than at any time since World War II.

But more important than hopeful words are positive actions.

Since 1946 Standard Oil Company (New Jersey) and its affiliated companies have spent nearly 4 billion dollars on new facilities to help supply the oil needs of free people . . . a 4-billion-dollar vote of confidence in the future. This year we intend to invest even more than the 500 million dollars we spent last year.

The result? Continuously increasing reserves of oil in the ground. Modern equipment. More efficient operations. New and better products.

Our customers used more oil in 1953 than ever before, which meant that people lived better, that industry was more active, that the free world's economy prospered.

We took in more money, and paid out more wages and salaries to employees, more taxes to governments, more dividends to shareholders than in any previous year.

Esso research made great strides . . . outstanding gasolines and lubricants were among the results of dynamic progress in this field.

* * * *

These activities — these investments made to get people the oil they need—are vital factors in our nation's economy, for they directly affect thousands of businesses and individuals. And everybody benefits.

This is a continuing process. It has been our job for 72 years. It will continue to be our job.

IF YOU'D BE INTERESTED in receiving a copy of our 1953 Annual Report, write Standard Oil Company (New Jersey), Room 1626, 30 Rockefeller Plaza, New York 20, N. Y.

STANDARD OIL COMPANY (NEW JERSEY)
and affiliated companies

Esso

Continued from page 6

Spectacular Changes In the Banking Scene

proportion of net deposits sterilized in non-income producing reserves. With 22% (could be 26%) of net deposits so impounded, it takes only slight calculation to see that a Central Reserve City bank, after maintaining a satisfactory secondary reserve investment account, is somewhat restricted in its lending capacity (the most important of its functions) and in its earning ability.

Calls for Revision of FDIC Assessment Formula

The Federal Deposit Insurance Corporation formula for assessing members of the corporation should be revised. I admit that there is hardly any actuarial basis upon which a proper fund could be determined, but after 20 years of experience, with the fund amounting to $1.5 billion, a continuation of the present rate of assessment seems excessive. All of this fund has been derived from assessment on insured banks because the original capital supplied by the United States Treasury and the 12 Federal Reserve Banks was returned in 1948. Investment income alone, exclusive of assessments, has been sufficient to cover all expenses including losses in every year since 1940. In fact, aggregate losses since 1933, have amounted to $27.9 million, which is less than the amount of one year's current investment income. It would certainly seem unduly burdensome to continue adding at the same rate (approximately $80 million per year) to a fund which has been used in such slight degree. The public interest would be better served by permitting banks to retain a greater share of their earnings, thereby enabling them to build up capital funds (another form of insurance) and to take care of the growing needs of our economy.

To those of us who are members of the Federal Reserve System, there is another inequity which should receive some attention. The United States Treasury receives each year substantial revenue from the Federal Reserve Banks—all earnings in excess of their requirements for 6% dividends to their member banks and for adding modestly to their surplus. In 1953 the United States Treasury received $82 million from the New York Federal Reserve Bank alone. There is no question about the great usefulness of the Reserve Banks or the necessity of member banks carrying reasonable reserves there, but it seems fair that some credit should accrue to member banks for they provide the funds which make possible the earnings paid annually to the Treasury Department. In effect, the present practice is another form of taxation upon the banks which contribute to the Federal Reserve.

As previously noted, persistent growth of the banking business during a period of low money rates had made it difficult to maintain a satisfactory relationship between deposits and capital funds. With earnings taxed at 52%, it becomes impossible to add substantially to capital funds through retained earnings unless investors are deprived of some dividends. Furthermore, investors are not attracted to bank stocks if the earnings potential is limited and dividend payments are subjected to a second income tax in the hands of stockholders. The double taxation of dividends certainly needs correction, and it is hoped that some relief will be forthcoming soon, as is suggested by current Congressional studies.

The removal of this and other obstacles to reasonable earnings will contribute to a healthy growth in capital, and bankers themselves can do much in this respect. Careful analysis of expenses, which have increased over 130% in the last eight years, should produce not only better earnings but a better understanding of the real costs of performing the services we offer to our customers.

In such a highly competitive business as ours, it is difficult to be logical and relate the charges for our service and the price for our inventory—loans—to the cost of doing business, but I think all of us would benefit if we courageously met this challenge. We certainly did not show much stamina in the recent unjustifiable reduction in interest rates. I of course recognize that it fitted into a pattern established by Central Bank authorities who are mindful of the economic picture and of the financial climate needed by the Treasury to satisfy its heavy fiscal requirements before the end of the year. Nevertheless, I am sure you will agree with me that short-term loans, unlike long-term obligations for plant expansion, are not encouraged or created by slight changes in interest rates.

Some of the recent happenings helpful to bank earnings and capital augmentation have been the expiration of excess profits taxes and the new formula for bad debt reserves. These and other evidences of a more realistic attitude toward business are hopeful signs which lend encouragement to all of us.

This brief commentary on banking changes of the last two decades would be incomplete without taking note of the greatly improved vocational opportunities. I doubt if any field of business or industry has developed a program of career training to the degree that exists today in the banking fraternity. Wages, hours and working conditions have been upgraded tremendously, and many extras are generally provided in the form of insurance and retirement benefits.

Employee Relations "Big Change" In Banking

Nowhere is the "Big Change" in banking more apparent than in employee relations. In the past 20 years the number of employees in my own bank has doubled and I imagine this is typical of all banks. In 1934 our personnel department had five employees, or about one personnel worker for every 280 people on the payroll; today we have 28 in the personnel department, or about one personnel worker for every 100 on the payroll. Obviously, the changed ratio reflects the much greater scope of today's personnel work. Twenty years ago a Group Insurance Plan was about the extent of our participation in the area now popularly known as "fringe benefits." But today, we also have a Pension Plan, Hospital and Medical Insurance, a Personal Savings Plan, a Government Savings Bond Plan, a Tuition Refund Plan, an Emergency Loan Plan—all in addition to such government-required (but unquestionably beneficial) items as Disability Insurance, Old-Age Insurance, Unemployment Insurance, and Workmen's Compensation Insurance.

However, the really Big Change lies not in such concrete fields as payroll administration, but rather in problems of employee morale, attitude and understanding. In previous generations, business organizations were small enough so that the basic economic relationships were known to the average employee, because he experienced them. He knew, as a matter of personal observation, that salaries (including his own) could be paid only if corporate income was healthy. Today, however, sheer corporate size has obscured the relationship between income, production and outgo. In other words, the worker does not just naturally absorb the facts of economic life; he must be taught. Moreover, until the problem of size overtook us, men and women learned to become good supervisors simply by observing the techniques of their predecessors; today, they must be taught the infinitely more voluminous and complex techniques of this different day and age. So we must have Training Directors, Executive Training Programs and Supervisory Training Programs, and experts in the field of Job Evaluation and Merit Rating, and Aptitude and Intelligence Testing.

Of course, there has been a big change, too, in opportunities for advancement. In our bank today, approximately one out of 10 people on the payroll is an officer; approximately one out of seven is an officer or high-ranking supervisor. Today there are splendid opportunities, not only in the field of general banking (as used to be the case) but also in Branch Office Management, International Banking, Personal and Corporate Trust, Credit Analysis and Administration, Investment Analysis and Administration, and specialization in such varied fields as textiles, oil and gas, the steel industry, the public utilities, and many others.

The fine character and high morale of young men and women engaged in banking today are a tribute to our system of employee training which aims to guide the individual in the work best suited to him so that he will achieve maxmum success. The degree of success, of course, depends somewhat upon the opportunites for banking itself — and these are multiplying and will continue to multiply with increasing population and rising standards of living—so long as freedom of enterprise prevails.

Despite all of the inroads which have been made upon the free enterprise system, it has demonstrated its ability to withstand the shocks and pressure from those who would tear it down, and I therefore feel that we need have no fear for its survival, but we must not overlook our own individual responsibility in adhering to the fundamentals of it.

Information Meetings To Be Held on Kentucky Turnpike Financing

The Honorable Lawrence W. Wetherby, Governor of Kentucky, announced May 10 that information meetings will be held to explain the details of the public financing of the initial project of the Kentucky Turnpike. This financing will involve approximately $38,500,000 of Commonwealth of Kentucky Turnpike Revenue bonds. The Governor will be accompanied by W. P. Curlin, Highway Commissioner, and several other members of his staff. The meeting in New York will be on Thursday, May 13, 1954 at 3:00 p.m., Eastern Daylight Saving Time, at the Chamber of Commerce, 65 Liberty Street; in Chicago it will be held on Friday, May 14, 1954 at 11:00 a.m. Central Daylight Saving Time, at the Field Auditorium, 135 South La-Salle Street. Further details may be obtained from Glore, Forgan & Co., fiscal advisers to the Kentucky Department of Highways.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

125 years ago on May 11, 1829 **The Seamen's Bank for Savings, New York,** opened its doors for business on the second floor of 149 Maiden Lane, at the corner of Front Street.

In 1852 the bank occupied the first building designed to its own specifications at Wall and Pearl Streets, the main office erected in 1926, is now at 74 Wall Street. Under construction is a new main office at 30 Wall Street, former site of the United States Assay Office and adjoining the old Sub-Treasury, where George Washington was inaugurated.

Marking the anniversary, the bank is presenting to the public a copy of a marine painting of the "Flying Cloud," historic clipper ship, and a brief history of the bank by Clarence G. Michalis, Chairman of the Board.

* * *

Joseph Wiesenthal has been made an Assistant Secretary of **Corn Exchange Bank Trust Company, New York,** the bank announced. Mr. Wiesenthal has been Manager of the bank's Modernization Loan Department since it was organized two years ago.

* * *

The retirement, effective June 1, 1954, of Silas A. Miller, Assistant Vice-President, was announced by Allan Sproul, President of the **Federal Reserve Bank of New York.** Mr. Miller came to the Bank in 1918 and became an officer in January 1936. He served as Manager of the Securities Department from 1936 to 1939 when he became an Assistant Vice-President. For more than thirty years his time has been devoted to open market operations in Government securities.

Robert V. Roosa, Assistant Vice-President, now in the Research Department, will succeed Mr. Miller in open market operations in Government securities. Mr. Roosa did special research work for the Bank during the summers of 1941 and 1942. Since 1946, following his discharge from military service, he has been with the Bank on a full-time basis in the Research Department. He became an officer of the Bank in 1951, and Assistant Vice-President in 1953. In recent years Mr. Roosa has been closely associated with open market operations.

Spencer S. Marsh, Jr., presently Manager of the Securities Department, continues in that capacity, with direct responsibility for maintaining on behalf of the Bank a more active liaison with the money and securities markets.

Mr. Sproul also announced that effective June 1, 1954, John J. Larkin has been appointed an officer with the title of Manager, and has been assigned to the Securities Department. He is to be primarily concerned with the execution of open market operations.

Mr. Larkin came to the Bank in 1940 and has been continuously in the Securities Department except for the period 1941-1947 when he was in military service. He has been a Special Assistant since 1952.

* * *

Samuel C. Park, Jr., partner of J. H. Whitney & Company, has been elected to the Board of Trustees of the **United States Trust Company of New York,** it was announced on May 6 by Benjamin Strong, President.

Formerly with **J. P. Morgan & Company,** Mr. Park has been associated with the Whitney organization since 1941.

In a joint statement issued May 6 the boards of directors of **First Suffolk National Bank of Huntington New York** and the **First National Bank and Trust Company of Amityville, New York** announced they had approved consolidation of the two institutions, subject to approval of the Bank's stockholders and of the Comptroller of the Currency. Stockholders of each bank will meet on June 7 to vote on the proposal.

With resources totaling $38,-000,000, the merged institution, to be known as First Suffolk National Bank of Huntington, will be the largest commercial bank in Suffolk County and the third largest in Nassau and Suffolk counties. The latest merger marks another step in the further growth of First Suffolk which, less than three years ago, had total resources of approximately $8,000,-000. Under its current President, George A. Heaney, First Suffolk expanded through two similar consolidations from its original office in Huntington to two additional offices in Northport and one in East Northport.

The investment banking firm of Shields & Company has entered into, and will perform, certain underwriting agreements to facilitate the consolidation.

* * *

Donald R. Jones has been elected Assistant Cashier of the **Franklin National Bank, Franklin Square, N. Y.,** according to an announcement made on May 4 by Arthur T. Roth, President.

Mr. Jones will assist in the development of branch operations throughout the eight offices of the Franklin National banking system with special emphasis being placed on commercial lending operations.

He brings to the bank more than fourteen years of experience with the **Chemical Bank and Trust Company of New York.**

* * *

The Office of Comptroller of Currency approved and made effective, as of the close of business April 23, the merger of **The Citizens National Bank of Port Henry, Port Henry, N. Y.,** with common stock of $100,000, into **The National City Bank of Troy, Troy, N. Y.,** with common stock of $600,000. The merger was effected under the charter and title of "The National City Bank of Troy."

At the effective date of merger, the merged bank will have capital stock of $600,000, dividend into 120,000 shares of common stock of the par value of $5.00 each; surplus of $2,000,000; and undivided profits of not less than $750,000.

A previous item on the merger of The National City Bank of Troy with **The Ticonderoga National Bank, Ticonderoga, N. Y.** appeared in these columns in the issue of May 6, 1954, page 2008.

* * *

By the sale of new stock **The Brockton National Bank, Brockton, Massachusetts** increased its common capital stock from $500,-000 to $600,000 effective April 28.

* * *

Robert H. Mayer, for years head teller of **The Citizens Trust Co. of Summit, N. J.** was recently elected Assistant Treasurer. Mr. Mayer previously served in the Navy during World War II.

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Mr. G. d'Andelot Belin, President of **The First National Bank, Scranton, Pennsylvania,** died on May 5.

UNION PACIFIC RAILROAD COMPANY

FIFTY-SEVENTH ANNUAL REPORT — YEAR ENDED DECEMBER 31, 1953

REPORT OF THE BOARD OF DIRECTORS

New York, N. Y., April 29, 1954.

TO STOCKHOLDERS OF UNION PACIFIC RAILROAD COMPANY:

The Board of Directors submits the following report for the Union Pacific Railroad Company, including its *Leased Lines, for the year ended Dec. 31, 1953.

CONDENSED STATEMENT OF INCOME

	1953	1952
Operating revenues	$530,024,300	$520,221,326
Operating expenses	$400,427,365	$389,840,054
Taxes (including taxes on income from sources other than transportation operations)	77,636,443	79,958,000
Equipment and joint facility rents—net charge	23,100,566	17,662,152
Net income from transportation operations	$ 28,859,926	$ 32,761,120
Net income from oil and gas operations (excluding income taxes)	34,318,992	33,608,842
All other income	13,003,414	8,218,892
Total income	$ 76,182,332	$ 74,588,854
Fixed and other charges	5,752,119	5,861,628
Net income from all sources	$ 70,430,213	$ 68,727,226
Released from "Reserve against possible refunds on U. S. Government shipments"	535,127	938,258
Total for disposition	$ 70,965,340	$ 69,665,484

As indicated above, net income from transportation operations includes taxes on income from other sources, in conformity with accounting regulations of the Interstate Commerce Commission. If Federal taxes on oil and gas income were added back to transportation income and subtracted from oil and gas income, net income from transportation operations would be $39.8 million in 1953 and $43.3 million in 1952, while net income from oil and gas operations would be reduced to $23.4 million in 1953 and $23.1 million in 1952.

Net income from transportation operations, after adding back Federal taxes on oil and gas income, represented in 1953 a return on average investment in transportation property (less reserves for depreciation and amortization) of 3.92 per cent compared with 4.41 per cent in 1952.

Total income for disposition, before appropriation of dividends on preferred and common stocks of Union Pacific Railroad Co., represented a return of 7.69 per cent on the average equity during the year of Union Pacific Stockholders in the Company (par value of capital stock plus surplus), which compared with a return of 7.94 per cent in 1952. Net earnings per share of common stock, after preferred dividends, amounted to $15.07, or 30 cents more per share than in 1952.

OPERATING REVENUES

While the general level of freight rates remained unchanged in 1953, about two-thirds of the increase in **Freight revenue** over 1952 represents the effect during the forepart of the year of the rate increases effective May 2, 1952, authorized by the Interstate Commerce Commission, which raised the average revenue per ton-mile for the year by 2.2 per cent. The remainder of the rise was attributable to the larger volume of freight handled. Revenue ton-miles increased 1.2 per cent. Freight traffic was influenced favorably and substantially by the absence of any major industrial labor disturbances, such as the protracted steel strike of June-July, 1952. During the first seven months, volume increased about 4 per cent, but during the last five months it decreased about 2 per cent when economic activity in many lines slowed down.

The commodity categories reflecting the largest revenue *increases* were: *ammunition and explosives*, as the result of heavier shipments by the Government from ordnance plants to storage depots; *automobiles, motor trucks, and parts*, because of unrestricted production made possible by discontinuance of Government allocation of metals; *iron ore* and *iron and steel products*, shipments of which were reduced in 1952 by the steel strike; *lumber* and *plywood*, moving eastward from Pacific Coast areas in response to brisk demand occasioned by continued expansion in building construction; *chemicals*, primarily *phosphorus*, from a new plant at Soda Springs, Idaho, which commenced operation during the year; *soda products*, reflecting expanded production at Westvaco, Wyoming; and *hay*, of which a large volume moved at temporarily reduced freight rates for drought relief in Missouri, Arkansas, Texas, and other stricken areas.

The most important revenue *decreases* were in: *bituminous coal*, because of milder weather conditions, continuation of the trend toward substitution of oil and natural gas for coal as fuel, and less movement to Government agencies, notably the Hanford project at Richland, Washington; *wheat* and *corn*, because of smaller crops in the Middle West and holding of available supplies in storage under Government loans; and *hogs*, owing to fewer being raised on Middle Western farms and prevalence in some areas, of vesicular exanthema, commonly known as "VE disease."

The decline of 8.4 per cent in **Passenger revenue** was occasioned by reduced rail travel generally, and less military movements because of the change in the Korean situation. The number of revenue passengers carried one mile fell off by 7 per cent and the average revenue per passenger-mile decreased 1.6 per cent.

The drop in **Mail revenue** was occasioned by the payment in 1952 by the Post Office Department of additional compensation for terminal services in connection with mail carried in 1951, and by the diversion in 1953 of some mail to other forms of transportation by the Post Office Department.

***Leased Lines are: Oregon Short Line R.R. Co., Oregon-Washington R.R. & Navigation Co., Los Angeles & Salt Lake R.R. Co., and The St. Joseph and Grand Island Ry. Co. Figures are stated on a consolidated basis, excluding offsetting accounts between companies.**

OPERATING EXPENSES

The slight increase in the *percentage ratio* of operating expenses to operating revenues resulted from the greater proportionate increase in operating expenses than in operating revenues. Notwithstanding the difficult problems encountered in controlling expenses under present-day conditions, determined efforts are continuing to increase the net of revenues over expenses by improvement in operational methods and modernization of plant and equipment to effect greater efficiency in operations.

Wage payments constituted about 60 per cent of operating expenses during 1953. A considerable portion of the rise in expenses, was accounted for by wage rate increases. The most substantial of these was an increase of 4¢ per hour, retroactive to December 1, 1952, which was awarded to organized employes by a referee appointed by the President of the United States in connection with demands for higher wages. Additionally, demands of trainmen and firemen were settled by granting a wage increase of 5¢ per hour, effective December 16, 1953, and a third week of annual vacation, starting in 1954, to employes having 15 or more years of continuous service. At the close of the year, negotiations were under way with other operating employes and with non-operating employes.

The number of man-hours paid for increased one per cent, primarily because of the larger volume of freight business handled, and because of numerous measures taken to improve and speed up freight service to meet shippers' requirements, maintain a favorable competitive position with other railroads, and improve our services with relation to other forms of transportation. Typical of these measures were the provisions for guaranteed sixth morning instead of seventh morning delivery at Chicago of perishable shipments from the Pacifc Coast, and inauguration of a new freight service for handling, on flat cars, highway truck trailers containing merchandise shipments picked up at and leaving Los Angeles in the evening for following early morning delivery at Las Vegas, and the subsequent extension of this service to Salt Lake City.

Cost of material and supplies used in maintenance and operation, was considerably greater than last year, principally because of higher prices of fuel and various steel products.

Charges for *depreciation of rolling stock* were about $825,000 greater than in 1952, chiefly because of new acquisitions.

Favorable factors which counteracted to some extent the effect of the matters mentioned above, were freedom from floods such as those which occurred in 1952, milder temperatures, less snowfall, and a reduction of 22 per cent in overtime man-hours paid for at premium rates.

TAXES

State and county taxes were greater because of somewhat higher assessed valuations on property and slightly increased ad valorem tax rates.

The decrease in **Federal income taxes** was occasioned by smaller taxable income. The tax rate was the same in both years. In determining income taxes for 1953, taxable income was reduced (as permitted under Section 124A of the Internal Revenue Code) by approximately $13,896,036, compared with $9,863,222 in 1952, representing amortization, on a 5-year basis, of portions of the cost of equipment and other improvements certified by the Office of Defense Mobilization to be necessary in the interest of national defense. These amounts exceeded charges against income, under Interstate Commerce Commission regulations, for depreciation on such improvements, by $11,526,888 and $8,117,046, respectively, thus reducing income taxes by about $5,993,982 in 1953 and $4,220,864 in 1952. The consequent betterment in net income for 1953 was equivalent to $1.35 per share of common stock compared with betterment of 95 cents in 1952. However, such reductions in income taxes constitute a tax deferment only and not necessarily a true tax saving, because after the cost of the improvements has been amortized, no depreciation on them will be allowable for income tax purposes. Accordingly, income taxes in future years will be greater than if the amortization had not been allowable.

The higher **Federal unemployment insurance** and **Federal retirement taxes** were caused by increased payrolls.

Total taxes for 1953 were equivalent to 14.7 per cent of gross operating revenues and to $1,388.00 per employe. Total taxes were also equivalent to $17.46 per share of common stock or $2.39 per share more than the Common Stockholders' equity ($15.07 per share) in net earnings.

EQUIPMENT AND JOINT FACILITY RENTS

The greater net charge for **Equipment and joint facility rents** was occasioned by a sharp rise of $5,517,177 or 34 per cent in net payments for **Equipment rents**, chiefly because of increases in the mileage rate payable for use of freight refrigerator cars. The rate was increased from 3¢ per mile to 3½¢ effective January 1, 1953, and to 4¢ per mile three months later. Most of the payments for such equipment are made to the Pacific Fruit Express Co., in the earnings of which the Union Pacific shares as a joint owner with the Southern Pacific. The net charge for **Joint facility rents** was slightly less in 1953 than in 1952.

OIL AND GAS OPERATIONS

The increase in receipts was brought about by higher prices of oil, gas and other products. The oil price increases became effective in California during February, and in Colorado and Wyoming during June. The volume of production and sales of oil and gas decreased in all of the fields of importance in which the Company is interested, the decrease in oil production being about 5 per cent and in gas production about 10 per cent, under 1952 levels. The increase in intangible expenditures was due primarily to a more active drilling program, particularly in the Wilmington field. Less maintenance work in this field, however, accounts for the decrease in production expenses. The rise in taxes was principally in the Rangely field where taxes were more than quadrupled because of a new "severance tax" in Colorado.

Continued from page 4

Dollar Redeemability and The Gold Standard

react to giving away huge quantities of real things without getting anything it needs in return?

It is refreshing to find a British Keynesian at least considering the danger of American inflation, which used to be their favorite dish, as it still is with the *confreres* on this side. But his worries are easily resolved. True, he says, doubling the gold price and importing a stupendous volume of gold would enlarge the American monetary base in a dangerous fashion — if the expansion were not controlled. But all that is needed is that *pari passau* with its gold purchases the Federal Reserve should sell bonds out of its portfolio; tightening of regulations W, X, etc., might help, too. That the liquidation of $20-odd billon worth of bonds may be a bit embarrassing to the bond market, is recognized. Is that not a "small price" America would pay for restoring the world's balances of payments, he asks. In reality, our bond market would be driven into a panic (remember the modest attempt a year ago to put over a 30-year bond on a 3¼% yield base?) with incalculable consequences, especially so at a time when the Federal budget is in the red.

To cure Europe's dollar pains —for a while—America should either submit to strict credit controls which would break its prosperity, or incur the hazards of a super-inflation. Take your choice. In any case, the abandonment of the "fixed point of reference" in international trade and finance could only unleash competitive devaluations, promote wasteful capital flights, flood the markets with unprecedented speculative movements, and unsettle whatever little stability had been arrived at.

The Unfree Free Market

What about the proposed free market in gold to let it find its own "realistic" level? To begin with, it would not be free at all. Suppose the dollar rises against gold: would the gentlemen who promote this program stand for that? Given the inherent strength of the American balance of payments, it would take only a modest cut in Foreign Aid to create an export surplus which the outer world would have to pay by offering gold, thus driving the dollar up above the mint par. The current premium on the Canadian currency is an instructive case in point.

Patently, dollar appreciation (gold depreciation) is not contemplated by the advocates of the so-called free market. What they mean is that the Federal Reserve should stand ready to buy gold at the statutory rate, thereby maintaining a floor under its price, but should not interfere by selling gold. The dollar should find its "true" value—downward.

Such a rigged one-way market is bound to bring about a skyrocketing gold price, because the speculators would consider the setting up of a Greenback system —which is what it would be—as a preliminary to ultimate devaluation. The depreciation might go to almost any length due to the drain on our gold reserve by the (temporary) withdrawal of foreign-owned dollar balances. To avoid the wild fluctuations and speculative orgies of such a transition, we might as well proceed at once to devalue.

The idea of a free exchange market for a currency that is a nonsensical shenanigan — and a convenient excuse for fostering vested interests in outright inflation. The supply of money (other than gold) is always manipulated by the authorities, if only by way of budgetary and interest rate policies, credit controls, etc. Paper money supply is "free" only in astronomic inflations.

Two Kinds of Gold Shortage

Behind all propaganda for dollar devaluation looms the argument that it is needed to correct both evils: the alleged general shortage of gold, and its so-called mal-distribution. Since gold and the dollar are interchangeable, writing up the dollar price of the one—or down the gold value of the other—is supposed to kill both birds. What it does in reality is to promote an inflationary upturn. Devaluation, once completed, creates the presumption of a forthcoming boom that alone induces a "perverted" flow of capital into this country, depleting the reserves of other nations. The impact would be further enhanced by the speculative stimulus at home and by increased foreign buying of American products. The triple-pronged process — capital influx, plus export and domestic boom—would force our prices upward, compelling the foreigners to spend more and more of their gold. Pretty soon, the world would find its gold and dollar reserves in the process of depletion—back to the dollar shortage — to be stemmed by exchange restrictions, if not by another devaluation.

Dollar shortage has little more than nothing to do with gold itself. Witness the fact that our some $46 billion postwar Foreign Aid was tantamount to giving away our total gold reserve — twice — with the billions still flowing. If that did not succeed in bridging the famous "gap," why should another encore turn the trick beyond providing another short-lived relief?

The Fear of the Automatism

Fortunately, there is not much sentiment in Congress, and none in the Administration, for money-tinkering, open or concealed. But there is not much sentiment either, none in the Administration, for giving up the powers inherent in a semi-closed standard that is not exposed to domestic demand for gold.

Although we are on gold, our monetary management is free from the pressure which the automatism of the pure gold standard is capable of exercising. Of course, this automatism had been virtually suspended in 1924 when, under Benjamin Strong, gold movements ceased to guide Federal Reserve policy. Besides, given the gold reserves of our central bank, we would have to lose a great deal of gold before the pressure would become effective.

Yet, even the remote possibility of such a pressure to keep the money authorities—and the Treasury officials behind them — on the path of monetary virtue seems to be a frightening prospect to them. This does not mean to insinuate that they have fallen victims to Keynesianism. Times have changed since Mr. Eccles, Governor of the Federal Reserve, had the boldness to tell a Senate Committee in 1945, that "we could suspend the reserve requirements (of the Federal Reserve) altogether," and that "you might very well issue (notes) without anything back of this currency . . . as I have advocated for a long time." No such professional Greenback advocates are in any responsible position in the Eisenhower Administration. But the fear of the automatism, limited as the likelihood of its operation is, still is present.

The gold coin standard is no panacea. It does not balance the budget automatically. It does not protect against unsound credit practices. But it does exert an influence in the right direction, an influence that should not be underestimated. Under present circumstances, the influence would be psychological rather than anything else, but none the less healthy. Above all, it would mean the assurance of no dollar devaluation, thus contributing to the consolidation and stabilization of the domestic as well as of the international monetary outlook. And it is high time to restore an elementary freedom, the right to own gold, to the American citizen, a right that has been bestowed lately even on people with a minimum of freedom: the Soviet citizens.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc. and associates on May 11 offered $7,500,000 of Iowa Public Service Co. first mortgage bonds, 3%, series due May 1, 1984, at 98.375% and accrued interest, to yield approximately 3.08%. The group won award of the issue at competitive sale on May 10 on a bid of 97.8591%.

The company intends to use the net proceeds from the financing, together with cash from operations for the redemption of $7,500,000 aggregate principal amount of its first mortgage bonds, 4% series due 1983.

The new bonds are to be redeemable at general redemption prices ranging from 101.38% to par, and at special redemption prices at par, plus accrued interest in each case.

Iowa Public Service Co. is engaged in the production, transmission, distribution and sale of electricity, serving about 216 communities in portions of the western and north central part of Iowa and about six communities in South Dakota near the Iowa-South Dakota line. The company also purchases natural gas from Northern Natural Gas Co., a non-affiliated company, and sells it at retail in 15 municipalities in Iowa, seven municipalities in South Dakota and two municipalities in Nebraska.

Total operating revenues of the company for 1953 aggregated $24,915,966 while net income amounted to $3,036,817. For the year 1952, total operating revenues were $23,301,204 and net income was $2,667,806.

Thomson & McKinnon Adds to ¼ Century Club

Thomson & McKinnon, member firm of the New York and American Stock Exchanges, one of the nation's leading stock brokerage firms, with 39 branch offices in 21 United States and Canadian cities, welcomed 19 new members into its Quarter Century Club at a dinner held in New York May 6.

Henry Holt of Indianapolis, senior partner of the firm and founder of the club, inducted the new members and marked the occasion by awarding watches and pins to the inductees.

The firm has 25 partners and 600 employees. The club, composed of partners and employees who have been associated with Thomson & McKinnon for a quarter century or longer, now includes 123 members. Mr. Holt, with 42 years, is the oldest member in terms of service.

A feature of the fourth annual dinner was the induction of three employees from the firm's Toronto office. In addition, Richard F. Teichgraeber, managing partner in New York, was also welcomed into the club.

Continued from first page

As We See It

we leave to others best qualified to judge. It does not impress us as particularly statesmanlike.

Not Merely Hysteria

The fact of the matter is, of course, that uneasiness about the degree of Kremlin infiltration in government and elsewhere in this country is not altogether "hysteria." After all, we have had Hisses, Whites, Rosenbergs, Fuchs, and a number of others. It hardly behooves the leader of the Fair Deal, under whom a good deal of the treason of these individuals flourished, to speak as if those of us who have been deeply perturbed by such revelations have been and are seeing things under the bed. If by now, we have nothing at all to fear in these matters, no thanks are due to Mr. Truman or those who worked with him. Whether everything humanly possible has now been done or is now being done to rid us of this danger is a matter about which opinions might, we suppose, well differ—since information on the subject is by its very nature difficult to come by or to assess. But to act or talk as if any and all activity to make ourselves secure in this respect, or any concern over the matter, is to be labeled mere "hysteria" is to ignore ugly facts.

One may reply that not very much enlightenment on the subject is flowing from the current McCarthy hearings circus. The hearings now under way were not designed for this purpose, of course, but were scheduled to determine the truth or falsity of very serious charges that Army officials and Senator McCarthy were hurling at each other. The fact is, however, that not even this more limited objective is being well served by what is now going on daily at the circus. Both the issues supposedly being studied at the current hearings and all those questions with which Senator McCarthy has long been concerning himself could be dealt with much more effectively without all the time-wasting, attention-diverting melodrama now being devoted to them.

No one can doubt for a moment that both Democrats and many Republicans hope — or did hope — to obtain political advantage this fall from this whole matter. They may have begun to wonder whether their earlier judgments were well founded. We should certainly not be surprised if they had. It may now be a question of how to get these matters out of the public eye without loss of popular standing. There are indications that certain of the leaders of the Republican party have of late been assailed by such misgivings, and if among the Democrats, ex-President Truman hopes for political capital from what is going on, a good many members of his party are not so optimistic on the subject. The trouble is that all these questions are being viewed through the spectacles of the professional politician already engrossed in the campaigns set for this autumn.

The "Political Amateur"

It has remained for the "political amateur" in the White House to insist that election results this fall should and could be made to turn upon the constructive record of the Republican party since its return to power last year. This, of course, is largely a matter of what is done in Congress between this date and the adjournment later this year. It is conceivable, of course, that the elections could turn upon the lack of a good Republican record. That is to say, the opposition could point to apparent inability of the Republican Administration to accomplish anything constructive, and thus win popular support. A logical necessity in this case, however, would appear to be some good indication that the opposition has a program of its own worthy of support.

The Administration—chiefly the President and his advisers—have prepared and submitted a very broad program to Congress. It has its good points and its bad points. Those within the party who doubt the wisdom of some of the proposals should be working not merely to block legislation — and hope for re-election by virtue of McCarthy or some other side issue — but to see what can be done to perfect a worthy program of action. They should do so for the sake of the public good; they should do so for the sake of their own political future, or so we think. And why should not the opposition be willing to meet the party in power on these grounds, letting it become clear precisely what basic policies they would like to see adopted?

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Bank mergers and consolidations have been very much in the news recently, reflecting a continuance of trends in evidence in the banking field for the past several years.

After a number of large mergers a few years ago and with the exception of one or two small consolidations in the past 12 months, the situation in New York has been relatively quiet. True, there have been rumors about the Industrial Bank of Commerce and the possibility of something being done to revive old discussions and possible mergers. These, however, have received little serious consideration and for the moment are considered dead.

In other areas merger activities and announcements have been very prominent. In practically all sections of the country larger banks are being formed by mergers and consolidations.

Part of these changes are undertaken as a means by which capital may be withdrawn from a particular situation. Sometimes earnings are not adequate to support existing capital and a cash merger between two banks provides the opportunity to free a part of the funds and increase the rate of earnings on the remaining capital.

There is also the desire, in some instances, to obtain new management personnel. Frequently a bank which has been dominated by family interests and has not shown a receptiveness to new banking ideas, has also failed to attract capable new personnel. In such cases a merger with a more aggressive bank serves definite needs.

Another factor involved in some of these mergers is the desire to improve and enlarge the service available to customers. Theoretically a larger bank can support additional services or render a better quality of service.

Because of the growth of business and deposits in areas away from New York City in the past decade, many banks find that capital which was formerly adequate to service local businesses is no longer sufficient. In many instances the diversification and growth of industry has proceeded at a faster rate than the growth in bank capital, so that frequently the local bank is unable to grant as much of a line of credit as it would like because of inadequate capital. By merging and increasing the size of a bank, the larger capital thus obtained enables the bank to take care of the needs of its customers on a local basis.

Of course the same net result could be obtained by selling stock in the market. This is frequently not advantageous to shareholders as it may dilute existing earnings, which may not be sufficient to support the existing capitalization on the basis of a fair return. By a merger the bank can frequently attain its objective of larger capital and at the same time preserve or possibly increase the rate of earnings on capital funds.

Undoubtedly some of these considerations were present in the mergers announced in the last two months.

One of the most recent of these was the proposed merger of the Hartford-Connecticut Trust Company and the Phoenix State Bank & Trust Company announced earlier this week. The consolidation, which is subject to stockholders' approval, would create a $326 million institution operating under the name of "The Connecticut Bank & Trust Company." Supposedly this would be the largest bank in the state.

As the existing stockholders will be asked to exchange their shares for stock in the new institution, the capital and surplus will equal the capital funds of the two present banks. In other words, according to present information, there will be no reduction in capital in the area. The larger institution should be in a position to compete effectively in the area and render an improved service to customers.

Another proposed merger that is interesting for the many ramifications it presents, is the three way combination of California banks announced as being discussed at the end of April. In a joint statement the heads of the Bank of California, Crocker First National Bank and the California Bank of Los Angeles announced that discussions looking toward a merger of the three institutions were underway.

Since that time no additional information has been made available but it seems unlikely that the joint statement would have been made unless the preliminary basis for an agreement had been arrived at.

Should the merger be accomplished it would result in a bank with combined resources of more than $1,400,000,000, one of the largest banks in the country.

There are a number of other banks in different sections of the country which are also undertaking mergers and because of the basic factors favoring such action, a continuance of these trends is likely.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of the late Seymour N. Sears, Jr. to Eric S. Heyman will be considered by the Exchange May 20.

Transfer of the Exchange membership of Frank A. Miller to Harry A. Pujals will be considered May 20.

Edwin Ehlert withdrew from partnership in John V. Dunne & Co. April 30.

Continued from page 10

The Central Banks And the Money Market

favor a variety of Government intervention in economic affairs. I would not claim for one instant that our recent performance has been perfect, that it has been without mistakes. But I do claim that within the permissible range of human error, in a field where there are no absolutely fixed points of reference, monetary policy has made its contribution to the protection of income, employment, and the stability of purchasing power of the dollar, in this period of transition from a highly stimulated war economy to a predominantly peace economy.

The overtime economy, the hyper-activity economy of late 1950 to early 1953, did not bear the seeds of sustained prosperity. It bred the need for the economic readjustment we are now going through. Monetary action can't stop a decline in economic activity during such a period of transition, but it can help substantially to keep the decline from overreaching the real needs of economic readjustment. That, I think, it has helped to do in this instance. If the economy now, or within the year, begins again to realize its potential for growth, without too many injections of short-lived artificial stimulants, this country will have given the world a heartening example of improved economic stability.

Open Market Operations

Turning from the general outlines of recent central banking performance to particular details of policy execution, I now want to touch on certain aspects of our open market operations during this period. The skeleton of the discussion of these operations has been published in the record of policy actions of the Federal Open Market Committee which is printed wtih the Annual Report of the Board of Governors of the Federal Reserve System for 1953, and there is some further discussion in the body of the Board's report. So far as I am aware, very little attention has been paid to this published record. Maybe that is as it should be. Maybe our arguments over form and method were too fine-spun to interest anyone but a central bank theologian. Maybe I should let the subject rest in peace, since in the debate I was one of a small and diminishing minority. And maybe the majority was right. As I said in the beginning, however, I think it is important that there be a wider and better understanding of how the Federal Reserve System performs its functions, and I believe that our present techniques of open market operation are a matter of importance and, therefore, deserve more banking and public scrutiny than they have had.

Let me emphasize immediately that there has been no division of opinion among us as to the general aims and lines of credit policy during this period. And let me also say that, given the general policies we unanimously adopted, our differences as to techniques may not currently be of first importance. My concern is not with degrees of present importance. My concern is that there be wider knowledge and understanding of what we are doing, and that it be critically examined. We are then less likely to dig a groove which becomes a rut, making change difficult if different circumstances make change more important.

Two Main Questions

The main questions at issue, I think, are:

(1) Should Federal Reserve purchases and sales of Government securities be made **solely** for the purpose of providing or absorbing bank reserves? Among other things, this excludes offsetting purchases and sales (even swaps) of securities which have the effect of altering the maturity pattern of the System's portfolio, and excludes purchases (and sales) which might be made at times of Treasury financing in direct furtherance of an integrated program of debt management and credit policy.

(2) Should Federal Reserve open market operations be confined to short term securities? In practice, as is shown by the published statistics, this has meant confining operations to transactions in Treasury bills.

It has been my view that a central banking system does not discharge its responsibilities and complete its functions in the best possible manner, in our present day economy, by directing its open market operations **solely** toward putting reserves into or taking reserves out of the commercial banking system. I believe that the central banking ssytem should retain freedom of action to assist or promote, directly and under appropriate circumstances, changes in the availability and cost of funds throughout the money and capital markets, and freedom of action to assist, directly and under appropriate circumstances, desirable debt management operations of the Treasury.

Those who espouse the opposite and presently prevailing view will have little or none of this. They have emphasized the view that the Federal Open Market Committee, except in the extraordinary circumstance of a "disorderly market," should limit its operations in Government securities **solely** to operations for the purpose of providing or absorbing reserves. They hope and expect, as I understand it, that providing or absorbing reserves, by purchasing or selling Treasury bills, will quickly be reflected in the cost and availability of all short term credit and, through arbitrage, will also be quickly reflected out through the longer term markets where the price and availability of mortgage money, corporate funds, and funds for State and local improvements are determined. They believe that, only when our open market operations are circumscribed in this way, will the Government security market become freer and more self reliant, and, therefore, help market forces to determine the most desirable allocation of all available funds.

My own view is that just putting in and taking out reserves at the short end of the market, is not always good enough or certain enough. I believe that since this country has wisely rejected most direct controls of our economy, and has placed its chief reliance in the indirect and impersonal controls of fiscal policy, debt management, and monetary policy, we should make the fullest and best integrated use of these tools to contribute to sustained high levels of production, employment and income, and to the stability of the dollar. Otherwise I fear that we shall not be able, at all times and under all circumstances, to do the job we should do, and that our failure will not only lessen the prospects of economic stability, but might also increase the danger of being pushed into direct controls which promise stability, but which really strangle enterprise, efficiency, freedom, and growth.

I am not arguing here against the proposition that the **primary** purpose of open market operations is to affect the volume of member bank reserves, nor that this can best be accomplished, in many circumstances, by purchases and sales of Treasury bills. I am arguing that putting in or taking out reserves is not the **sole** purpose of open market operations. And I am arguing that there are times and places when putting reserves in, or taking them out, by way of the Treasury bill market may involve unnecessarily large purchases and sales, or may not promptly find its best reflection in the credit and capital markets of the country because of imperfect arbitrage within markets and between markets. Finally, I am arguing that there have been and may be occasions when some direct assistance to Treasury operations in the field of debt management, through open market operations in securities other than Treasury bills, will be good economics and good central banking.

It is illuminating and perhaps significant that in countries where traditions are most similar to ours, and where the central banks have available a broad market in government securities in which to conduct operations, there is no such squeamishness as we have exhibited in using that market to influence the whole credit structure and level of interest rates. In a recent statement at a hearing of the Standing Committee on Banking and Commerce of the House of Commons in Canada, the Governor of the Bank of Canada said:

"As part of our programme to improve and broaden the money market for the benefit of lenders and borrowers and of our financial structure as a whole, the Bank of Canada has been a constant trader in Government of Canada securities since we opened our doors in 1935. While the total amount of our holdings of government securities is necessarily determined by considerations of monetary policy, we have endeavored to help make a market for all government issues and have been very substantial buyers and sellers. In a sense, we perform a jobbing function, holding the inventories which are indispensable to a good market. Investment dealers and banks also operate in this way, although naturally on a smaller scale. We would be glad to see both dealers and banks extend their operations of this character, and have the Bank of Canada play a smaller part, although we would always expect to be a substantial participant in the market."

Each central bank, of course, has to fit itself into its own environment. What others do may not suit our book. But I find it encouraging that such perceptive and knowledgeable people as the Canadians believe there is a middle ground between the extremes of our present approach, on the one hand, and the extremes of our war and immediate postwar approach of pegged prices and detailed control over the whole interest rate curve, on the other. It illustrates the statement of a colleague that there should be plenty of useful scope for central bank action between the extremes of chilly indifference and constant intrusion.

An Opportunity for Constructive Action for Economic Stability

Our present situation, in my opinion, provides the Federal Reserve System and, therefore, the country with an opportunity for constructive action in the search for economic stability, which did not exist when the System was established four decades ago. For better or worse we now have a large Federal debt, which overshadows in magnitude all individual private debts and is roughly equal to private debts in the aggregate. This large debt, representing various maturities, has given us a national homogeneous securities market, which to a considerable extent conditions all other security markets (corporate securities, mortgages, etc.). The Federal Reserve System through its authority to engage in open market operations can, if it will, seek to make its policies effective by operations anywhere in the maturity range of this national market for government securities. This does not mean constant intervention in and manipulation of the market, and it certainly does not mean pegging prices. But it does mean that, if operations in Treasury bills in appropriate amounts, and the subsequent arbitrage within and between markets do not or cannot achieve the desired results, at all times and in all circumstances, direct action by the Federal Reserve may give the process a desirable assist. Similarly, it means that if Treasury debt management operations put a temporary but intense strain on the facilities of the market, in bringing about adjustments in portfolios of thousands of investors in billions of securities, within a short period of time, the largest single portfolio of all should not always stand aloof (except for the purchase or sale of Treasury bills). Direct aid in helping to cushion the effect of massive maturities, new issues, or conversions of Treasury securities, at times when unavoidable government financing would otherwise disrupt, temporarily, the money and capital markets, would seem to me to be wholly consistent with the primary demands and objectives of monetary policy. The need for such action may be infrequent, but I question whether the central bank should publicly renounce the possibility of such action.

Phrases That Attract Us

I must admit, though, that some very attractive labels have been put on the bottle from which we are now drinking. "Free markets," "avoidance of price pegging," and dealing in the "nearest thing to money" are examples. I like the appearance and the sound of these labels, but I want to test the contents of the bottle further, before accepting the promise of the labels.

So far as "free markets" are concerned, I think we are all attracted by the phrase. It suits our habit of mind. But we haven't had a free market in money and credit, at least since the Federal Reserve System was established; and we haven't had a free market in government securities, and therefore a wholly free securities market, since the government debt climbed to the higher magnitudes, and open market operations by the Federal Reserve System came to be used as a principal instrument of credit policy. We now have a market in which lenders and borrowers have to and do take account of action and possible action by the Federal Reserve System to alter the supply, availability and cost of reserve funds; a market which has to and does take account of possible actions by the Treasury with respect to debt management and of credit policy in relation to debt management. This will continue to be the situation in a mixed government-private money and capital market such as we now have, and will continue to have for a long time to come.

I think we should accommodate our ideas of "free markets" in the money sector of the economy to present day conditions. I do not think this will do violence to the "traditions" of central banking. Even in the "good old days" of the 19th century, when social and economic conceptions were different, I believe they were practical about such things. They did not suggest that any supplier or user of funds, so large that his every action necessarily affected the anticipations and actions of everyone else in the market, could pretend that markets were made without him. So long as we have a central bank and a large and constantly shifting public debt, both will be powerful and special market influences. Our approach to credit policy, and to debt management as well, should take these facts into account.

I have already intimated that the approach I prefer has nothing to do with price pegging, nor with trying to establish and maintain a particular pattern of interest rates, nor with other practices which during the war and earlier postwar years destroyed or handicapped monetary policy. There is a natural and justified aversion to these practices, but this aversion is quite beside the point I am discussing. The issue is not whether to peg or not to peg, but whether at all times and in all circumstances (except for disorderly markets) the System should confine itself to shoving reserves in or taking them out at the bottom of the credit pile. The issue is whether there will not be times when direct operations in other areas will be appropriate and more effective. Almost everyone is agreed, I think, that our intervention in the market should not be to impose a fixed pattern of prices and yields on the market.

Finally, dealing only in the "nearest thing to money" is something of a throwback to a central banking concept of earlier days. Before it was applied to open market operations in Treasury bills this theory or label was applied to the discount, rediscount and purchase of "self liquidating" prime commercial paper. Even then, however, there was always the question of how fast, and how well, and in what circumstances operations in such short-term paper would permeate all markets and all maturities. It may be that there is enough fluidity in the Government security market, and between that market and other markets, to solve this problem for us automatically now, but I doubt it. I do not want to tie myself to that hypothesis. If we are going that far, why not take the next step and, instead of dealing in the "nearest thing to money," deal in money itself? Instead of shying away merely from influencing longer term markets directly, why not shy away from influencing the short-term market directly? Our operations in Treasury bills can and have caused distortion in the short-term market and between short and long markets. In other words, we might merely increase or decrease reserve requirements of particular banks or groups of banks in order to affect reserves directly, without the intervention of even Treasury bills. I introduce the idea as a sort of *reductio ad absurdum;* I wouldn't suggest it.

"Floating on a Sea of Reserves"

The conflicting views on open market techniques which I have been discussing really do not come to a testing ground in a period such as the present, when general credit policy is to maintain a substantial volume of readily available bank reserves at all times. The whole private market plus the Treasury's debt management program can pretty much float on a sea of reserves. This obscures the view of things which might have been done better. It persuades the advocates of the practices with which I take issue that we have come off pretty well so far. And those who have been persuaded to support this position are comforted by the statement that present practices can be changed at any time if the need becomes apparent; that present policies are to be followed only until such time as they may be superseded or modified by further action of the Federal Open Market Committee. The tendency has been and is, however, to fix these practices as permanent rules of central banking, and to display them to the market as such. The inevitable consequence will be, I think, to make it difficult for men to open their minds to any other mode of operation, even under changing conditions, and to expose us to charges of having misled the market or of violating "promises" to the market if we do change our methods. We could have done about all that we have done, in practice, during the past year, without trying to enshrine a new doctrine of central banking as a permanent "norm." We could have retained our freedom of action to meet changing circumstances without endangering present policy, and without interfering with the proper freedom of our money and security markets.

To sum up, then, I think the central bank should exert its influence on the cost and availability of credit or capital, openly and directly as circumstances may require, in whatever areas of the market it can reach. I think the central bank should be free to aid the market directly in making its adjustments to large scale Treasury financing, whenever such aid can be given without permanently overriding credit policy. I believe that trying always to do these things indirectly, through dealing only in the "nearest thing to money," will not create a "free market," but will keep the central banking system from realizing its full potential.

It has been said perhaps unkindly, that Americans, in the face of the international responsibilities which have been thrust upon them, are prone to try to find a general formula which will spare them from having to make individual decisions under changing circumstances. Moral pronouncements are used to try to give an air of permanence to things which are essentially impermanent. We want to lay out "rules of the game" which will guide all the players and, if the players are properly numbered, will also guide the spectators. Maybe that is what we have been trying to do in the field of central banking; to establish monetary "norms" in a world which is not normal. I doubt if it can be done, but I think that when it is tried it should have the serious attention of bankers and others who are interested in monetary policy.

Securities Salesman's Corner

By JOHN DUTTON

Clientele Building

(Article 3)

In your community there are many people that have never heard of you that would make excellent clients if you could meet them under favorable circumstances. There are certain methods that you can use to locate these people, including:

Newspaper and Direct Mail Advertising: This type of advertising should seek out people who wish to fill an investment need. There are those who own securities and are familiar with investment procedure. Advertisements directed toward this group should offer information regarding specific investments, and should contain a convenient request form for replies. The purpose of investment advertising is to seek out **qualified** investors. Requests for information should be the connecting link between the people whom you do not know and you.

Radiation from Clients and Friends: People are not likely to go out of their way to send you business unless you motivate them to do so. Occasionally, you will have the pleasure of a surprise visit from someone sent to you by a client, but unless you ask for referrals you will miss many opportunities to meet the friends and relatives of satisfied clients. Here again, you must establish some common meeting ground before you can approach a prospective client on a favorable basis.

Advertising Directed Toward New Investors: Ads keyed to ideas, such as how to increase income, the advantages of certain types of securities such as municipal bonds, information regarding mutual funds, the New York Stock Exchange monthly payment plans, systematic periodic investing for educational or retirement plans, should always contain a reply space or coupon that can be used as a request for information. The latest brochure offered by the "Chronicle" on unlisted securities ("The Biggest Stock Market in America") is an example of the sort of information (if properly advertised) that can bring you qualified leads among both new investors and those who have bought securities in the past. Here again, you have a meeting point when you receive a request for such information.

People in the News: Those who are doing things in your town are likely to be interested in investments. Estates that are probated will sometimes be worth following. Attorneys and accountants can be a source of prospective clients—you can send them business and they can reciprocate in kind. One director in a company, or a bank can be the source of other contacts among his follow directors and friends. Again, you must have a meeting ground, a point of interest that you can use as an introduction to people who may be worthwhile clients.

One of the best salesmen I ever knew told me that in his life he figured that each contact that he made was worth $500 to him. He is one of the wealthiest men in this country today and he has developed several enterprises that are known throughout the world. Even now at an advanced age he is constantly meeting people in many lines of endeavor that are doing things that are constructive. No matter where he travels he meets people. Out of these broad contacts he has opened up many opportunities for investing his own funds, and has made it a point to capitalize on the many situations that have developed. Of course, he has established a reputation in his own right, and his friendship with people in all walks of life is something that has been built up over an active lifetime of work. But it is through people that we do things—it is with people that we accomplish desirable objectives and create a better situation for them as well as ourselves.

One rule that has worked well for most investment salesmen can be summed up in the following simple formula: Seek out those who **might** become good clients, either through advertising or personal reference—find a common denominator between your prospect and yourself that can lead to friendship and a pleasant relationship—then develop business along the lines that will satisfy the needs of the client. Don't try to force the issue—don't peddle—don't pressure—**build clients, and make friends.**

$100,000,000 Connecticut Expressway Bonds Bought by Lehman Brothers-First Boston Group

Initial Financing for $398,000,000 Superhighway

A nationwide investment banking group comprising 250 members and managed jointly by Lehman Brothers and The First Boston Corporation offered for public sale on May 11 an issue of $100,000,000 Connecticut Expressway revenue and motor fuel tax 2½% to 2.90% bonds, first series, at prices to yield from 1.60% to 2.90%.

The bonds were awarded to the group by Joseph A. Adorno, State Treasurer, on a bid of par for $8,950,000 2½% bonds due 1962-71, $13,900,000 2¾% bonds due 1972-77, $46,700,000 2⅞% bonds due 1978-89 and $30,450,000 2.90% bonds due 1990-94. The bid represents a net interest cost of 2.8569% to the State.

Sale of the first series bonds marks the initial public financing for Connecticut's projected $398,000,000 cross-state super-highway which will extend from the New York State line at Greenwich to the Rhode Island State line at Killingly, a distance of 129 miles. The $100,000,000 first series bonds are part of a total authorized issue of $398,000,000 approved by Governor John Lodge and the other members of the Expressway Bond Committee. The authorized issue makes provision for a reserve fund and interest. The remaining bonds will be sold from time to time to cover costs of construction. G. Albert Hill, highway commissioner of the State, estimates that the Expressway will be completed by late 1957.

Revenues from tolls and concessions along the Expressway (gasoline stations, restaurants and snack bars) will be more than sufficient, it is estimated, to cover principal and interest payments on all bonds when due. Gasoline taxes may be used for bond payments in the event the revenues from tolls and rentals and the reserve fund are insufficient for coverage.

The Expressway will run through or near such communities as Greenwich, Stamford, Darien, Norwalk, Westport, Fairfield, Bridgeport, Stratford, Milford, West Haven, New Haven and New London. Use of the Expressway will enable cars and trucks traveling between New York and such points as New Haven, Providence and Boston to save considerable time as compared with the time required on routes now available. It is expected the new highway will relieve the now serious traffic congestion along Route U. S. 1.

The Expressway will have eight barrier-type toll stations for collection of 15 cents tolls for passenger cars. Tolls for heavy trucks will be 75 cents at six stations and 50 cents at two.

The Expressway will connect with the New England Thruway of the New York State Thruway Authority to bring traffic from Greenwich into the Bronx. The New York Authority recently announced its intention to sell bonds on or about June 1 to build the New England Thruway and other projects.

Principal members of the underwriting group include: Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; Drexel & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co. Incorporated; Smith, Barney & Co.; C. J. Devine & Co.; Eastman, Dillon & Co.; Equitable Securities Corporation; Glore, Forgan & Co.; Kuhn, Loeb & Co.; Lazard Freres & Co.; Merrill Lynch, Pierce, Fenner & Beane; F. S. Moseley & Co.; Phelps, Fenn & Co.; R. W. Pressprich & Co.; Salomon Bros. & Hutzler; Union Securities Corporation; B. J. Van Ingen & Co. Inc.; White, Weld & Co.

Standard Uranium Stk. Offer Oversubscribed

A new issue of 1,430,000 shares of Standard Uranium Corp. common stock was offered to the public as a speculation on May 10 by Gearhart & Otis, Inc. of New York and Crerie & Co., Houston, Texas. The stock was priced at $1.25 per share. This offering has been oversubscribed and the books closed.

A group headed by Joseph W. Frazer (President) and Charles A. Steen (a director) formed the corporation under Delaware laws on Jan. 11 this year "for the purposes, among others, of acquiring, exploring and developing the unanium properties" on which it holds lease options in the Colorado plateau area of Utah.

Proceeds from the public sale of the stock will be used for construction of a surface plant and the purchase of mining and trucking equipment in the amount of $176,600, as well as the payment of $450,000 to present lease holders as required by the purchase option held by the company. The balance will be reserved for operating expenses and contingencies and general funds.

Standard Uranium has an option to purchase 15 unpatented mining claims, 14 of which are known as the "Big Buck" claims and one as the "Idle Day" claim, near Moab, in San Juan County, Utah. These claims adjoin the Mi Vida mine, one of the largest producing uranium mines in the United States and discovered and developed by Mr. Steen. He is now known as "The Cinderella Man" of the uranium business.

The option agreement on these claims calls for their purchase by Standard Uranium at a price of $2,000,000, with $50,000 already paid and the balance to be paid in periodic instalments.

John J. O'Brien Admits

CHICAGO, Ill.—John J. O'Brien & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges, on May 20 will admit David S. O'Brien to partnership.

Railroad Securities

Missouri Pacific and M-K-T

Aside from the continued, and in many cases substantial, upswing in better grade rail stocks last week, the market was treated to some speculative gyrations in the securities of Missouri Pacific. This activity followed the release of the broad outlines of the new so-called compromise plan of reorganization which will probably have been submitted to the Interstate Commerce Commission and the courts by the bankruptcy trustee by the time this column is in print. It is reported that the plan has been approved by representatives of most of the interested security groups. In general, it fairly closely follows the pattern set by the examiners in their proposed report of a couple of months ago. The major changes are that instead of a new 5% Preferred issue there would be issued Income Debenture 5s, which would mean a saving in Federal income taxes, and the old common would participate to the extent of one share of new Class "B" common for each 20 shares held.

Fixed charges under the compromise plan would be the same as under the earlier examiners' proposal at around $15.1 million a year. Contingent interest, however, would be boosted to $11.6 million with the new Income Debenture issue. Sinking fund charges would also be higher than proposed earlier, being raised to three-quarters of one percent on the new First Mortgage and General Mortgage bonds. This would come to $3.3 million annually. So far as is known at the time of this writing the capital fund, designed to provide for additions and betterments to the property, would remain the same as in the examiners' plan. This would require roundly $7 million a year through 1958.

Thus, total charges ranking ahead of the new Class "A" common, most of which is allocated to the old preferred, would come to $37 million. This is just about $1 million more than was reported available for charges before Federal income taxes by the System companies for the 12 months ended Feb. 28, 1954. Even figuring before the sinking and capital funds, and allowing for no Federal income tax liability, earnings on the proposed Class "A" common would have come to only $4.90 a share for the 12 months through February last. Many analysts consider this proposed capitalization, particularly with its top-heavy debt structure, unreasonably high. Total requirements coming ahead of the common stocks, exclusively of income taxes, would be some $2.2 million a year higher than those proposed by the examiners. This is somewhat less than the theoretical saving in Federal income taxes to be realized by substituting Income Debentures for Preferred stock in the new capitalization.

Also last week, but causing little market stir, was the announcement that preferred and common stockholder representatives have reached substantial agreement on a plan of recapitalization designed to eliminate the large preferred arrears of **Missouri - Kansas - Texas.** Aside from some apparently minor technical considerations, actual submission of the plan is being held up pending final determination of the fate of certain sections of the Federal tax bill discussed in this column on April 15. If the House version of the bill is adopted by the Senate, which is generally considered unlikely, the proposed plan would not be considered feasible.

For each share of the present preferred with arrears it is proposed to issue $140 face value of new 5% Income Debentures with a 1% sinking fund, and $60 par value of new Class "A" stock which would carry a 5% preferential dividend. This would also carry a contingent sinking fund. The present common would receive share-for-share in new common. Here again many analysts are skeptical about the ultimate fate of such a plan with the ICC as it would just about double the amount of debt now outstanding and provide a top-heavy capital structure.

Pawnee Oil & Gas Common Stk. Offered

S. D. Fuller & Co. and Vermilye Brothers on May 11 jointly offered 149,500 shares of Pawnee Oil & Gas Co. common stock ($1 par value) at $2 per share.

Proceeds will be used by the company to purchase the additional Oklahoma interests which it has under option. The balance, together with available current income, will be used to drill development wells on offset locations recommended by the company's consulting geologist and to drill wells required by lease expirations.

The company has 252,110 common shares outstanding, its only capitalization, after giving effect to the current financing.

Sales during the 12 months ended March 31, 1954, from the interests which the company has acquired, amounted to about 7,367 net barrels of oil worth $20,432. For the same period sale from the interests under option to the company amounted to 7,152 net barrels worth $20,177.

Pawnee Oil & Gas Co. owns leasehold interests in 2,430 gross or 693¾ net acres in Oklahoma, 631 gross or approximately 56 net acres in Texas and a spread of 15,638 full leasehold acres on the eastern and southern flanks of the Williston Basin. It also holds an option, exercisable on or before July 1, 1954, to purchase additional interest in certain Oklahoma leases which, if exercised, will increase its Oklahoma net acreage from 693¾ net acres to 867½ net acres.

Arthur Rodger Retires

Arthur T. Rodger, Vice-President of First Securities Company of Chicago, who has been in the investment business on La Salle Street for the past 35 years, most of which time as senior partner in his own firm, announced his retirement from business here on May 7 and his departure to take up permanent residence in Fort Lauderdale, Florida.

New Jos. Walker Branch

SUFFERN, N. Y. — Joseph Walker & Sons, members of the New York Stock Exchange, have announced the opening of a new branch office in Suffern, New York, under the management of Alonzo B. Sherow.

With Channer Securities

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—O. Allen Myers is with Channer Securities Company of Chicago. He was formerly with Braun, Monroe & Co.

Chase National Bank Group Offering $79.2 Million City of New York 1.90% Serial Bonds

The Chase National Bank and associates are marketing today (Thursday, May 13) the first public offering of bonds to be made by the City of New York since January, 1945. The offering comprises $79,200,000 1.90% serial bonds, dated May 15, 1954, consisting of $70,200,000 school and hospital construction bonds, due May 15, 1955-68, inclusive, and $9,000,000 Pension Contributions bonds, due May 15, 1955-57, inclusive.

The bonds are priced to yield from 0.80% for the 1955 maturity to 2.30% for the final maturity in 1968.

The bonds are interest exempt from present Federal and New York State income taxes. They are legal investment for savings banks and life insurance companies in the State of New York and for executors, administrators, guardians and others holding trust funds for investment under the laws of the State of New York.

Associated with The Chase National Bank in the offering are: Chemical Bank & Trust Company; Manufacturers Trust Company; J. P. Morgan & Co. Incorporated; Lehman Brothers; Blyth & Co., Inc.; Lazard Freres & Co.; Barr Brothers & Co.; R. W. Pressprich & Co.; Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corporation; Goldman, Sachs & Co.; Bear, Stearns & Co.; The Northern Trust Company; Harris Trust and Savings Bank; Equitable Securities Corporation; Drexel & Co.;

The Philadelphia National Bank; Blair, Rollins & Co. Incorporated; Hallgarten & Co.; F. S. Moseley & Co.; Paine, Webber, Jackson & Curtis; Hemphill, Noyes & Co.; Hornblower & Weeks; Schoellkopf, Hutton & Pomeroy, Inc.; Swiss American Corporation; A. G. Becker & Co. Incorporated; Gregory & Son Incorporated; Hirsch & Co.; Laurence M. Marks & Co.; Reynolds & Co.; Chas. E. Weigold & Co. Incorporated; American Securities Corporation; Bache & Co.;

The Boatmen's National Bank of St. Louis; Central Republic Company Incorporated; City National Bank & Trust Co., Kansas City, Mo.; Commerce Trust Company, Kansas City, Mo.; Federation Bank & Trust Company; Goodbody & Co.; Green, Ellis & Anderson; Hayden, Miller & Co.; Heller, Bruce & Co.; The Illinois Company; Carl M. Loeb, Rhoades & Co.; Wm. E. Pollock & Co., Inc.; The Robinson-Humphrey Company, Inc.; Stern Brothers & Co.; Stroud & Company Incorporated; Trust Company of Georgia; Weeden & Co. Incorporated, and others.

NY Stock Exchange Elects Harold Scott

Harold W. Scott has been elected Chairman of the Board of Governors of the New York Stock Exchange. He succeeds Richard M. Crooks, who held that office for the past three years and who announced in January that he would not be available for renomination.


Harold W. Scott

A Governor of the Exchange since 1949, Mr. Scott is a partner in the firm of Dean Witter and Co. The following nine Governors were elected for three-year terms: Henry U. Harris, of Harris, Upham & Co. (who was re-elected); Jacob Bleibtreu, Abraham & Co.; Elmer M. Bloch, Cahill & Bloch; Robert P. Boylan, at Wagner, Stott & Co.; Roscoe C. Ingalls, Ingalls & Snyder; Maynard C. Ivison, Abbott, Proctor & Paine; Robert F. Mulvany, Irving Lundborg & Co. (San Francisco); Joseph M. Scribner, Singer, Deane & Scribner (Pittsburgh); John O. Stubbs, F. S. Moseley & Co. (Boston).

Total membership of the Board is 33.

The following Trustees of the Gratuity Fund—which pays death benefits to families of deceased Stock Exchange members—were reelected: John Rutherfurd, of John Rutherfurd & Co., and John K. Starkweather, of Starkweather & Co.

Elected as the 1955 Nominating Committee were the following members of the Exchange: Stephen A. Koshland, of Carl M. Loeb, Rhoades & Co.; Joseph A. Martin, Jr., of Gaines & Co.; Richard H. Moeller, of Schirmer, Atherton & Co.; Clarence Southwood, of H. N. Whitney, Goadby & Co.; John J. Trask, of Francis I. du Pont & Co.; Samuel W. West, of Beauchamp & West; H. Lawrence Bogert, Jr., of Eastman, Dillon & Co.; Harold H. Cook, of Spencer Trask & Co., and Ralph Hornblower, of Hornblower & Weeks.

Between the retirement as President of Emil Schram in May, 1950, and the appointment of Keith Funston as President of the Exchange in September, 1951, Mr. Scott rendered distinguished service as Chairman of the Exchange's Advisory Committee on Public Relations. That committee was charged with the responsibility of increasing public confidence in the usefulness and integrity of the Stock Exchange. It fostered a realistic understanding by the public of the risks and rewards of stock ownership. That committee generally has been credited with having initiated the present expanded and intensive operations of the Stock Exchange in the field of public relations.

Among the Governors elected, Robert P. Boylan was Chairman of the Board from 1947 to 1951, when he resigned as a Governor. Mr. Ingalls was President of the Association of Stock Exchange Firms from 1952 to 1953; Mr. Scribner held that position from 1950 to 1951, and Mr. Ivison formerly was a Vice-President of that association.

With Draper, Sears

(Special to The Financial Chronicle)

BOSTON, Mass. — Henry H. Barnard has become connected with Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges. He was formerly with Richard J. Buck & Co. and Tucker, Anthony & Co.

H. C. Wainwright Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—Maurice H. G. Ockers is now connected with H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges.

Joins Mann & Gould

(Special to The Financial Chronicle)

SALEM, Mass. — Lewis T. Thornburn has become affiliated with Mann & Gould, members of the Boston Stock Exchange. He was formerly with Minot, Kendall & Co., Inc.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is assimulating the new securities, especially the 1⅞% due Feb. 15, 1959, which came about in the recent Treasury financing. Allotments in the new four-year nine-months note of 22% was, however, slightly higher than what had been expected in the financial district. The new note has been very well received because it was designed to meet the needs of the current money market. Commercial banks, as was to be expected, were the largest buyers of this security even though certain of these institutions were as much, if not more interested in the one-year 1⅛% certificate. The Treasury has extended maturities of a large number of securities that were needed by the commercial banks for short-term purposes. As a result of this limiting of the liquidity issues, competition for the available ones has increased very markedly. This has brought the yield on near-term obligations, which are necessary for liquidity purposes, down very sharply.

Free Riders at Minimum

Activity and interest in the Government market is still centered around the new money issue, namely the 1⅞s due Feb. 15, 1959. With the announcement that allotments would be 22% of subscriptions in excess of $10,000, there was an increase in trading activity in the new note because investors and traders were either letting out or rounding off positions. The four-year nine-months obligation, according to reports, has been very well taken by investors, principally the commercial banks.

To be sure, there was a certain amount of the quick turn variety of operation in the new 1⅞% issue, but it is indicated that the so-called "free ride" type of subscription was kept pretty much at a minimum. This has given investors a better opportunity to get the kind of positions that they wanted, without having to push quotations of the new obligation up too sharply.

Commercial banks have been the largest buyers of the new note, not only because it was made to order for them, but there is also the attraction of being able to make payment for the new obligation through crediting the tax and loan account. This means that the commercial banks will not have to make cash payments for the new security until the Government makes calls on these institutions for the money.

Profit-Taking in Long 2½s

A substantial amount of the activity in the new 1⅞% obligation is now being attributed to switches from the older outstanding obligations. There have been reports that a certain amount of maturity shortening has been done, through switching from the more distant obligations into the four-year nine-months issue. It is indicated that profits are being taken in some of the longer-term 2½s with the proceeds being put to work in the 1⅞s of February 1959. On the other hand, there has been a considerable amount of maturity lengthening also reported, with certain of the short-term issues being sold in order to make way for the four-year nine-months note.

While the 1⅞% obligation has been the center of attraction as far as the recent operation of the Treasury is concerned, there was a not unimportant amount of turn-ins for the 1⅛% certificates. There were institutions that had to take the one year 1⅛s not only because there was no other alternative but because they had to have them for liquidity purposes. The short-term market is still a very active one with plenty of demand around for these securities and there are no indications that a change in attitude toward these issues is likely to take place in the foreseeable future.

Pension Funds Taking Long Bonds

Pension funds, both the public and private varieties, have been quite active in not only the more distant maturities, but also in the 1⅞% note, in the later obligation, however, in a much smaller way than in the longer maturities. Nearly all of the long 2½s have been given some consideration by these funds, with reports to the effect that the last three maturities of the 2½s have had the bulk of the buying. The fact that certain holders of the long-term 2½s have seen fit to take profits in these bonds has enabled the pension funds to obtain some good sized blocks of these securities without having any noticeable effect upon quotations of these obligations.

3¼s of 1978-83 in Demand

The so-called "museum piece," the 3¼% due 5/15/78-83, according to advices, has come to life again on a couple of occasions recently, with some rather sizable trades having been made in this bond. There has been and still are buyers around for the longest Government obligation, but it has not been easy to get those that own them to consider either a switch or a sale. It is reported that the 3¼s which have come into the market recently have come from state pension funds.

More Than 1,000 Visitors at NYSE

More than 1,000 people visited the New York Stock Exchange every day that the stock market was open during the month of April, Keith Funston, Exchange President, announced.

These visitors — who averaged 1,086 daily last month, compared with the March average of 968—included, he said, top officials of important U. S. corporations, the head of the Buenos Aires Stock Exchange, the Spanish Minister of Commerce and party, a group of leading German bankers, a member of the Iranian Parliament, a noted German journalist and the winner of the Bermuda Lily Contest.

Corporations whose officials visited the "Big Board" last month included the New York Telephone Co., Cerro de Pasco, San Diego Gas & Electric, Stauffer Chemical and Marquette Cement Manufacturing Co.

Located on the second floor of 20 Broad Street, the Exchange's Reception and Exhibition Headquarters are open from 10:00 a.m. to 3:30 p.m. Monday-through-Friday.

Visitors see the stock market in action; animated exhibits sponsored by leading companies listed on the Exchange, and view the Exchange's 12-minute Technicolor motion picture, "What Makes Us Tick," in New York's most intimate theatre.

Floyd Welsh Joins Ira Haupt & Co.

Floyd E. Welsh, former Chief Finance Examiner, Public Works Administration and Federal Works Agency, has joined Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, in their Municipal Bond Department, where he will specialize in the origination of Revenue bond issues throughout the country.

Mr. Welsh, in his capacity as Chief Finance Examiner of the Public Works Administration, during the years of 1933-42, was responsible for the setting up of over $3,000,000,000 worth of bond issues purchased by the P. W. A. Practically all of these bonds were later transferred to the Reconstruction Finance Corporation. He was responsible for reviewing the findings of over 100 field examiners investigating municipal projects in every State of the Union, and for the setting up of the identure provisions such as the flow of funds, rate covenants, maturity schedules, etc., of such projects as the first issue of the Pennsylvania Turnpike Authority, the original issue of the Triborough Bridge Authority, the subsequent Mid-town Tunnel issue. He also represented the P. W. A. in the setting up of the Lincoln Tunnel issue and the first George Washington Bridge of the present Port of New York Authority. He set up all the financial aspects of the power projects that are now represented by the Consumers Public Power District of Nebraska. Other issues which he set up include the Colorado River Authority of Texas, various Mississippi Road bonds, Colorado Highway bonds, Kansas Highway bonds, Imperial Valley Irrigation District bonds, the Overseas Highway issue in Florida and many others.

Joins F. I. du Pont

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Thomas R. Peirsol, Jr. has become affiliated with Francis I. du Pont & Co., 9640 Santa Monica Boulevard. He was formerly with Shields & Company and Fabian & Co.

Joins Staats Staff

(Special to The Financial Chronicle)

PASADENA, Calif.—Francis F. Johnstone has been added to the staff of William R. Staats & Co., 311 East Colorado Street. He was formerly with E. F. Hutton & Co.

Continued from first page

Utilities and Oils Favored By Funds in First Quarter

and aviation stocks. There was no decided trend in the chemical and retail stocks, but the tobaccos and rubbers were definitely unpopular. Investors Mutual liquidated a $6 million investment in the tobacco group and there was also selling on balance by Selected American Shares and Tri-Continental. However, Wellington Fund, which had been the heaviest seller of the tobaccos in the latter part of 1954 before the severe break in prices, currently had a change of heart. During the present period this fund invested a total of $800,000 in both the common and preferred of Reynolds.

Over-all opinion on Reynolds, however, was divided during the quarter under review. Three purchases totaling 11,200 shares—including Wellington's—were offset by three sales. American Tobacco was the least popular in the group, a total of 41,900 being lightened in two portfolios, and eliminated from four others. Three acquisitions equalled 3,500 shares. Liggett and Myers was also sold on balance by four managements, two entirely disposing of holdings. Over-all management opinion, however, was apparently well-disposed toward Lorillard as it had been in the scare market for this group in late 1953, three purchases totaling 38,700 shares, one of which represented an initial commitment. Only one block was sold.

With better grade bonds reaching high prices because of monetary and credit policies, along with the market for stocks, it is interesting to observe that several balanced funds lightened holdings of debt issues during the quarter under review. Thus, Boston Fund sold $5½ million of seniors, in particular all triple A rated bonds and half of those rated "AA." Nation-Wide sold $750,000 (representing about 20% of its holdings on Dec. 31, last) while American Business Shares lightened on balance by $2 million. Scudder, Stevens and Clark sold $500,000 of its long-term government holding — the 3¼% Treasuries 1978-83. Scudder had purchased $1 million of Canadian debt issues during the previous quarter and Boston Fund acquired the same amount of City of Montreal 3¾s currently. Preference for short-term paper at the present time is illustrated by Delaware Fund's acquisition of $250,000 of commercial paper as well as Investors Mutuals' holding of almost $8 million.

However, there was no noticeable rush for cash and equivalents during the period. A few more closed-end companies increased liquid assets than in December, but the number of open-end funds adding to reserves during the quarter was 50% of the total, the same as during the last three months of 1953. Approximately one-third less open-end common stock funds purchased on balance, but then, there were fewer companies selling on balance also and, as noted, *over-all* purchase transactions continued at about the same pace as the previous quarter.

Some Bullish Policy Reflections

This disposition not to retrench more as the market averages pushed to new highs almost each week, in the face of a contraction in business, poses an interesting question. For an answer, we quote opinions of several fund managements, which accompany their quarterly statements.

Edward P. Rubin, Selected American Shares President, expresses no surprise at the buoyant stock market: "Tax reductions that have taken place since the start of the year have made dividends and other income more valuable. In addition there is a possibility that tax revisions now pending in Congress may lighten so-called 'double taxation' of corporate income. Basic tax improvements, combined with adequate credit at low rates, and the broad national program of reinvigorating individual initiative, are a sufficient explanation of the rise that has taken place in stock prices, and a reason for intelligent hope for better things to come."

Nor does Francis Randolph, Chairman of the boards of the several funds in the Seligman group, see any real danger in the current business "retraction": "Developments of recent months do not change our previous view that the contraction will not have the speed or severity of that which took place in the recession of 1937-38. The government is better prepared to exert its influence against contraction, and business and the consuming public are generally in good shape financially. Thus, even though the trend of activity may continue to be downward for some time, 1954 as a whole is likely to be a comparatively good business year."

But the management of Incorporated Investors is more optimistic than this when it states over the signature of Charles Devens, President, and William Parker, Chairman: "The business decline which began about the middle of 1953 continues. The most significant fact, as was the case in the 1949 contraction, is that the economy is using up goods faster than they are being produced. If consumption remains at or near present levels, it is obvious that production must increase before many months have gone by. Because of this and other favorable factors in the economy, the management believes that an upturn in business is probable well before the end of the year."

Newcomers to portfolios during the period accentuate the fact that, although many funds concentrate on so-called run-of-the-mill blue chips and pale blue chips, others are not adverse to going off beaten paths in search for investment values. Noteworthy in this respect have been the funds managed by E. W. Axe and Co. During the first three months of this year Axe-Houghton Fund "A" acquired shares in Dragon Cement and Beryllium Corp. while its twin sister, Axe-Houghton "B," purchased the stocks of Sheller Manufacturing, Hudson Pulp and Paper (the "A" stock) and Minnesota and Ontario Paper Co. Less familiar issues appearing in other portfolios for the first time were Aztec Oil and Gas which was acquired by State Street Investment Corp. and National Shares Corp. and Pioneer Natural Gas added by the Lehman Corp.

Southern California Edison, spurred to a large degree by an offering, was the favorite in the power and light group during the period, 13 funds acquiring a total of 134,600 shares, six making new purchases. In the previous quarter Florida Power Corp. had been the most popular issue and California Edison had shared third rank with several other utilities. American Telephone was also extremely well-liked during the quarter under review, nine managements purchasing 20,300 shares, four making initial commitments. Three offsetting sales totaled 4,350 shares. Another West Coast company lead the utility parade as Pacific Gas and Electric was added to six portfolios and newly committed to another. Two sales equaled 11,500 shares. Five trusts acquired 20,767 shares of West Penn Electric while another disposed of a block of 1,000 shares. Power and light issues, each purchased by three managements, were Commonwealth Edison, Florida Power Corp., Kansas Gas and Electric, Montana Power and New England Electric System. A portion of the increases in three portfolios of Public Service Electric and Gas resulted from conversion of the preferred issue. Additions to the holdings of nine funds in Consumers Power and 11 in Ohio Edison were in part stimulated through the exercise of rights issued on a one-for-ten basis.

Middle South Utilities was the least popular stock in the electric power group during the first quarter of 1954, seven trusts selling a total of 56,700 shares, two eliminating the issue from their holdings. Another company bought a block of 10,500 shares. American Gas and Electric, most unwanted in the group during the preceding December quarter, still lacked buying interest, five managements disposing of 31,015 shares, three selling their entire commitments. Also unpopular, each with four funds, were General Telephone, Public Service of Indiana and Central and Southwest Corp. Three managements disposed of Delaware Power and Light, Kansas Power and Light, New York State Electric and Gas and Western Union.

Popular Oils

Louisiana Land and Exploration received major attention from managements bullish on the oils during the period. In the last three months of 1953, it had ranked third along with five other petroleum stocks while during the still earlier quarter ending in September it had been second most popular issue. Additions of 40,300 shares were made to eight portfolios, half of which represented initial commitments. Cities Service, upon which opinion had been fairly well divided in the previous three months, increased in volume in four portfolios and was newly added to three others. Purchases totaled 21,800 shares, offset by sale of a lone block of 665 shares. Socony Vacuum and Standard Oil of New Jersey were each acquired by six managements, purchases of the former equaling 26,300 shares and 30,437 of the latter. Five trusts added 36,700 shares of Texas Co. and four bought Phillips which had been the least popular issue in the previous quarter. The favorite of the previous period, Amerada, currently appeared as a new purchase in two portfolios and as an addition to a third. A total of 10,400 shares were acquired while one small block of 100 shares was sold. Skelly and Standard of Indiana were also each bought by three managements. Selling was scattered with slight evidence of any concentration. Four trusts sold 20,400 shares of Gulf, some of which had been received as a 4% stock distribution in the December quarter. Two managements also sold British American Oil.

Buying of the Depressed Rail Group

Purchase of the rails, on which opinion had been divided in the previous period, points up the tendency of many managements to acquire groups temporarily depressed, which is in contrast to the oft repeated charge that "mutuals buy the popular issues." (The same might be said about purchases of agricultural equipment shares during the current quarter and the preceding three months.) Seaboard was one of the favorites in the carrier group as it had been in the December quarter. Five managements acquired a total of 9,800 shares, one making a new purchase; there were no sales. A like number of trusts added 15,500 shares of Santa Fe—also second in popularity during the previous period—as well as 17,100 shares of Great Northern. A total of 28,130 shares each of Nickel Plate and 18,600 shares of Southern were added to four portfolios while three purchases were made of Rock Island and Kansas City Southern. Selling, in addition to that of New York Central, was concentrated in eight holdings of Southern Pacific, four of Union Pacific and three of Pennsylvania.

Tennessee Gas Transmission and Lone Star Gas were the best-liked issues in the natural gas division, additions to four portfolios being made of each and half of these representing new commitments. A portion of the Lone Star stock was converted from the preferred. Other companies in this group, each bought on balance by three managements, were Brooklyn Union Gas (12,800 shares), Chicago Corporation (6,500 shares), Colorado Interstate Gas (5,700 shares), Consolidated Natural Gas (18,400 shares) and Oklahoma Natural Gas (10,400 shares). The only concentrated selling on balance was in Southern Natural Gas, three trusts lightening existing holdings by 20,400 shares.

Steels, also bought on balance during the December quarter, currently moved up in rank to become fifth most popular group with purchase transactions equaling two and one-half times sales. Bethlehem was the favorite issue as it had been three months earlier. Twelve managements acquired a total of 43,700 shares, three making new purchases. Two offsetting sales totaled 1,500 shares. Also, as during the previous period, United States Steel ranked second favorite in the group. However, there were five initial portfolio commitments (contrasted with the three in Bethlehem) as well as three portfolio additions. There also was a complete absence of liquidation of existing holdings of the Big Steel issue. Republic and Armco were also well bought, seven trusts purchasing a total of 26,000 shares of the former and 39,400 shares of the latter. Four managements liked Inland, purchases totaling 3,900 shares with no offsetting

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Balance Between Cash and Investments of 62 Investment Companies

End of Quarterly Periods December, 1953, and March, 1954

	Net Cash & Governments Thousands of Dollars—End of—		Net Cash & Governments Per Cent—End of—		Investment Bonds and Preferred Stocks Per Cent*—End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent—End of—	
	Dec.	Mar.	Dec.	Mar.	Dec.	Mar.	Dec.	Mar.
Open-End Balanced Funds:								
American Business Shares	8,082	8,552	23.0	24.7	26.5	22.5	50.5	52.8
Axe-Houghton Fund "A"	6,628	5,658	20.4	16.1	36.1	34.2	43.5	49.8
Axe-Houghton "B"	1,164	1,188	4.1	3.8	27.5	26.9	68.4	69.3
¶Boston Fund	3,452	334	3.6	0.3	38.8	33.7	57.6	66.0
¶Commonwealth Investment	7,338	9,969	11.1	13.7	22.0	18.7	66.9	67.6
§Diversified Investment Fund—Diversified Funds, Inc.	371	937	1.1	2.3	26.4	24.6	72.5	73.1
‡Dreyfus Fund	25	8	1.6	0.5	5.4	None	93.0	99.5
Eaton & Howard Balanced	7,978	8,413	7.8	7.5	31.3	30.3	60.9	62.2
Fully Administered Fund—Group Securities	2,029	1,678	30.9	25.8	9.1	9.1	60.0	65.1
General Investors Trust	205	164	9.5	6.9	15.2	14.0	75.3	79.1
Investors Mutual	11,295	4,697	2.2	0.8	33.7	34.2	64.1	65.0
Johnston Mutual Fund	372	319	15.2	11.9	27.1	27.3	57.7	60.8
‡‡Mutual Fund of Boston	31	26	1.6	1.3	43.9	43.6	54.5	55.1
National Securities—Income	969	1,444	3.0	3.9	14.3	14.7	82.7	81.4
Nation Wide Securities	3,176	4,534	16.4	22.0	29.7	24.7	53.9	53.3
George Putnam Fund	5,559	3,621	8.3	4.8	24.5	27.1	67.2	68.1
Scudder, Stevens & Clark	2,442	2,077	6.2	4.9	41.2	41.4	52.6	53.7
Shareholders Trust of Boston	154	165	1.7	1.6	23.8	21.7	74.5	76.7
Stein Roe and Farnham Fund	1,790	1,615	25.1	20.2	23.7	28.7	51.2	51.1
Wellington Fund	36,013	39,567	12.8	12.7	29.2	25.7	58.0	61.6
Whitehall Fund	193	158	4.0	3.1	41.7	40.3	54.3	56.6
Wisconsin Investment Co.	538	270	10.2	4.5	1.4	None	88.4	95.5
Open-End Stock Funds:								
Affiliated Fund	5,572	15,033	2.2	5.7	None	None	97.8	94.3
††Axe-Houghton Stock Fund	777	386	13.9	7.0	29.7	34.8	56.4	58.2
Bowling Green Fund	94	53	13.3	10.5	17.8	13.0	68.9	71.5
Blue Ridge Mutual Fund	726	582	3.9	2.9	None	None	96.1	97.1
Broad Street Investing	2,221	2,875	6.4	6.7	9.2	7.7	84.4	85.6
Bullock Fund	2,543	3,051	16.9	18.2	0.1	None	83.0	81.8
Delaware Fund	428	567	2.7	3.2	4.6	5.6	92.7	91.2
de Vegh Mutual Fund	247	569	11.4	22.5	6.6	5.9	82.0	71.6
Dividend Shares	15,927	22,148	13.2	16.6	None	None	86.8	83.4
Eaton & Howard Stock	1,249	1,118	6.0	4.7	None	0.7	94.0	94.6
Fidelity Fund	3,781	2,993	4.1	2.8	1.2	0.9	94.7	96.3
Fundamental Investors	3,120	3,975	2.0	2.1	None	None	98.0	97.9
General Capital Corp.	2,876	2,749	20.9	18.4	None	None	79.1	81.6
Group Securities—Common Stock Fund	230	397	3.1	4.2	None	None	96.9	95.8
Incorporated Investors	6,611	6,962	5.0	4.8	0.2	None	94.8	95.2
Institutional Foundation Fund	79	110	3.1	3.7	11.4	13.4	85.5	82.9
Investment Co. of America	3,248	3,721	12.1	11.9	None	None	87.9	88.1
Investors Management Fund	292	§§	2.1	§§	None	§§	97.9	§§
Knickerbocker Fund	5,885	6,956	39.1	45.9	6.4	6.0	54.5	48.1
Loomis-Sayles Mutual Fund	8,593	8,179	26.6	23.6	23.8	25.9	49.6	50.5
Mass. Investors Trust	15,484	13,220	3.0	2.3	None	None	97.0	97.7
Mass. Investors Growth Stock	----	1,429	----	3.0	----	None	----	97.0
Mutual Investment Fund	456	489	13.6	12.9	32.9	26.7	53.5	60.4
National Investors	365	352	1.2	1.0	None	None	98.8	99.0
National Securities—Stock	2,433	3,346	3.6	4.0	None	None	96.4	96.0
New England Fund	1,707	1,626	25.8	22.3	10.2	11.7	64.0	66.0
Scudder, Stevens & Clark Common Stock Fund	294	237	5.7	4.1	None	None	94.3	95.9
Selected American Shares	5,285	4,961	19.5	16.7	None	None	80.5	83.3
Sovereign Investors	18	34	2.5	3.8	3.7	2.6	93.8	93.6
State Street Investment Corp.	22,789	26,093	20.8	21.9	0.1	0.1	79.1	78.0
Wall Street Investing Corp.	791	839	21.3	21.1	None	None	78.7	78.9
Closed-End Companies:								
Adams Express	2,446	2,545	5.0	4.6	0.8	0.7	94.2	94.7
American European Securities	247	154	2.2	1.2	10.4	10.9	87.4	87.9
American International	271	336	1.2	1.4	1.3	1.2	97.5	97.4
General American Investors	7,764	7,860	16.2	15.3	None	None	83.8	84.7
General Public Service	794	1,051	5.2	6.4	None	None	94.8	93.6
Lehman Corporation	14,962	11,823	10.5	7.5	None	2.8	86.6	89.7
National Shares Corp.	2,093	2,151	17.2	15.9	2.6	1.6	80.2	82.5
Tri-Continental Corp.	53	1,029	0.03	0.5	15.8	14.7	84.1	84.8
†U. S. & Foreign Securities	5,619	6,946	10.2	11.4	None	None	89.8	88.6
U. S. & International Securities	6,761	6,539	11.1	9.9	None	None	88.9	90.1

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †Portfolio exclusive of securities in subsidiary or associated company. ‡‡Name changed from Russell Berg Fund. ‡Name changed from Nesbett Fund. ††Name changed from Republic Investors. ¶December figures corrected. §Includes Diversified Common Stock Fund reclassified March 31, 1954; consolidated December cash, $560,000—1.4%. §§Assets acquired by Fundamental Investors on March 31, 1954.

SUMMARY

Changes in Cash Position of 61 Investment Companies

	Plus	Minus	Unchanged	Total
Open-End Companies:				
Balanced Funds	8	12	2	22
Stock Funds	17	10	2	29
Closed-End Companies	4	2	4	10
Totals	29	24	8	61

Changes in Common Stock Holdings of 46 Investment Management Groups

(December 31, 1953 — March 31, 1954)

Transactions in which buyers exceed sellers — or sellers exceed buyers — by two or more management groups. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment		
10(3)	35,600	Deere and Co.	None	None
7(3)	30,000	International Harvester	7,000	1(1)
		Auto and Auto Parts		
4(1)	20,545	Bendix Aviation	2,005	1
4(4)	11,900	Borg Warner	1,000	1
3(3)	8,700	Clark Equipment	None	None
3(3)	15,500	Ford Motor of Canada, Ltd.	None	None
8(2)	52,100	General Motors	1,500	2(1)
3(2)	4,200	Thompson Products	None	None
2(1)	600	Timken Roller Bearing	None	None
None	*None*	*Briggs Mfg.*	*45,500*	*3(3)*
3(1)	*25,500*	*Chrysler*	*44,300*	*7(4)*
None	*None*	*Nash-Kelvinator*	*11,400*	*2(1)*
None	*None*	*Studebaker*	*39,700*	*6(5)*
		Aviation		
2	10,500	American Airlines	None	None
6(1)	8,200	Boeing Airplane	6,600	2
4(3)	26,690	Lockheed Aircraft	None	None
4(1)	5,500	Sperry Corp.	200	1
1	*5,000*	*Douglas Aircraft*	*1,100*	*4(1)*
2	*10,500*	*United Aircraft*	*17,700*	*5(2)*
		Beverages		
5(3)	81,000	Pepsi Cola	None	None
None	*None*	*Distillers Corp.-Seagrams*	*1,500*	*2(1)*
1	*600*	*National Distillers*	*7,000*	*3(1)*
		Building Construction & Equipt.		
6(4)	48,800	American Radiator	1,500	1(1)
4(4)	6,000	Armstrong Corp	12,000	2
2(1)	3,000	Lone Star Cement	None	None
4(1)	5,200	Penn-Dixie Cement [1]	None	None
5(1)	11,400	United States Gypsum	550	2(1)
2	*1,300*	*Johns-Manville*	*30,700*	*4(2)*
None	*None*	*Masonite*	*17,000*	*2(1)*
None	*None*	*Ruberoid*	*11,300*	*2*
None	*None*	*Sherwin Williams*	*1,500*	*3(1)*
		Chemicals		
2	17,100	Diamond Alkali	None	None
2	6,000	Filtrol Corp.	None	None
3	4,000	Mathieson Chemical	10,000	1
3(2)	20,300	Spencer Chemical	700	1
None	*None*	*American Cyanamid*	*4,600*	*3(2)*
2(1)	*11,499½*	*Dow Chemical*	*40,875*	*8(3)*
2	*13,900*	*Monsanto Chemical*	*8,800*	*4(2)*
		Containers and Glass		
2(1)	2,000	Corning Glass Works	None	None
1	*2,000*	*American Can*	*13,600*	*6(3)*
None	*None*	*Emhart Mfg.*	*10,600*	*2*
		Drug Products		
6(1)	26,550	Merck	22,800	3(3)
6(3)	59,400	Pfizer	30,100	4(3)
4(3)	7,100	Smith, Kline and French	None	None
3(2)	*17,700*	*Abbott Laboratories*	*7,700*	*5(5)*
		Electrical Equipment		
2(1)	30,000	Beckman Instruments	None	None
2	600	General Time Corp.	None	None
6(3)	40,500	Motorola	500	1(1)
3(1)	13,200	Philco	500	1
3(3)	17,000	Stromberg-Carlson	None	None
2	*3,000*	*General Electric*	*14,600*	*5(1)*
3(2)	*27,000*	*Radio Corp.*	*24,200*	*5(1)*
2	*2,500*	*Westinghouse Electric*	*29,300*	*5*
		Financial, Banking & Insurance		
2	11,700	Beneficial Loan Corp.	None	None
5(2)	17,900	C. I. T. Financial	2,200	3
2	400	Connecticut General Life	None	None
5(4)	24,388	Fireman's Fund Ins. of San Fr. [2]	None	None
2	7,500	Guaranty Trust Co.	None	None
3	14,725	Traders Finance "A"	3,000	1
3	270	Travelers Insurance	None	None
None	*None*	*Maryland Casualty*	*1,500*	*2(1)*
		Food Products		
2	6,785	Kellog Company	None	None
2(1)	11,400	Mead Johnson and Co.	None	None
6(3)	22,500	United Fruit	1,700	2
		Machinery & Industrial Equipt.		
4(3)	3,700	Babcock and Wilcox	300	1
4(2)	2,700	Combustion Engineering	39,925	2(1)
3	16,000	Food Machinery and Chemical	200	1
2	5,000	Ingersoll Rand	None	None
2(1)	27,500	United Shoe Machinery	None	None
2	*400*	*Allis Chalmers*	*18,300*	*5(1)*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Metals and Mining		
3	7,000	American Smelting and Refining	2,000	1
2	4,500	Anaconda Copper	None	None
2	5,050	Cerro de Pasco [3]	None	None
2	6,000	Homestake Mining	None	None
2	2,770	Magma Copper	None	None
5(2)	6,300	Phelps Dodge	900	2
4(1)	9,700	St. Joseph Lead	2,700	1
2(1)	*1,100*	*Aluminum Co. of America*	*14,600*	*4*
2(1)	*1,100*	*Aluminum Co. of America*	*14,300*	*4*
None	*None*	*Climax Molybdenum*	*15,700*	*2(2)*
None	*None*	*U. S. Smelting, Refin. & Mining*	*20,400*	*2(1)*
		Office Equipment		
4(1)	1,285	International Business Machines	102½	1
4(1)	18,150	Remington Rand	None	None
		Paper, Pulp and Printing		
4	19,100	Crown Zellerbach	None	None
2	4,700	Union Bag and Paper	None	None
None	*None*	*Dobeckmun Co.*	*4,400*	*2(2)*
None	*None*	*Marathon Corp.*	*33,000*	*2*
1	*7,000*	*Rayonier*	*46,900*	*4(1)*
None	*None*	*West Virginia Pulp and Paper*	*8,900*	*2(1)*
		Petroleum		
3(2)	10,400	Amerada	100	1
2(2)	45,458	Aztec Oil and Gas	None	None
7(3)	21,800	Cities Service	665	1
2	24,134	Delhi Oil Corp.	None	None
2(1)	2,000	Lion Oil	None	None
8(4)	40,300	Louisiana Land and Exploration	15,600	2
4(2)	26,100	Phillips Petroleum	7,000	2
5(2)	60,400	Sinclair Oil	5,000	1(1)
3(1)	3,500	Skelly Oil	12,100	1
6(1)	26,300	Socony Vacuum	23,800	2(1)
3	29,700	Standard Oil of California	1,050	1(1)
3(1)	42,200	Standard Oil of Indiana	None	None
6(1)	30,437	Standard Oil of New Jersey	930	3(1)
2(2)	43,700	Sunray Oil	None	None
5	36,700	Texas Company	500	1
2(1)	7,500	Texas Gulf Producing	None	None
2(1)	25,500	Texas Pacific Coal and Oil	None	None
None	*None*	*British American Oil*	*1,800*	*2(1)*
2(1)	*600*	*Gulf Oil*	*20,400*	*4(1)*
		Natural Gas		
3(1)	12,800	Brooklyn Union Gas	12,000	1
3	6,500	Chicago Corp.	None	None
3(2)	5,700	Colorado Interstate Gas	200	1
3	18,400	Consolidated Natural Gas	None	None
2(2)	2,200	Hugoton Production	None	None
4(2)	25,600	Lone Star Gas [4]	1,500	1(1)
2	30,000	National Fuel Gas	None	None
3(1)	10,400	Oklahoma Natural Gas	None	None
2	10,000	Shamrock Oil and Gas	None	None
4(2)	28,000	Tennessee Gas Transmission	None	None
None	*None*	*Southern Natural Gas*	*20,400*	*3*
		Public Utilities		
9(4)	20,300	American Tel. & Tel.	4,350	3(2)
3	15,825	Commonwealth Edison	2,500	1(1)
9(1)	38,220	Consumers Power [5]	13,800	1
2	2,800	Duquesne Light	None	None
3	8,100	Florida Power Corp.	None	None
3(1)	4,600	Kansas Gas and Electric	None	None
3(2)	9,000	Montana Power	13,100	1
3(1)	37,000	New England Electric System	1,000	1
2(1)	5,670	Northern Indiana Pub. Service [6]	None	None
11(2)	46,509	Ohio Edison [5]	None	None
7(1)	42,800	Pacific Gas and Electric	11,500	2
3(1)	27,500	Public Service Electric and Gas	5,000	1
13(6)	134,600	Southern California Edison	12,000	2
5(1)	20,767	West Penn Electric	1,000	1
None	*None*	*American Gas and Electric*	*31,015*	*5(3)*
2	*3,600*	*Central and Southwest Corp.*	*45,500*	*4(2)*
1	*126*	*Cincinnati Gas and Electric [6a]*	*14,000*	*2*
None	*None*	*Delaware Power and Light*	*7,658*	*3(1)*
1(1)	*100*	*General Telephone*	*2,800*	*4(2)*
1	*12,200*	*Kansas Power and Light*	*39,700*	*3(2)*
1	*10,500*	*Middle South Utilities*	*56,700*	*7(2)*
None	*None*	*New England Tel and Tel.*	*5,600*	*2*
None	*None*	*New York State Electric & Gas*	*7,500*	*3*
1	*100*	*Public Service Co. of Indiana*	*19,100*	*4(3)*
None	*None*	*Union Electric of Missouri*	*8,000*	*2(1)*
None	*None*	*Washington Water Power*	*22,500*	*2(2)*
None	*None*	*Western Union Telegraph*	*2,000*	*3(2)*
		Radio and Amusement		
4	11,900	Columbia Broadcast'g "A" & "B"	4,000	2
4(3)	8,700	Paramount Pictures Corp.	None	None

—Bought—			—Sold—	
No. of Trusts	No. of Shares		No. of Shares	No. of Trusts
		Railroads		
5(1)	15,600	Atchison, Topeka & Santa Fe	1,300	2(1)
3(1)	11,500	Chicago, Rock Island & Pacific	None	None
2(2)	14,000	Denver and Rio Grande Western	None	None
5(1)	17,100	Great Northern	1,800	2(2)
3(1)	4,400	Kansas City Southern	None	None
2	8,400	Louisville and Nashville	None	None
4	28,130	N. Y., Chicago and St. Louis	600	1
5(1)	9,800	Seaboard Air Line	None	None
4(1)	18,600	Southern Railway	3,000	1
None	*None*	*New York Central*	*6,500*	*3(2)*
None	*None*	*Pennsylvania Railroad*	*19,000*	*3(2)*
2	*18,000*	*Southern Pacific*	*30,900*	*8(2)*
2	*7,400*	*Union Pacific*	*4,000*	*4(3)*
		Railroad Equipment		
2	*6,000*	*American Brake Shoe*	*None*	*None*
		Retail Trade		
4(1)	4,700	Allied Stores	500	1
3(1)	3,600	Federated Department Stores	None	None
3(5)	14,400	Safeway Stores [8]	800	1(1)
None	*None*	*Lerner Stores*	*21,100*	*3(2)*
None	*None*	*J. C. Penney*	*2,700*	*2(1)*
1	*200*	*Sears Roebuck*	*5,500*	*3(2)*
		Rubber and Tires		
3(1)	3,800	Firestone	1,000	1(1)
4(1)	18,500	United States Rubber	None	None
None	*None*	*General Tire and Rubber*	*342*	*2(1)*
1	*10,900*	*Goodrich*	*7,200*	*5*
		Steels		
7(2)	39,400	Armco Steel	2,500	2(2)
12(3)	43,700	Bethlehem Steel	1,500	2
2	2,530	Harbison Walker Refractories	None	None
4(1)	3,900	Inland Steel	None	None
2(1)	11,300	Jones and Laughlin	None	None
7(1)	26,000	Republic Steel	700	2
8(5)	32,700	United States Steel	None	None
None	*None*	*Allegheny Ludlum*	*2,123.2*	*4(3)*
		Textiles		
2	2,500	Cluett Peabody	None	None
3	4,400	Industrial Rayon	None	None
2(1)	*9,000*	*American Viscose*	*11,300*	*4(2)*
1	*500*	*Celanese Corp. of America*	*18,800*	*3(3)*
		Tobaccos		
3(1)	38,700	Lorillard	3,600	1
3(2)	*3,500*	*American Tobacco*	*41,900*	*6(4)*
1	*900*	*Liggett and Myers*	*24,200*	*4(2)*
		Miscellaneous		
3(3)	8,800	American Optical	None	None
2(1)	3,000	Robertshaw-Fulton Controls	None	None
None	*None*	*General Dynamics*	*18,100*	*2(1)*
1(1)	*2,000*	*Minnesota Mining and Mfg.*	*1,200*	*3*

—FOOTNOTES—

1 Exclusive of 600 shares, purchased through rights. Basis: 1 for 5.
2 288 shares represent 20% stock dividend.
3 626 shares received as 5% stock dividend.
4 Part converted from preferred issue.
5 Part acquired through rights. Basis: 1 for 10.
6 10% stock dividend equals 4,670 shares.
6a Stock acquired as dividend.
7 14,000 shares converted from preferred stock.
8 11,400 shares represent preferred stock converted.

NOTE—This survey covers 63 investment companies, but purchases or sales of funds sponsored by the same management are treated as a unit. For example, the three companies sponsored by E. W. Axe and Company are considered as having the weight of one manager. Individual portfolio changes in Loomis-Sayles Mutual Fund are not surveyed, but those of Overseas Securities (which does not appear in the companion table) are included.

SUMMARY

Excess of Net Portfolio Purchases or Sales of 61 Investment Companies

	Bought	Sold	Matched	Total
Open-End Companies:				
Balanced Funds	12	4	6	22
Stock Funds	11	7	11	29
Closed-End Companies	1	3	6	10
Totals	24	14	23	61

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Utilities and Oils Favored By Funds in First Quarter

sales. Jones and Laughlin and Harbison Walker Refractories were also each bought by two companies.

One of the more pronounced changes in attitude toward a group from that of the evenly divided opinion of the previous quarter was reflected in the purchase of the non-ferrous metals. Phelps Dodge was the best-liked issue, five funds acquiring 6,300 shares, one making an initial commitment. Offsetting were two small sales equaling 900 shares. Four trusts bought a total of 9,700 shares of St. Joseph Lead and three purchased 7,000 shares of American Smelting. Anaconda, Cerro de Pasco, Magma Copper and Homestake Mining were each added to two portfolios. Selling on balance was concentrated in stock of Aluminum Co. of America, decreases in holdings of four managements totaling 14,600 shares. Two additions equaled 1,100 shares. A couple of trusts each sold Climax Molybdenum and U. S. Smelting.

Machinery and industrial equipment purchases were featured by four purchases of Babcock and Wilcox totaling 3,700 shares (three representing new commitments) and a like number of Combustion Engineering equaling 2,700 shares. Food Machinery was liked by three managements while Ingersoll Rand and United Shoe Machinery were each added to two portfolios. Allis Chalmers, best-liked of the group in the December, 1953 period, currently bore the brunt of concentrated selling. Five trusts sold a total of 18,300 shares, one eliminating the issue from its holdings.

Building stocks were fairly well divided as a group, but there were some concentrated purchases in a few individual issues. American Radiator, too favorite, appeared as a new acquisition in four portfolios and an addition in two others. Buying equaled 48,800 with one portfolio elimination of 1,500 shares. United States Gypsum was also liked by five trusts and Armstrong Cork by four. Purchases of the former totaled 11,400 shares and of the latter—all new commitments—6,000. While most of the additions of Penn-Dixie Cement were stimulated through distribution of rights, Lone Star was acquired by two managements without this additional incentive. Johns-Manville received major attention from the bears as it had during the December quarter. Four sales totaled 30,700 shares, two of which represented portfolio eliminations. 1,500 shares of Sherwin Williams were lightened in two lists and completely removed from a third. A couple of sales were made each in Masonite and Ruberoid.

Divergent Policies Toward Motors and Parts

Buyers favored the auto and auto parts stocks in general, although there was concentrated selling in Chrysler and Studebaker. 44,300 shares of Chrysler were sold, represented by three portfolio decreases and four eliminations. However, partially offsetting were three purchases equaling 25,500 shares. But there was no buying to offset the selling of 39,700 shares of Studebaker, which was completely removed from the holdings of five managements and lightened in that of a sixth. The popular issue in the group, as it had been in the previous three months, was General Motors, acquisition of 52,100 shares representing two initial commitments and six increases. Ford Motor of Canada also was acquired by three trusts for the first time. Among parts manufacturers, Bendix and Borg Warner each found favor with four managements while Clark Equipment and Thompson Products were liked by three.

Food issues decreased somewhat in popularity but were still among the ten groups most favored. Buying was fairly well scattered except in United Fruit, still the favorite issue as it had been for the last year. Six trusts bought a total of 22,500 shares, half of which represented initial purchases. A couple of funds also bought Kellogg Co. and Mead Johnson on balance. Sellers predominated in no one individual stock. Purchases picked up on an over-all basis in the aviation group although there was pronounced profit taking by four managements in Douglas and in United Aircraft by five. Boeing, however, was bought on balance by six trusts, shares acquired totaling 8,200. Two sales equaled 6,600 shares. Likewise three initial commitments and one portfolio addition totaling 26,690 were made in Lockheed; there was no selling of this issue. Sperry was another equipment maker to be bought on balance, acquisitions equaling 5,500 shares. Among the transportation companies, American and Eastern were each bought by two trusts.

Buying of drug stocks continued at about the same pace as during the previous 1953 quarter, but over-all selling was somewhat heavier although predominating on balance in only one issue—Abbott Laboratories. Five managements eliminated this stock from their holdings and, although three funds each also disposed of their entire commitments in Pfizer and Merck, these two latter drug companies were favored on balance. Six trusts purchased a total of 26,550 shares of Merck and a like number acquired 59,400 shares of Pfizer, three of the latter representing initial commitments. Three new purchases and one portfolio increase were also made in Smith, Kline and French.

As noted, marked enthusiasm continued to be displayed for the farm equipment issues. Ten purchases were made of Deere, three representing initial purchases, while seven trusts acquired International Harvester. C. I. T. Financial was the favorite among the finance companies, five funds buying 17,900 shares. Traders Finance "A" was bought by three trusts and Beneficial Loan Corporation by two. Recently offered to the public, Fireman's Fund of San Francisco was acquired by four managements. Travelers and Connecticut General were also liked in the insurance class. Guaranty Trust of New York was the only commercial bank to be bought on balance during the current period. In the amusement and broadcasting group, marked preference was displayed for Paramount Pictures Corp., three initial commitments and one portfolio addition totaling 8,700 shares with a complete absence of liquidation. Also bought by four trusts was Columbia Broadcasting. Purchases equaled 11,900 shares.

Not only was over-all opinion well divided on the chemicals, but concentrated buying in individual issues was decidedly light. Three purchases were made each of Mathieson and Spencer, the former having shared honors with Eastman Kodak as the most popular group issue in the last three months of 1953. Also liked currently by two funds were Diamond Alkali and Filtrol Corp. Selling was centered upon Dow, which had distributed a dividend in stock in the December quarter. Eight managements sold a total of 40,875 shares, three completely disposing of this issue. Monsanto and American Cyanamid were also sold on balance while opinion was divided on Union Carbide.

Profit-Taking in Electrical Equipment and Radio Issues

As had been suggested earlier in this article, profit taking in General Electric, Westinghouse and Radio featured the electrical equipment and radio division. Five funds sold 14,600 shares of G. E., 29,300 shares of Westinghouse and 24,200 shares of Radio Corporation. Motorola was the popular stock in the group, six acquisitions totaling 40,500 shares, half of which represented new purchases. Three initial commitments in Stromberg-Carlson equalled 17,000 shares, and there were two additional purchases of the convertible preferred issue. Philco was added to three portfolios. The beverage stocks were highlighted by concentration of five purchases in 81,000 shares of Pepsi-Cola. Distillers Corp. and National Distillers were sold on balance.

While there was a division of over-all opinion in the retail group, Safeway was added to five portfolios, but two of these represented conversion of the preferred issue. One management eliminated a block of 800 from holdings. Two former favorites among the department stores also were bought on balance—Allied Stores and Federated Department Stores. Four purchases of the former totaled 4,700 shares and three

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Utilities and Oils Favored By Funds In First Quarter

of the latter, 3,600 shares. Sears Roebuck was eliminated from two portfolios and lightened in a third, but opinion on Ward was more evenly divided. Three companies also sold Lerner Stores and there were two sales of Penney. While buying and selling was about matched and not heavy in the textiles, Cluett Peabody and Industrial Rayon were liked on balance while American Viscose and Celanese were sold.

American Can was treated rather badly during this first quarter of the year, a total of 13,600 shares being eliminated from three portfolios and lightened in three others. A division of opinion on the paper stocks did not prevent buyers from adding Crown Zellerbach to four lists. And while Union Bag and Paper was also favored on light balance, four trusts disposed of Rayonier. Also sold, each by two funds, were Dobeckmun Co., Marathon Corporation, and West Virginia Pulp and Paper. Selling of the rubbers was concentrated in Goodrich, five managements lightening portfolios. General Tire also was sold on balance, but three purchasers liked Firestone.

Central Bank for Cooperatives Sell $80,000,000 Debs.

With the assistance of a nationwide selling group of recognized dealers in securities, the Central Bank for Cooperatives, Washington, D. C., offered publicly yesterday (May 12) through Macdonald G. Newcomb, its fiscal agent, 31 Nassau St., New York City, $40,000,000 collateral trust 1½% debentures to be dated June 1, 1954, and to mature June 1, 1955, and $40,000,000 collateral trust 2% debentures to be dated June 1, 1954, and to mature June 1, 1957. These debentures are not redeemable before maturity. Interest on both of these issues will be payable on Dec. 1, 1954, and thereafter semi-annually. The 1½% debentures of 1955 and the 2% debentures of 1957 are being offered at 100% and accrued interest.

Net proceeds from the sale are to be used to redeem the Central Bank of Cooperatives 2⅝% debentures and 2¾% debentures, both of which mature on June 1, 1954, and which are outstanding in the respective amounts of $30,000,000 and $40,000,000, and for lending operations.

The Central Bank for Cooperatives is incorporated under Federal law and operates under the supervision of the Farm Credit Administration, an independent agency in the executive branch of the government. The bank makes loans to the larger farmers' cooperative associations and assists in financing the 12 district banks for cooperatives. Central Bank debentures are instrumentalities of the Government of the United States, but the government assumes no liability for them, either direct of indirect.

Regency Securities Opens

Regency Securities Survey & Finance Limited has been formed with offices at 80 Wall Street, New York City. Edward B. Henry is a principal of the firm.

Chapman & Co. Formed

MADISON, N. C.—Chapman & Company is engaging in a securities business from offices here.

Continued from page 4

The State of Trade and Industry

from a year ago and a new high for the month, the United States Department of Labor reported. April expenditures gained 9% over March, which was "about usual for this time of the year," it stated.

Spending in the first four months increased to $10,100,000,000, about 1½% above the previous high in the like 1953 period. Record construction outlays, Administration economists noted, provide a sturdy prop under the economy when other sectors, such as business sales and industrial production, have registered sizable declines.

Steel Output Scheduled at 68.6% of Capacity This Week

A time-tested barometer of steel activity still suggests an upturn in steel-making and that barometer is scrap prices, says "Steel," the weekly magazine of metalworking.

In the week ended May 6, they rose enough to push "Steel's" price composite on steelmaking scrap up $1.33 over the preceding week. This rise made the composite $27.33 a gross ton, highest level attained since mid-February.

The current slow pace in the steel industry was heralded in the first half of last year when scrap prices began wobbling while steel ingots were being turned out at a capacity pace in response to what seemed to be an insatiable demand. In the second half of the year, ingot production began dropping off in line with a reduced demand, this trade weekly relates.

Since mid-March of this year, it notes, the price composite on steelmaking scrap has been trending upward, yet the rate of ingot production has been fluctuating within a narrow range, showing no positive inclination to decline or rise sharply.

In one of those narrow fluctuations, the rate of ingot output edged down 2 points to 67% of capacity in the week ended May 9. Seven of 13 districts were above the national average, it continues.

Another hopeful sign is the improvement in demand for alloy steels. Demand for alloy steel went soft last year about the close of the Korean war.

A further source of encouragement is "Steel's" report that the Granite City Steel Co., of Granite City, Ill., called back 260 employees who were laid off earlier this year, and an additional 400 employees who have been working four days a week were put back on a five-day week. The company returned two large open hearths to production, making five that are in use out of seven.

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 68.6% of capacity for the week beginning May 10, 1954, equivalent to 1,636,000 tons of ingots and steel for castings, as against 1,654,000 tons and 69.4% (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 68.0% and production 1,622,000 tons. A year ago the actual weekly production was placed at 2,262,000 tons or 100.3%. 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 Extends Gains of Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 8, 1954, was estimated at 8,438,000,000 kwh., according to the Edison Electric Institute.

The current figure represents an increase of 48,000,000 kwh. above the preceding week and an increase of 541,000,000 kwh., or 6.9% over the comparable 1953 week and 1,399,000,000 kwh. over the like week in 1952.

Car Loadings Rise 3.5% Above Week Ago

Loadings of revenue freight for the week ended May 1, 1954, increased 21,744 cars, or 3.5% above the preceding week, according to the Association of American Railroads.

Loadings totaled 647,925 cars, a decrease of 133,574 cars or 17.1% below the corresponding 1953 week, and a decrease of 96,799 cars or 13% below the corresponding week in 1952.

U. S. Auto Output Last Week Dipped 2.6% Below Preceding Week's 8-Month High

The automotive industry for the latest week, ended May 7, according to "Ward's Automotive Reports," assembled an estimated 122,431 cars, compared with 124,844 (revised) in the previous week. The preceding weekly production total of cars and trucks amounted to 148,238 units and was 2.6% above last week's total output.

Last week, the agency reported there were 21,949 trucks made in this country, as against 23,394 (revised) in the previous week and 27,227 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 8,434 cars and 1,870 trucks last week, against 8,956 cars and 2,012 trucks in the preceding week and 8,670 cars and 3,319 trucks in the comparable 1953 week.

Business Failures Show Moderate Decline for Week

Commercial and industrial failures declined to 206 in the week ended May 6 from 234 in the preceding week, Dun & Bradstreet, Inc., reports. Despite this dip, casualties remained considerably above last year when 165 occurred or in 1952 when there were 161. Mortality continued, however, 27% below the prewar level of 281 in the comparable week of 1939.

Failures involving liabilities of $5,000 or more fell to 177 from 206 in the previous week but exceeded the 126 of this size a year ago. Small casualties, those with liabilities under $5,000, edged up to 29 from 28 but were below the 39 of a year ago. Fourteen businesses failed with liabilities in excess of $100,000, as against 25 last week.

Wholesale Food Price Index Continues Mild Downtrend

Continuing the mild downtrend of the previous week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., dropped 1 cent last week to stand at $7.38 on May 4. This compared with $6.43 on the corresponding date a year ago, or a rise of 14.8%. It is still 23.8% above the pre-Korea level of $5.96.

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 Index Adversely Affected By Unsettled Grain Markets

Continued easiness in some leading commodities resulted in a further mild decline in the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc. The index closed at 273.96 on May 4, comparing with 275.90 a week previous, and with 279.19 on the corresponding date a year ago.

Grain markets were nervous and unsettled the past week and were featured by a sharp break in wheat and erratic fluctuations in soybeans. The decline in the bread cereal was spurred by greatly improved crop prospects as the result of substantial rains in important crop areas and the outlook for increased offerings of surplus commodity stocks held by the government. Corn showed relative firmness despite the continued free marketing of old surplus corn; market receipts were light and much grain was reported going into the loan.

Oats and rye were under pressure with prices for the latter falling to the lowest levels for several years.

Trading activity on the Chicago Board of Trade increased moderately last week. Daily average purchases of grain and soybean futures were 63,300,000 bushels, against 60,500,000 the preceding week and 49,400,000 in the like week a year ago.

Bookings of Spring wheat bakery flours continued rather limited despite substantial price concessions by some mills in the latter half of the week.

Demand for hard wheat bakery flours was very quiet. Buying of other bakery flours consisted of small lot replacements for nearby needs. Roaster demand for green coffee was fairly active; prices ended moderately higher after fluctuating unevenly during the week. Cocoa moved higher on buying influenced by the tightening world supply situation and new high prices paid by Europe for West African cocoa. Speculative demand encountered limited offerings. Warehouse stocks of cocoa showed a further gain to 114,353 bags, from 105,313 a week earlier, and compared with 66,485 bags a year ago.

Domestic raw sugar prices were down slightly in quiet trading. Refined prices held steady with a moderate pick-up in demand noted at the week-end. Lard demand was slow and prices continued to work lower in sympathy with related products. Live hog values displayed marked weakness influenced by further declines in wholesale pork prices.

Spot cotton prices moved irregularly in a narrow range and finished with slight net losses for the week.

Firmness in the early part of the week reflected buying and short covering stimulated by continued nervousness over the Indo-China situation.

Bearish factors included the continued lag in domestic mill consumption and reports of favorable weather conditions for planting which were expected to result in larger acreage than anticipated earlier. Activity in the ten spot markets increased with sales totaling 94,000 bales, against 73,600 a week previous and 99,700 in the same week last year. CCC loan repayments in the week ended April 23 rose sharply to 76,900 bales, while entries remained in small volume. Loans outstanding on 1953-crop cotton as of April 23 were reported at 5,969,169 bales.

Trade Volume Holds to Lower Trend of Prior Week and Year Ago

In spite of widespread promotions in many parts of the country, consumer spending in the period ended on Wednesday of last week declined as compared with both a week ago and a year ago. Retail stores scheduled white sales and special items for Mother's Day, but activity in these lines did not counterbalance the over-all decline.

Many retailers reported a continued gradual inventory contraction.

The total dollar volume of retail trade in the period ended on Wednesday of last week was estimated by Dun & Bradstreet, Inc., to be from 3 to 7% below the level of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: New England, Midwest and Northwest—3 to +1; South and Southwest +1 to +5; East —1 to —5; Pacific Coast —5 to —9.

Gains occurred in the demand for many types of women's, men's and children's apparel, and prospects for May and June appeared good. Women's hosiery and handbags, as well as blouses, skirts and dresses, moved rapidly. While a decrease was registered in men's work clothes, it was considered temporary and offset by improved sales of dress clothing.

While activity in some lines improved, the volume of wholesale trade in the period ended on Wednesday of last week remained largely unchanged from the previous week. The total dollar volume of purchases was smaller than that of a year ago.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended May 1, 1954 decreased 1% under the level of the preceding week. In the previous week, April 24, 1954, a decrease of 3% was reported from that of the similar week in 1953. For the four weeks ended May 1, 1954. an increase of 6% was reported. For the period *Jan. 1 to May 1, 1954, department store sales registered a decrease of 3% below the corresponding period of 1953.

Retail trade volume in New York last week showed improvement over the preceding week, but this improved tone was not attributed to Mother's Day promotions. Unlooked for strength was reflected in white goods and summer furniture.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended May 1, 1954, registered a decrease of 2% below the like period of last year. In the preceding week, April 24, 1954, a decrease of 5% was reported from that of the similar week in 1953, while for the four weeks ended May 1, 1954, an increase of 6% was reported. For the period *Jan. 1 to May 1, 1954, no change was registered from 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.

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)	May 16	§68.6	*69.4	68.0	100.3
Equivalent to—					
Steel ingots and castings (net tons)	May 16	§1,636,000	*1,654,000	1,622,000	2,262,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 1	6,621,600	6,586,450	6,486,250	6,276,150
Crude runs to stills—daily average (bbls.)	May 1	¶6,675,000	6,812,000	6,761,000	6,949,000
Gasoline output (bbls.)	May 1	22,567,000	23,319,000	22,858,000	22,905,000
Kerosene output (bbls.)	May 1	2,199,000	2,155,000	2,233,000	2,532,000
Distillate fuel oil output (bbls.)	May 1	9,067,000	9,418,000	10,058,000	9,942,000
Residual fuel oil output (bbls.)	May 1	7,918,000	8,361,000	8,025,000	8,457,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 1	177,058,000	178,033,000	179,674,000	156,391,000
Kerosene (bbls.) at	May 1	19,680,000	18,518,000	17,447,000	19,624,000
Distillate fuel oil (bbls.) at	May 1	61,405,000	58,932,000	59,551,000	61,087,000
Residual fuel oil (bbls.) at	May 1	43,583,000	43,779,000	43,718,000	38,989,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 1	647,925	626,181	599,302	781,499
Revenue freight received from connections (no. of cars)	May 1	576,827	565,866	580,366	681,170
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 6	$493,968,000	$241,103,000	$314,283,000	$252,625,000
Private construction	May 6	362,130,000	144,295,000	184,370,000	152,466,000
Public construction	May 6	131,838,000	96,808,000	129,913,000	100,159,000
State and municipal	May 6	104,276,000	76,596,000	105,861,000	79,359,000
Federal	May 6	27,562,000	20,212,000	24,052,000	20,800,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 1	6,675,000	6,740,000	5,860,000	8,769,000
Pennsylvania anthracite (tons)	May 1	403,000	443,000	465,000	587,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 1	113	*101	103	114
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 8	8,438,000	8,390,000	8,396,000	7,897,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 6	206	234	246	165
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 4	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	May 4	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	May 4	$27.25	$26.17	$24.50	$38.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 5	29.700c	29.700c	29.700c	29.675c
Export refinery at	May 5	29.675c	29.600c	29.450c	29.925c
Straits tin (New York) at	May 5	93.500c	95.750c	94.250c	98.000c
Lead (New York) at	May 5	14.000c	14.000c	13.750c	12.500c
Lead (St. Louis) at	May 5	13.800c	13.800c	13.550c	12.300c
Zinc (East St. Louis) at	May 5	10.250c	10.250c	10.250c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 11	100.03	100.51	100.55	92.01
Average corporate	May 11	110.70	110.70	110.88	103.80
Aaa	May 11	115.63	115.63	116.02	106.74
Aa	May 11	112.93	112.75	113.12	105.86
A	May 11	110.34	110.34	110.34	103.13
Baa	May 11	104.66	104.66	104.83	99.84
Railroad Group	May 11	109.42	109.42	109.79	102.13
Public Utilities Group	May 11	110.88	110.70	110.88	103.13
Industrials Group	May 11	112.19	112.19	112.56	106.21
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 11	2.50	2.46	2.45	3.09
Average corporate	May 11	3.13	3.13	3.12	3.52
Aaa	May 11	2.87	2.87	2.85	3.35
Aa	May 11	3.01	3.02	3.00	3.40
A	May 11	3.15	3.15	3.15	3.56
Baa	May 11	3.47	3.47	3.46	3.76
Railroad Group	May 11	3.20	3.20	3.18	3.62
Public Utilities Group	May 11	3.12	3.13	3.12	3.56
Industrials Group	May 11	3.05	3.05	3.03	3.38
MOODY'S COMMODITY INDEX	May 11	432.9	434.6	438.0	417.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 1	251,496	199,437	298,123	341,666
Production (tons)	May 1	230,314	225,054	225,519	254,917
Percentage of activity	May 1	87	85	89	97
Unfilled orders (tons) at end of period	May 1	369,140	350,855	424,943	539,033
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 7	109.37	109.77	108.12	106.47
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. 24	1,007,553	789,682	876,370	866,522
Dollar value	Apr. 24	$46,952,871	$36,077,922	$38,843,567	$38,550,080
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	Apr. 24	1,015,148	848,921	904,939	777,027
Customers' short sales	Apr. 24	6,940	3,733	8,213	11,444
Customers' other sales	Apr. 24	1,008,208	845,188	896,726	765,583
Dollar value	Apr. 24	$45,950,953	$37,018,685	$38,079,679	$31,423,632
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 24	390,722	283,815	322,810	251,720
Short sales	Apr. 24	------	------	------	------
Other sales	Apr. 24	390,722	283,815	322,810	251,720
Round-lot purchases by dealers—					
Number of shares	Apr. 24	368,247	217,310	258,710	319,280
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	Apr. 17	288,390	398,130	320,360	292,080
Other sales	Apr. 17	8,414,920	10,500,110	8,937,540	7,389,220
Total sales	Apr. 17	8,703,310	10,898,240	9,257,900	7,681,300
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Apr. 17	919,980	1,189,560	972,830	734,940
Short sales	Apr. 17	172,830	226,390	162,390	137,410
Other sales	Apr. 17	723,460	1,009,160	766,890	646,220
Total sales	Apr. 17	896,290	1,235,550	929,280	783,630
Other transactions initiated on the floor—					
Total purchases	Apr. 17	296,690	392,600	291,230	197,980
Short sales	Apr. 17	16,000	20,800	12,900	12,900
Other sales	Apr. 17	271,920	384,990	267,420	224,830
Total sales	Apr. 17	287,920	405,790	280,320	237,730
Other transactions initiated off the floor—					
Total purchases	Apr. 17	308,182	383,728	393,193	259,705
Short sales	Apr. 17	33,600	47,100	39,040	60,190
Other sales	Apr. 17	325,083	386,016	356,877	323,010
Total sales	Apr. 17	358,683	433,116	395,917	383,200
Total round-lot transactions for account of members—					
Total purchases	Apr. 17	1,524,852	1,970,888	1,657,253	1,192,625
Short sales	Apr. 17	222,430	294,290	214,330	210,500
Other sales	Apr. 17	1,320,463	1,780,166	1,391,187	1,194,060
Total sales	Apr. 17	1,542,893	2,074,450	1,605,517	1,404,560
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 4	111.0	111.1	110.9	109.9
Farm products	May 4	100.1	100.4	100.2	99.0
Processed foods	May 4	105.6	105.4	105.1	104.5
Meats	May 4	96.5	95.0	93.9	92.3
All commodities other than farm and foods	May 4	114.5	114.6	114.5	113.4

*Revised figure. ¶Includes 616,000 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
AMERICAN GAS ASSOCIATION—For month of March:			
Total gas (M therms)	5,904,599	6,184,900	5,679,654
Natural gas sales (M therms)	5,534,416	5,791,528	5,322,066
Manufactured gas sales (M therms)	76,626	83,761	105,275
Mixed gas sales (M therms)	293,557	309,611	252,313
AMERICAN PETROLEUM INSTITUTE—Month of February:			
Total domestic production (barrels of 42 gallons each)	198,387,000	214,810,000	223,868,000
Domestic crude oil output (barrels)	178,603,000	193,453,000	183,736,000
Natural gasoline output (barrels)	19,749,000	21,323,000	18,408,000
Benzol output (barrels)	35,000	34,000	35,000
Crude oil imports (barrels)	17,395,000	19,141,000	16,400,000
Refined products imports (barrels)	14,649,000	*16,163,000	13,455,000
Indicated consumption domestic and export (barrels)	237,413,000	*278,542,000	240,042,000
Increase all stock (barrels)	6,982,000	28,424,000	8,018,000
AMERICAN ZINC INSTITUTE, INC.—Month of April:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	70,233	71,186	80,459
Shipments (tons of 2,000 pounds)	70,525	*70,080	86,043
Stocks at end of period (tons)	200,808	*201,000	94,280
Unfilled orders at end of period (tons)	31,702	37,209	38,722
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of April (in millions):			
Total new construction	$2,795	$2,555	$2,758
Private construction	1,897	1,780	1,872
Residential building (nonfarm)	956	870	964
New dwelling units	840	775	850
Additions and alterations	92	73	94
Nonhousekeeping	24	22	20
Nonresidential building (nonfarm)	465	469	427
Industrial	169	173	192
Commercial	152	154	114
Warehouses, office and loft buildings	69	70	50
Stores, restaurants, and garages	83	84	64
Other nonresidential building	144	142	121
Religious	40	40	33
Educational	39	38	31
Social and recreational	16	16	11
Hospital and institutional	27	27	26
Miscellaneous	22	21	20
Farm construction	106	96	120
Public utilities	362	338	352
Railroad	40	33	40
Telephone and telegraph	50	50	48
Other public utilities	272	255	264
All other private	8	7	9
Public construction	898	775	886
Residential building	32	34	49
Nonresidential building	383	371	370
Industrial	145	143	159
Educational	166	161	139
Hospital and institutional	29	26	34
Other nonresidential building	43	41	38
Military facilities	71	64	113
Highways	250	160	200
Sewer and water	71	67	60
Miscellaneous public service enterprises	15	14	14
Conservation and development	62	53	72
All other public	14	12	8
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of April (000's omitted):			
Total U. S. construction	$1,439,441	$952,637	$1,473,244
Private construction	872,503	545,970	762,722
Public construction	566,938	406,667	710,522
State and municipal	464,906	349,803	573,669
Federal	102,032	56,864	136,853
COTTON GINNING (DEPT. OF COMMERCE)— As reported May 5 (running bales)	16,317,126	------	14,954,575
METAL PRICES (E. & M. J. QUOTATIONS)— Average for month of April:			
Copper (per pound)—			
Electrolytic domestic refinery	29.700c	29.686c	29.902c
Electrolytic export refinery	29.520c	29.168c	32.863c
Lead—			
Common, New York (per pound)	13.904c	12.935c	12.683c
Common, St. Louis (per pound)	13.713c	12.735c	12.473c
‡‡Prompt, London (per long ton)	£93.544	£86.356	£82.219
‡‡Three months, London (per long ton)	£91.481	£85.250	£81.056
¶Antimony, New York Boxed	31.970c	31.970c	37.970c
Antimony (per pound) bulk, Laredo	28.500c	28.500c	34.500c
Antimony (per pound) Laredo	29.000c	29.000c	35.000c
Platinum, refined (per ounce)	$84.000	$86.889	$90.000
Zinc (per pound)—East St. Louis	10.250c	9.637c	11.000c
††Zinc, London, prompt (per long ton)	£79.644	£74.258	£71.323
††Zinc, London, three months (per long ton)	£78.816	£73.079	£72.061
†Cadmium, refined (per pound)	$1.70000	$1.70000	$2.00000
‡Cadmium (per pound)	$1.72500	$1.72500	$2.07500
§Cadmium (per pound)	$1.75000	$1.75000	$2.15000
Cobalt, 97%	$2.60000	$2.60000	$2.40000
Silver and Sterling Exchange—			
Silver, New York (per ounce)	85.250c	85.250c	85.250c
Silver, London (pence per ounce)	73.550	73.728	74.000
Sterling Exchange (Check)	$2.81824	$2.81448	$2.81682
New York Straits	96.269c	91.833c	102.115c
§§New York, 99% min	95.269c	90.833c	101.115c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$220.231	$200.444	$195.885
Aluminum, 99% plus, ingot (per pound)	21.500c	21.500c	20.500c
Magnesium ingot (per pound)	27.000c	27.000c	27.000c
**Nickel	60.000c	60.000c	60.000c
Bismuth (per pound)	$2.25	$2.25	------
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of April:			
Industrials (125)	4.86	5.07	5.52
Railroad (25)	6.59	6.70	6.21
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.96	5.00	5.30
Banks (15)	4.66	4.81	4.49
Insurance (10)	3.08	3.17	3.41
Average (200)	4.94	5.14	5.49
PORTLAND CEMENT (BUREAU OF MINES)— Month of March:			
Production (barrels)	20,084,000	16,895,000	20,215,000
Shipments from mills (barrels)	18,740,000	15,202,000	20,813,000
Stocks (at end of month—barrels)	28,906,000	27,562,000	23,865,000
Capacity used	83%	78%	84%
WINTER WHEAT AND RYE—U. S. DEPT. OF AGRICULTURE—As of May 1, 1954:			
Winter wheat—Production (000's omitted)	707,118	677,981	877,511
Rye—Production (000's omitted)	19,818	------	17,998

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shapes to plater. ¶Domestic, five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colborne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from E. St. Louis exceeds 0.5c.

Continued from first page

Cautious Market Attitude Currently Warranted

months will also have a major bearing on the outlook for stock prices in the latter part of the year.

On the basis of the known factors and the record to date, a fairly sizable reaction within the next few months from around the 325-335 level of the Dow-Jones Industrial Average (330 plus or minus 2%) would not be at all surprising. By "fairly sizable" I mean somewhere between 30 and 40 points, or roughly 10%. This would compare with a maximum decline to date, since last September, of nine points, and on a closing basis, of less than 2%. What is more significant, however, is that in today's highly selective and rotating markets, such a decline will probably mean a reaction of as much as 20% to 30% for some of the recently popular issues, which might not be able to get back to their current or recent highs for many months—or even years. (It might be recalled that it has been only during the past few weeks that the leading steel stocks were able to get above the levels touched in February, 1951; and that even some of the "growth" issues which were very popular in early 1946 are still selling at substantially below the highs reached at that time.)

Reaction Factors

Before going into the longer-term outlook for the market averages, I should like to summarize my principal reasons for believing that, **for the first time in the past eight months**, the risks of an intermediate setback of more than 4% to 5% are now quite substantial.

(1) The technical background for the advance from the 255 level has a great deal in common with that which preceded the 1949-1950 rise. As had been true on a number of previous occasions, the first sizable reaction in that period did not occur until the Dow-Jones Industrials had enjoyed a rise equal in duration, and of twice the magnitude, of the preceding decline. Comparable action at the present time would call for an intermediate high in late May or early June, at around the 335 level. (To be on the safe side, let us say within 2% or 3% of 335.)

(2) With the release of first quarter earnings reports, the stock market has had a chance to reflect the current year's earnings prospects for those companies whose income was held down last year by excess-profits taxes. (This was the case for most of the companies whose stocks make up the Dow-Jones Industrial Average. It is partly for this reason, of course, that the Dow stocks have done better than the majority of issues this year.) As a rule, the stock market does not try to anticipate or discount earnings for the following year until sometime in the third or fourth quarter. The June-July period, therefore, would seem to be a logical time for a technical adjustment.

(3) The foregoing reasoning happens to coincide with the fact that, as pointed out in the August, 1953, "Cheerful View of the Stock Market," the market has shown a definite tendency to reverse any trend in the first half of the year by sometime in May or June. In each of the past eight years, either the highs or lows touched during these two months proved to be within 3% of the highs or lows for the year as a whole. This particular "straw" would seem to suggest that a sharp decline might get under way fairly soon, if we are seeing something in the way of a new "seasonal pattern" in the stock market.

(4) Finally, it may be recalled that the sharp advance in the stock market during late 1945 and early 1946 ran its course just about the time that we were to see a reversal of the pronounced declines in the business curves which got under way with the cut-back in spending for armaments as World War II was being brought to a close. While I do not believe that the trends of business and stock prices will continue divergent indefinitely, I think it is worth keeping in mind that the stock market seldom discounts the same thing twice: the rising level of stock prices in the past eight months has certainly been reflecting in part, at least, the expectation that the recent business readjustment would be of brief duration.

There are a number of other Timing Studies which also point to the prospect of a nearby **intermediate** peak in the market averages, but limitations of space suggest that it would be better to go on to the subject of the longer-term outlook.

No Bear Market

Among the reasons for believing that a Summer reaction, even if it should amount to as much as 35 to 40 points in the Dow-Jones Industrial Average, would not be the beginning of a new bear market, are the following:

(1) In spite of the adverse effect that inventory curtailment is having on business in general, it seems reasonably probable that the earnings for the Dow-Jones Industrial stocks this year will hold within 2% or 3% of last year's composite figure of $27.50 a share. Current levels of 320-323 for the Dow-Jones Industrial Average are equal to slightly less than 12 times earnings. Price-earnings ratios have averaged 15.0 at the highs for the year, and 11.5 at the lows for the year, over the past 20 years. In the 20 years prior to 1947, the Dow-Jones Industrials reached a peak of at least 14 times earnings in all but two years—1941 and 1942. A level of 14 times earnings this year would bring the Dow-Jones Industrial Average up to somewhere between 370 and 390.

One of the reasons for the low price-earnings ratios since 1947 is the fact that many investors have not made mental adjustments for the rise in the general price level, and have therefore distrusted the post-war sales and earnings levels. This situation may change now that more people are beginning to realize that prices for goods and services, and therefore sales and earnings potentials, are on a new plateau, and will almost certainly continue to hold at more than double the pre-war levels.

(2) Dividend payments this year on the Dow-Jones stocks seem likely to approximate $16 a share. An advance to an average yield basis of 4% would permit a rise in this Average to around 400. A more conservative figure might be a price objective from the yield standpoint of 4.5%. This would mean a high of around 360. It might be noted that stocks sold on a yield basis, at the highs for the year, of 4.6% or less in all but three years from 1926 to 1946, inclusive. During part of this period, high-grade bonds were selling on a 4% or higher yield basis, as compared with only 3% today.

(3) There is a tendency for the market to capitalize the **average earnings of the preceding 10 years** at twice the current rate of yields on high-grade bonds. This is apparently due to the fact that the real investors value stocks on the basis of average earning power over a period of years, rather than for any single year, with the record indicating that these valuations correlate with fluctuations in bond yields. Earnings for the Dow-Jones Industrials for the past 10 years have averaged $21 a share, and for the 10 years ending Dec. 31, 1954, will approximate $22.50 a share. The yield on top-quality bonds is now 3.0%. If these earnings are capitalized at twice the bond yield, or at 6%, this formula would call for a price objective of between 350 and 375.

A Technical View

From a technical standpoint, the most optimistic possibility I can visualize at the present time is a market pattern similar to 1927-1928. Although it seems to have been completely overlooked, the year 1927 witnessed a sizable (if selective) business readjustment of about the magnitude of that experienced during the past 12 months. The FRB Index of Industrial Production declined by about 10% during that year, and steel operations fell from an average of 95% of capacity in March, 1927, to a low of 65% eight months later. Corporate earnings were very mixed, but on the whole were well below the levels of the preceding two years. The Dow-Jones Industrial Average, however (which had experienced a moderate shakeout with the collapse of the Florida boom in 1926), rose steadily in 1927 and did not experience a reaction of as much as 5% between February and October. In the latter month, shortly before the reversal of the downturn in business activity, the Dow-Jones Industrials had a quick shakeout of 10% on a closing price basis!

Similarities With the 1920's

The possibility of a market pattern roughly similar to that of 1928, over the next year or so, stems not only from the coincidental decline in business activity that year while stock prices were advancing, but also from the causes of this coincidental phenomenon. In 1927-1928, we had an Administration in Washington which was definitely doing its best to strengthen business confidence by working for lower taxes and an increase in the money supply. We certainly have a parallel in this respect today. Other 1927-1928 parallels might be found in the fears in both years that the building boom had been overdone because the number of commercial and residential vacancies were approaching long-term "normal" levels, and in the rise in business failures with a return to highly competitive conditions. (In spite of the increase in the business population, commercial failures are still running about 50% **below** the 1927 and 1928 levels.)

These two periods have still another "common denominator" in that the floating supply of stocks was being reduced in 1927 by investment trust and institutional buying as a result of the publication of Edgar Lawrence Smith's book on "Common Stocks as Long-Term Investments." The cumulative effect of common stock buying by the pension funds and rapidly growing mutual funds is undoubtedly having an important impact on the type of issues which dominate the market averages today.

A 400-DJA Ceiling

Before anyone jumps to the conclusion that I have suggested that the stock market has a chance of following the 1928 pattern in detail during the period ahead, I think it is in order to point out that an advance of the **1928-1929 magnitude** is virtually out of the question. SEC regulations, as well as margin rules, together with the prospect that the FRB would act more promptly than it did in the late '20s to stop the stock market inflation, which was allowed to get out of control at that time, support this conclusion. A realistic maximum advance in the Dow-Jones Industrial Average over the next year or two, barring a renewed major inflation (which is possible, of course), would seem to be somewhere between 375 and 425, or say 5% to 6% either side of the 400 level. This would mean a further advance from current quotations of only about 25%, or a rise comparable with that enjoyed since last September. Between September, 1927, and September, 1929, the Dow-Jones Industrials advanced by more than 100%!

Unfortunately there is no certainty that stock prices will work back toward prewar relationships to earnings and dividends during the 12 months immediately ahead. The low ratios which prevailed subsequent to 1946 were due in large measure, we believe, not only to skepticism as to the permanency of the higher commodity price levels, but also to the fact that our Federal Government had become increasingly dominated by certain labor "leaders." These individuals were sponsoring economic theories and legislation which were threatening the long-term earnings outlook for the vast majority of our corporations. There is still a danger that this group will regain control of Congress next fall. In that event, it may be necessary to reappraise the entire economic outlook before the end of 1954, and perhaps be satisfied with a recovery in stock prices to only moderately above the levels which may be reached during the weeks immediately ahead. This would seem to be a minimum expectation from a technical standpoint, in view of the distinct tendency of the market to experience a shakeout of 5% or more within two to four months of the more important cyclical peaks. (Recent examples include the declines in February, 1946, and September-October, 1952.)

I should like to mention at this point, that I think it is important to always look at the market from **both** a fundamental and technical point of view. At times, this may cause a certain amount of confusion, but this can be resolved by placing the greater emphasis on the side of the picture which offers the least risk in light of the primary objectives of any particular investment portfolio. Someone once made the observation that a market appraisal based on either fundamental or technical factors alone is analogous to viewing a picture with only one eye. It is usually better to use both eyes even if one eye happens to be weaker than the other.

* * *

To summarize, we believe that the nature and extent of the advance in the stock market averages since last summer suggest that we are probably nearing a point where a substantial reaction should be expected. For various technical reasons, a decline of as much as 30 to 40 points in the Dow-Jones Industrial Average would not be surprising, particularly if this index should get up to above 330 within the next few weeks. However, any such reaction seems likely to be followed by a fairly fast recovery, with the chances favoring new highs by a moderate amount by sometime in the fall.

Domestic and foreign political developments will probably have a major bearing on whether the anticipated recovery late in the year will prove roughly comparable with that witnessed following the 11% shakeout in February, 1946; or have more in common with the rise during the last half of 1950 following a 14% decline (a 50% retracement of the preceding advance) in June and July of that year. There is little question but that the character of the leadership in the market will change following the anticipated technical correction.

Investors who were willing to ignore the extreme pessimism of last summer and have kept 90% or more of their funds invested in equities, might now think in terms of building up buying reserves on any further near-term strength. These funds could be used to subsequently accumulate stocks of well managed and growing companies, which have not as yet enjoyed their turn in the rotating popularity cycle.

John C. Kahn Co. Offers Finance Co. Securities

John C. Kahn Co., Washington, D. C., is offering as a speculation $100,000 of 12-year 6% subordinated debentures, series A, dated April 1, 1954, and due April 1, 1966, of Prudential Finance Corp. of America, at 100% and accrued interest; also 100,000 shares of common non-voting stock (par 10 cents) and 50,000 shares of class A voting stock (par one cent) of the same company in units of one share of common stock and one-half share of class A stock at $2 per unit.

The debentures may be redeemed at prices ranging from 105% to 100%, plus accrued interest in each case.

After the common stock has received non-cumulative dividends of 16 cents per share per annum, each class of stock will share equally in any further dividend declaration.

The Prudential corporation was organized in Delaware on April 2, 1954.

It is intended that the business of the corporation will be to finance manufacturers, distributors, merchants and others and to make advances or loans to corporations and others, either with or without security.

The net proceeds of the sale of the new securities will be used in connection with the establishment of the business of the corporation, primarily for working capital.

S. R. Livingstone Co. Adds

(Special to The Financial Chronicle)

DETROIT, Mich. — Allen A. Buchalter has become associated with S. R. Livingstone, Crouse & Co., Penobscot Building, members of the Detroit Stock Exchange.

Joins Watling, Lerchen

(Special to The Financial Chronicle)

ANN ARBOR, Mich.—Alfred V. Bradley is now connected with Watling, Lerchen & Co., Ann Arbor Trust Building.

Harris, Upham Co. Adds

(Special to The Financial Chronicle)

WINSTON-SALEM, N. C. — Nancy J. Hundley has been added to the staff of Harris, Upham & Co., Pepper Building.

Joins Thomson McKinnon

(Special to The Financial Chronicle)

MIAMI BEACH, Fla.—Edward M. Gale is now affiliated with Thomson & McKinnon, 927 Lincoln Road.

Three With A. M. Kidder

(Special to The Financial Chronicle)

MIAMI, Fla.—Ivan L. Becker, de Beaumont Mott, David Shultz and Cresswell E. Stedman, Jr., have become affiliated with A. M. Kidder & Co., 139 East Flagler Street.

Joins King Merritt Co.

(Special to The Financial Chronicle)

ROCK ISLAND, Ill.—Mrs. Lucille H. Swanson is now connected with King Merritt & Co., Inc.

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"Whither Electronics?"

these computers Dr. Vannevar Bush, a prewar expert in mechanical computers, said recently:

"There have been great strides in the development of machines for supplementing and substituting for human thought. Digital machines can perform hundreds of thousands of arithmetical manipulations a second, and by so doing can solve even abstruse partial differential equations. There is no reason why man should not relegate to the machine all those parts of his processes of cerebration which are repetitive in nature, or subject to exact formulation, thus freeing his mind for those processes which the human brain alone can encompass.... When the machine is joined to man's brain, which can guide it, the combination can perform feats of analysis that reach much farther into the unknown than can the unaided individual, far beyond what can be resolved by groups of men with conventional aids.... Some day such machines may enable us to cope with the growing complexities of bio-chemistry, and bring order and understanding to a field of fundamental importance to the race." ("Today's Research and Tomorrow's World," Jan. 20, 1954.)

The great computers that have been built are performing principally in military and physical research, but the commercial and industrial uses to which their descendants can be put are now becoming evident. RCA scientists and engineers are now developing a new breed called "Bizmac"—short for business machines—which will be capable of the most intricate statistical operations connected with cost accounting, inventory control and general bookkeeping, with a speed and accuracy far beyond that of human clerical workers. The first commercial installation of an extensive "Bizmac" system to be used for inventory and stock control will be in the Ordnance Tank and Automotive Center in Detroit, Mich.

You may be aware of a discussion held by the American Bankers Association in New York, at which emphasis was placed upon the ultimate ability of electronic business machines virtually to abolish time and space in record-keeping, to perform robot operations and to store data on cards or tape or in "memory tanks" consisting of many tiny bits of magnetic material.

What is true of banking in this case is equally true of insurance, public utilities, transportation, large-scale wholesaling and retailing, and any industry or enterprise that handles a large volume of consumer trade or individual accounts.

Industrial Television

Industrial television is yet another field in which we look for great expansion. There is a long list of uses to which this workhorse version of television is being put, and of the constant development of new applications.

Wherever there is an industrial process to be observed from positions too dangerous, restricted or remote for a human observer, there is a job for the closed-circuit industrial television system. This equipment is being used today to scan hot steel strips in rolling mills, to inspect pulp under strong heat and pressure in paper plants, to coordinate activities in the separate buildings of a large watch-making plant, to observe a number of processes in atomic energy plants. It is being used by police to watch prisoners in a jail or to transmit to other locations the daily lineup of suspects. Installations in several banks are saving time and effort in the checking of accounts and signatures.

Industrial television is performing valuable functions in teaching and research work as well as in industry. Recently, an ITV unit was combined with an optical microscope and an ingenious electronic computer for the rapid and accurate counting of microscopic particles, including red blood corpuscles.

Electronics has already established itself in another way as a tool for research. The electron microscope, with amazing powers of magnification, has opened a new world for exploration by research workers in medicine, chemistry, metallurgy and a host of other sciences. The best optical microscope magnified somewhere between 2,000 and 3,000 diameters; the present electron microscope can magnify up to 20,000 diameters, with useful photographic enlargements beyond 200,000 diameters — a scale at which a dime would appear more than 2 miles across! This amazing tool has enabled scientists to observe for the first time the virus of polio.

In the industrial field, the electron microscope has found a variety of uses, ranging from the study of paper fibers and the structure of synthetic rubber latex to the behavior of metals under varying conditions of temperature and stress.

Use of the electron microscope has expanded steadily since its introduction by RCA slightly over a decade ago, and its technical improvement has kept pace with the widening scope of its research. More than 450 RCA electron microscopes are now in use among scores of industries and research centers in this country, and in health centers and laboratories on every continent. An improved model, with even greater powers of magnification, is now under development by our scientists and engineers, and we will soon be penetrating far more deeply into the nature of the infinitely small organisms and particles that influence our health and our technology.

The condition of the world being what it is today, it is inevitable that electronic science should have made some of its greatest technical contributions in the military field. Security restrictions surround many of these accomplishments, but we know that the development of radar and various electronic devices has gone far beyond anything dreamed of only a few years ago. At the same time, electronic control, tracking and computing devices of staggering complexity have been successfully developed for our guided missile program and for airborne detection and gun control functions aboard military aircraft.

Military Electronics

The future safety and welfare of the United States—and indeed of the free world—are dependent upon our continuing progress in military electronics. We may confidently expect that many of the developments now intended exclusively for military use will, like radar, ultimately find significant application in our commercial and industrial activities.

By now I'm sure you understand and perhaps share the enthusiasm with which the electronics industry looks to the future. These developments I have mentioned comprise only a few of the principal applications of electronics today, and most of them appear to be barely over the threshold as far as their ultimate use is concerned. These existing devices are being augmented constantly by new developments from the laboratories throughout our industry — developments that are bound to have just as profound an impact upon our way of life in the future as any of those we have discussed.

In recent months, RCA has demonstrated two highly important advances. The television tape equipment that you see here was demonstrated for the first time last December at the RCA Laboratories in Princeton. It picked up and recorded on half-inch magnetic tape a series of test transmissions in both color and black-and-white sent by microwave relay from the National Broadcasting Company studios in New York, 48 miles away. During part of the demonstration, the tape was monitored for immediate playback on a color receiver, and it was difficult for the viewers to detect much difference between the playback and the direct broadcast as picked up on a companion receiver. In another phase of the demonstration, color and black-and-white programs recorded several days previously were played back and appeared in all their original detail on the receivers.

The magnetic tape recorder for television works on the same basic principles as conventional sound tape recorders, but our scientists have had to overcome the more complex problem of handling on tape video signals ranging up to 4,000,000 cycles per second as compared with a maximum of 20,000 cycles per second of audio signals.

The television tape recorder is being developed primarily for color television use, to eliminate the substantial time lag and considerable expense involved in processing color film for television. The tape method will be far cheaper because program material recorded on the tape is ready for immediate playback without electronic or chemical processing and because the tape can be erased and re-used time after time. It is also useful for black-and-white television.

While we have a specific—and extensive—use in view for this new technique of recording, there is a far wider application outside the field of television entertainment when the system becomes available on a commercial basis. This is, in effect, a totally new means of photography, performed instantaneously by electronics for immediate use or for storage over an indefinite period. Capable of recording visual information as well as sound, television tape recording should find a wide variety of uses in industry, in national defense, and ultimately in the home.

The atomic battery is at least as promising—but the promise is a good deal farther off in the future. In its present state, the battery is a laboratory device which represents a very long step forward in the attempt to gain usable electrical power directly from atomic energy with no intermediate steps.

The RCA battery, which was demonstrated in New York on Jan. 27, uses a tiny amount of radioactive material — strontium 90—to generate a usable electric current that will operate a transistor.

The diagram I have illustrates the principles of the RCA atomic battery. The radioactive strontium 90—only 1/300th of a cubic centimeter and a by-product of atomic fission—is spread in a thin layer against a wafer of semi-conducting crystal such as germanium or silicon, into which an impurity has been alloyed to form an electrical junction. The strontium bombards the wafer with several billion high-speed electrons each second (beta particles). As the electrons pentrate the wafer, they release many more electrons, an average of some 200,000 for each bombarding electron. These released electrons in turn flow across the junction, producing a voltage that can be applied to an electrical circuit and cause a current to flow.

The elements of this experimental battery are extremely compact. The laboratory model has to be shielded to absorb radiation from some of the unwanted radioactive materials mixed with the slightly impure strontium now available, but ultimately a purer radioactive source will virtually eliminate the need for shielding for the minute quantities used in this type of battery.

The laboratory battery is an extremely low-power device, developing only a millionth of a watt—but it points the way to a new, compact, and long-life power source for transistorized devices, and it demonstrates a principle that may one day enable us to produce substantial amounts of power.

I have touched on only two of the laboratory developments that are practically certain to affect our future. There are many others of varying importance nearing the end of the experimental period or in an intermediate stage in laboratories throughout the electronics industry.

All of these electronic developments, in current use and under development, indicate the vitality of our relatively new industry and the wide areas of research and application that lie open before us. Perhaps all of us wonder occasionally what the ultimate objective may be.

We cannot, of course, dictate the uses to which all of these new devices will be put. At the same time, we regard the widening application of electronics as a process of placing at the disposal of mankind a remarkably versatile set of tools capable of working constant improvement in his methods of communcation, his business activities and his domestic environment.

You may wonder how I have happened to cover these varied aspects of electronics without mentioning television, the one development that has had a great impact on our society in recent years. The reason is simply that I want to conclude with this subject.

Television was practically nonexistent outside of the laboratory a mere eight years ago. At the end of 1946, there were only 10,000 television sets in the entire country. Today, at the end of eight years, the total is more than 28,000,000 sets, produced by nearly 100 manufacturers and served by 360 broadcasting stations. The television industry, including manufacturing, sales and broadcasting, amounted to nearly two and a half billion dollars last year—two and a half billion dollars of business that did not exist in 1946.

This explosive growth was based on a program of intensive research by the scientists and engineers of RCA during the late 1920's and the depression decade of the 30's. This research program, together with the creation of production and broadcasting facilities, cost RCA more than $50 million before television was introduced commercially — but the result has been a major industry and a widely accepted change in our way of life. I submit that the stockholders of RCA made a good investment.

Color Television

It appears today as though the story of black-and-white television may well be repeated — in color. Last Dec. 17, the Federal Communications Commission approved standard signal specifications for compatible color television — color transmission that can be received in black-and-white on the 28,000,000 sets now in American homes with no alterations, and in color on the new receivers that have gone into commercial production.

Behind the introduction of the new color system lies a research program just as intensive as that which led to the introduction of television itself in 1946. The RCA color development program, launched in the 1930's, has cost us at least $30 million up to the present, and more will be spent on continuing research and development to improve color television and reduce it to a price that will make color available to all of our people. Another investment that will pay large dividends.

The first commercial color receivers began to move off our production line just two weeks ago, and our manufacturing division can now turn them out at the rate of 2,000 a month. These sets have a 15-inch screen, and, thanks to compatibility, they will pick up black-and-white broadcasts as well as color. These first sets are priced at $1,000—a high price in comparison with the present black-and-white sets, but relatively no more than the monochrome sets of 1946-47, when television was just getting its start. And we expect history to repeat itself in this regard as well, with the cost of color sets reducing steadily as new techniques and means of manufacture are developed.

There is no question but that a major industry is being born. Color receivers need color programs, and color programs require new studio and broadcasting equipment, and new production techniques. Color television cameras are already in production and are being delivered to network and local broadcasters in scores of major cities. Color pickup and monitoring equipment for network programs was installed just before Jan. 1 in more than a score of cities across the country, in time for the first "live" pickup of the Tournament of Roses parade in Pasadena by the National Broadcasting Company.

Already, color reception is possible in 35 cities from coast-to-coast, and it is estimated that 125 television stations will be equipped for color broadcasts by the end of this year, providing coverage for 75% of the television homes in the country.

Broadcasting in color will be increased gradually during the year. The National Broadcasting Company, whose engineers and production specialists gained a wealth of color experience in collaboration with RCA during the past four years, is already broadcasting an average of two commercial color programs each week, and by the end of the year the network will colorcast two programs a week from New York and a third from Burbank, Calif., in addition to a series of specially produced 90-minute spectacular shows commencing in October and various special events that will be given color coverage from time to time.

What does color television involve, and what does it look like?

Program production does not differ substantially from that for black-and-white television, except that producers must use pleasing color combinations in costuming and sets with an eye to the additional dimension that color provides. Monitoring in the broadcasting station also is somewhat more ambitious than is required for black-and-white telecasting as can be noted in this slide of the monitor panel at NBC's Colonial Theatre in New York — the world's first fully-equipped color studio.

For coverage of special events, NBC has designed and is now operating a mobile unit consisting of two large vans, equipped with color cameras and transmission equipment capable of relaying programs by microwave to the broadcasting station. This unit was first used in the Pasadena broadcast on Jan. 1—last week it was used to show the beauty of the Japanese cherry blossoms in Washington. Soon you will be able to see all the great current events in full natural color.

Securities Now in Registration

★ **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**
● **ITEMS REVISED**

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 Cyanamid Co., New York (6/3)**
May 5 filed 585,000 shares of cumulative preferred stock, series C (par $100—convertible prior to July 1, 1964) to be offered for subscription by common stockholders of record June 1, 1954 at the rate of one preferred share for each 15 shares of common stock held (for a 14-day standby). **Price**—To be supplied by amendment. **Proceeds**—To increase working capital and for general corporate purposes. **Underwriter**—White, Weld & Co., New York.

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.

● **Arcturus Electronics, Inc.**
April 22 (letter of notification) 125,000 shares of class A common stock (par one cent). **Price**—At market. The underwriter has agreed to purchase these shares at 15 cents per share. **Proceeds** — To Delbert E. Replogle, President. **Underwriter**—Gearhart & Otis, Inc., New York. No general offer planned.

★ **Atriminas, Inc., Reno, Nev.**
May 4 (letter of notification) 40,000 shares of common stock (par 25 cents) and 40,000 shares of preferred stock (par 75 cents) to be offered in units of one share of each class of stock. **Price**—$1 per unit. **Proceeds**—For equipment and working capital. **Office**—206 N. Virginia St., Reno, Nev. **Underwriter**—None.

Automatic Canteen Co. of American (5/20)
April 30 filed 77,706 shares of common stock (par $5) to be offered for subscription by stockholders of record May 20 on the basis of one new share for each six shares held; rights to expire on June 7. **Price**—To be supplied by amendment. **Proceeds**—To extend activities in the merchandise vending field. **Underwriter**—Glore, Forgan & Co., New York.

★ **Automatic Steel Products, Inc., Canton, Ohio**
May 3 (letter of notification) approximately 35,000 shares of 30-cent non-cumulative preferred stock (par $1). **Price**—At market (estimated at $2.87½ per share). **Proceeds**—To Allied International Investing Corp., Wilmington, Del. **Underwriter**—None.

Basin Natural Gas Corp., Santa Fe, N. Mex.
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.

● **Benrus Watch Co., Inc., New York**
April 27 (letter of notification) 7,600 shares of common stock (par $1). **Price**—At market (about $11 per share). **Proceeds**—To selling stockholders. **Underwriters**— L. F. Rothschild & Co. and Ralph E. Samuel & Co., both of New York. No general offer planned.

● **Benrus Watch Co., Inc., New York**
April 29 (letter of notification) 10,300 shares of common stock (par $1). **Price**—At market (about $11 per share). **Proceeds**—To selling stockholders. **Underwriter**—Ralph E. Samuel & Co., New York. No general offer planned.

★ **Boston Fund, Inc., Boston, Mass.**
April 30 filed 250,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

● **Brandywine Raceway Association, Inc. (5/20)**
April 28 filed 20,000 shares of capital stock (par $1) and $200,000 of 6% subordinated notes due June 1, 1964, to be offered in units of five shares of stock and $50 of notes to stockholders of record May 19, 1954, on the basis of one unit for each 50 shares of stock held. Rights will expire on or about June 9. **Price**—To be supplied by amendment. **Proceeds**—To pay current liabilities, and for expansion and improvements, etc. **Office** — Wilmington, Del. **Underwriters**—Laird Securities Co., Inc., and Laird, Bissell & Meeds, both of Wilmington, Del., and Harrison & Co., Philadelphia, Pa.

British Industries Corp.
April 23 (letter of notification) 3,750 shares of capital stock. **Price**—At market ($2 net to seller). **Proceeds**—To Kay L. Rockey, the selling stockholder. **Underwriter**—Stubner & Co., New York.

Budget Funding Corp. (Del.)
April 20 (letter of notification) 149,850 shares of 7% cumulative preferred stock (par $2) and 29,970 shares of common stock (par one cent) in units of five shares of preferred and one share of common stock. **Price**—$10 per unit. **Proceeds**—For working capital. **Office**—167-10 Hillside Avenue, Jamaica, L. I., N. Y. **Underwriter**—Inter-City Securities Corp., Jamaica, L. I., N. Y.

● **California Electric Power Co.**
April 22 filed 105,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds** — To redeem two issues of $2.50 preferred stock (par $50), totaling 98,800 shares, and, together with proceeds from proposed issue of $8,000,000 of new first mortgage bonds, to redeem $8,000,000 3⅞% bonds presently outstanding. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Temporarily deferred.

California Electric Power Co. (5/25)
April 26 filed $8,000,000 of first mortgage bonds due 1984. **Proceeds**—To redeem a like amount of first mortgage 3⅞% bonds due 1983. **Underwriter**—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 up to 11 a.m. (PDT) on May 25.

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.

★ **Cherokee Industries, Inc., Oklahoma City, Okla.**
May 10 filed 5,000,000 shares of class B non-voting common stock (par 1 cent). **Price**—$1 per share. **Proceeds**—For construction, operating expenses and working capital. **Underwriter**—None.

Childs Food Stores, Inc., Jacksonville, Tex.
April 26 (letter of notification) 5,000 shares of class A common stock (no par). **Price**—$13 per share. **Proceeds**—For working capital. **Underwriter**—Moroney, Beissner & Co., Houston, Tex., and Eppler, Guerin & Turner, Dallas, Tex.

● **Clark Oil & Refining Corp. (5/24-28)**
April 29 filed 50,000 shares of $1.20 cumulative convertible preferred stock, series A (par $20) and 150,000 shares of common stock (par $1). Of the latter issue, 50,000 shares will be for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—Loewi & Co., Milwaukee, Wis.

Colonial Fund, Inc. (5/17)
April 23 filed 700,000 shares of common stock (par $1). **Price**—Initially at $16 per share. **Proceeds**—For investment. **Underwriter**—Stone & Webster Securities Corp., New York.

Consol. Edison Co. of New York, Inc.
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. **Offering**—Originally set for May 11, but has been postponed because of market conditions. No new date set.

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.

NEW ISSUE CALENDAR

May 14 (Friday)

First Nat'l Bank of Toms River, N. J.____**Common**
(Offering to stockholders) $150,000

May 17 (Monday)

Colonial Fund, Inc.____________________**Common**
(Stone & Webster Securities Corp.) 700,000 shares

Light Metals Refining Corp.____________**Common**
(Philip Gordon & Co., Inc.) $5,000,000

Uranium-Petroleum Co.________________**Common**
(Hunter Securities Corp.) $290,000

Virginia Electric & Power Co.___________**Bonds**
(Bids noon EDT) $25,000,000

May 18 (Tuesday)

Bangor & Aroostook RR.________**Equip. Trust Ctfs.**
(Bids 11 a.m. EDT) $975,000

Montreal Transportation Commission__**Debentures**
(Bids to be invited) $27,000,000

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 8:30 a.m. PDT) $65,000,000

State Loan & Finance Corp.____________**Debentures**
(Johnston, Lemon & Co. and Union Securities Corp.) $8,000,000

May 19 (Wednesday)

Missouri Public Service Co.____________**Preferred**
(Kidder, Peabody & Co.) $5,000,000

New York State Electric & Gas Corp.______**Bonds**
(Bids 11 a.m. EDT) $20,000,000

Public Service Electric & Gas Co.______**Preferred**
(Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co.) $24,994,200

Shawano Development Corp.____________**Common**
(McGrath Securities Corp.) $249,000

May 20 (Thursday)

Automatic Canteen Co. of America______**Common**
(Offering to stockholders—underwritten by Glore, Forgan & Co.) 77,706 shares

Brandywine Raceway Assn., Inc.__**Com. & Notes**
(Laird Securities Co., Inc.; Laird, Bissell & Meeds; and Harrison & Co.) 20,000 shares and $200,000 notes

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

Indian Head Mills, Inc.________________**Common**
(Offering to stockholders—underwritten by Blair, Rollins & Co. Inc.) $295,000

South Carolina Electric & Gas Co.______**Preferred**
(Kidder, Peabody & Co.) $4,000,000

Southeastern Public Service Co._______**Preference**
(Bioren & Co.) $900,000

Transportation Development Corp._______**Common**
(L. H. Rothchild & Co.) $600,000

May 24 (Monday)

Clark Oil & Refining Corp.______**Pfd. & Common**
(Loewi & Co.) $1,000,000 pfd. and 150,000 common shares

Glitsch (Fritz W.)) & Sons, Inc.________**Common**
(A. C. Allyn & Co., Inc. and The First Southwest Co.) 170,000 shares

Mutual Investors Corp. of New York____**Common**
(Greenfield & Co., Inc.) $298,000

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)

Florida Power Corp.__________________**Preferred**
(Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane) $7,500,000

General Telephone Co. of Kentucky_____**Preferred**
(Paine, Webber, Jackson & Curtis) $2,300,000

Inter-Canadian Corp.___________________**Common**
(White, Weld & Co.) $2,500,000

Public Service Electric & Gas Co.___**Bonds & Pfd.**
(Bids 11 a.m. EDT) $50,000,000

May 27 (Thursday)

United States Sulphur & Chemical Corp.__**Common**
(Vickers Brothers) $760,000

June 1 (Tuesday)

Northern Natural Gas Co._______________**Common**
(Offering to stockholders—no underwriting) 365,400 shs.

Scudder Fund of Canada, Ltd.____________**Common**
(Lehman Brothers) 800,000 shares

June 2 (Wednesday)

Consumers Power Co.____________________**Bonds**
(Bids 11 a.m. EDT) $25,000,000

Vanadium Corp. of America__________**Debentures**
(Kidder, Peabody & Co.) $5,000,000

June 3 (Thursday)

American Cyanamid Co.________________**Preferred**
(White, Weld & Co.) $58,500,000

June 7 (Monday)

Lynch Carrier Systems, Inc.____________**Debentures**
(P. W. Brooks & Co., Inc.) $250,000

Lynch Carrier Systems, Inc.______________**Common**
(P. W. Brooks & Co., Inc.) $490,000

June 8 (Tuesday)

Southwestern Gas & Electric Co.____________**Bonds**
(Bids to be invited) $10,000,000

June 9 (Wednesday)

Philadelphia Electric Co.________________**Common**
(Offering to stockholders—to be underwritten by Drexel & Co. and Morgan Stanley & Co.) 900,000 shares

June 15 (Tuesday)

Gulf States Utilities Co.___________________**Bonds**
(Bids to be invited) $24,000,000

Gulf States Utilities Co.________________**Preferred**
(Bids to be invited) $16,000,000

Jersey Central Power & Light Co.__________**Bonds**
(Bids 11 a.m. EDT) $6,000,000

June 22 (Tuesday)

Duquesne Light Co.____________________**Preferred**
(Bids to be invited) $5,000,000 to $6,000,000

Gulf Power Co.___________________________**Bonds**
(Bids 11 a.m. EDT) $10,000,000

June 29 (Tuesday)

Duquesne Light Co.________________________**Bonds**
(Bids to be invited) $15,000,000 to $17,000,000

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.

★ Consumers Power Co. (6/2)
May 6 filed $25,000,000 of first mortgage bonds due 1984. **Price**—To be not less favorable to company than a 3⅛% basis. **Proceeds**—To redeem at 105.25% a like amount of outstanding 3¾% bonds due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co., and Union Securities Corp. (jointly); Harriman Ripley & Co. and The First Boston Corp. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on June 2.

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.

★ Decca Records, Inc., New York
May 10 filed an undetermined number of shares of capital stock (par 50 cents) to be offered in exchange for Universal Pictures Co., Inc. common stock. **Ratio**—To be supplied by amendment. Decca on May 1 owned 672,996 shares (66.2%) of Universal stock, with 344,338 shares in hands of approximately 1,783 other stockholders. Also there were warrants outstanding for the purchase of 79,873 shares of Universal stock at $10 per share held by others than Decca, and any Universal stock acquired upon exercise of such warrants may be tendered for exchange. **Soliciting Agent**—Georgeson & Co., New York.

Douglas Oil Co. of California.
April 23 (letter of notification) a maximum of 17,000 shares of common stock (par $1). **Price**—At market (around $6.37½ per share). **Proceeds**—To certain selling stockholders. **Underwriter**—Shearson, Hammill & Co., New York.

★ El Paso Drug Corp., El Paso, Texas
May 4 (letter of notification) 6,000 shares of capital stock (no par) to be offered for subscription by existing stockholders. **Office**—1000 South El Paso St., El Paso, Texas. **Underwriter**—None.

● Electronic Associates, Inc.
April 19 (letter of notification) 7,500 shares of common stock (par $1) being 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.

★ Fair Finance Co., Akron, Ohio
May 5 (letter of notification) $50,000 of series 1-A debenture notes. **Price**—At par (in multiples of $50). **Proceeds** — To increase working capital. **Office** — 1 North Arlington St., Akron, O. **Underwriter**—None.

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.

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

Firth-Loach Metals, Inc., Pittsburgh, Pa.
March 18 filed 33,400 shares of capital stock (par $25). **Price**—$25 per share. **Proceeds** — For expansion, equipment and working capital. **Underwriter**—None.

Florida Power Corp. (5/26)
May 3 filed 75,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—$3,378,400 to redeem 4.90% cumulative preferred stock now outstanding, and the remainder used for new construction. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Gamma Corp., Wilmington, Del.
Feb. 2 (letter of notification) 140,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For inventory, capital expenditures and working capital. **Office**—100 West 10th Street, Wilmington, Del. **Underwriter**—Sheehan & Co., Boston, Mass.

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.
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. **Offering**—Expected today (May 13).

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 Kentucky (5/26)
May 7 filed 46,000 shares of 5% cumulative preferred stock (par $50), of which 16,000 shares are to be offered in exchange for the 8,000 shares of 5.2% cumulative preferred stock outstanding on the basis of two new shares, plus $4 per share in cash for each 5.2% share held. **Price**—To be supplied by amendment. **Proceeds**—To retire 5.2% preferred stock, to repay bank loans and to pay notes due to the General Telephone Corp., its parent. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., New York.

★ Gladwin Plastics, Inc., Atlanta, Ga.
May 6 (letter of notification) 149,500 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To retire debt, for working capital and other corporate purposes. **Office**—275 Houston St., N.E., Atlanta, Ga. **Underwriter**—Clement A. Evans & Co., Inc., Atlanta, Ga.

● Glitsch (Fritz W.) & Sons, Inc. (5/24-28)
May 3 filed 170,000 shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—Dallas, Texas. **Underwriters**—A. C. Allyn & Co., Inc., Chicago, Ill., and The First Southwest Co., Dallas, Texas.

★ Hilo Electric Light Co., Ltd., Hilo, Hawaii
May 10 filed 25,000 shares of common stock to be offered for subscription by stockholders of record June 5 on the basis of one share for each four shares held. Unsubscribed shares to be offered to employees. **Price** — At par ($20 per share). **Proceeds** — To repay bank loans and for additions and improvements. **Underwriter** — May be named by amendment.

★ Indian Head Mills, Inc. (5/20)
May 6 (letter of notification) 59,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record May 19 on the basis of one share for each four shares held (with an oversubscription privilege); rights to expire on June 7. Of these shares, 9,000 are to be first offered to employees. **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—Blair, Rollins & Co. Inc., New York.

★ Inspiration Lead Co., Inc., Wallace, Idaho
May 4 (letter of notification) 2,000,000 shares of class B stock (with debenture warrants). **Price** — 15 cents per share. **Proceeds** — For mining development. **Office** — 106 King St., Wallace, Idaho. **Underwriter** — Mine Financing Inc., West 909 Sprague Ave., Spokane 10, Wash.

● Inter-Canadian Corp., Chicago, Ill. (5/26)
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.

● Kansas-Nebraska Natural Gas Co., Inc. (5/20)
April 28 filed 10,000 shares of $5 cumulative preferred stock (no par). **Price**—$101 per share. **Proceeds**—For property additions, etc. **Underwriters** — Cruttenden & Co., Chicago, Ill., and The First Trust Co. of Lincoln, Neb.

● Kansas-Nebraska Natural Gas Co., Inc. (5/20)
April 28 filed 85,090 shares of common stock (par $5) to be offered for subscription by common stockholders on the basis of one new share for each 10 shares held on or about May 18 (with an oversubscription privilege). Employees to be given right to purchase unsubscribed shares. **Price**—$23 per share. **Proceeds**—For property, additions. **Underwriters** — Cruttenden & Co., Chicago, Ill., and The First Trust Co. of Lincoln, Neb.

Kendon Electronics Co., Inc.
April 21 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For working capital and general corporate purposes. **Office** — 18 Clinton Street, Brooklyn, N. Y. **Underwriter**—20th Century Pioneer Securities Co., New York, N. Y.

★ Klamath Oil, Inc., Lewistown, Mont.
May 3 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For drilling expenses, etc. **Office**—Montana Bldg., Lewistown, Mont. **Underwriter**—None.

★ Lake Champlain Associates, Inc.
May 3 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To construct museum building, etc.; for salvage operations; and working capital. **Office** — Willsboro, N. Y. **Underwriter**—None.

Light Metals Refining Corp., New York (5/17)
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.

● Lynch Carrier Systems, Inc. (6/7-8)
May 4 filed $250,000 of 6% sinking fund debentures, series A, due June 1, 1969 (with capital stock purchase warrants attached—each warrant to entitle purchaser of each $1,000 of debentures to acquire 150 shares of capital stock at $3.75 per share through May 1, 1962). **Price**—100% and accrued interest for debentures. **Proceeds**—To establish sales application engineering offices in selected cities to aid effort of company's national distributors; for machinery and equipment; for general funds to continue research and development; and to provide additional working capital. **Business** — Designing and manufacturing of electronic communications systems. **Office**—San Francisco, Calif. **Underwriter**—P. W. Brooks & Co., Inc., New York.

● Lynch Carrier Systems, Inc. (6/7-8)
May 4 filed 140,000 shares of capital stock (par $1). **Price** — $3.50 per share. **Proceeds** — To selling stockholder. **Underwriter**—P. W. Brooks & Co., Inc., New York.

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.

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.

● Missouri Public Service Co. (5/19)
April 23 filed 50,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To redeem outstanding first preferred stock ($3,475,000), to repay $750,000 bank loans and the balance for construction program. **Underwriter**—Kidder, Peabody & Co., New York.

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.

Montreal Transportation Commission, Montreal, Canada (5/18)
April 29 filed $27,000,000 of sinking fund debentures, 1954 issue, due May 1, 1974, guaranteed unconditionally as to principal, interest and sinking fund retirements by The City of Montreal (Canada). **Price**—To be supplied by amendment. **Proceeds**—To redeem outstanding $24,944,300 of Montreal Tramways Co. general mortgage sinking fund bonds due April 1, 1955; and balance for modernization program. **Underwriter** — To be determined by competitive bidding. Probable bidders: 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. **Offering**—Tentatively expected on May 18.

● Mutual Investors Corp. of New York (5/24)
April 29 (letter of notification) 298,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—550 Fifth Avenue, New York. **Underwriter**—Greenfield & Co., Inc., New York.

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 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. (5/19)
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**—To be received up to 11 a.m. (EDT) on May 19.

North Pittsburgh Telephone Co.
April 23 (letter of notification) 2,000 shares of common stock to be offered for subscription by common stockholders of record May 1, 1954, on the basis of one new share for each five common shares held. **Price**—At par ($25 per share). **Proceeds**—For general corporate purposes. **Office**—Gibsonia, Pa. **Underwriter**—None.

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 Natural Gas Co., Omaha, Neb. (6/1)
May 5 filed 365,400 shares of common stock (par $10) to be offered for subscription by common stockholders about June 1 on the basis of one new share for each nine shares held. Unsubscribed shares to be offered to employees. Rights to expire on June 12. **Price**—To be supplied by amendment. **Proceeds**—For property additions **Underwriter**—None.

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Northern Ohio Telephone (5/18)
April 23 filed 117,150 additional shares of common stock (par $10) to be offered for subscription by stockholders of record May 14 on the basis of one new share for each two held; with a 14-day standby. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for property additions and improvements. **Underwriters**—Hayden, Miller & Co.; McDonald & Co.; Merrill, Turben & Co.; and Lawrence Cook & Co.; all of Cleveland, Ohio.

Oklahoma Oil Co., Denver, Colo.
April 30 (letter of notification) 800,000 shares of common stock (par five cents) to be offered first to stockholders. **Price**—25 cents per share to stockholders; at market to public. **Proceeds**—To drill for oil and gas on 21 offset locations. **Office**—401 Zook Building, Denver 4, Colo. **Underwriter**—None.

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**—To be received up to 8:30 a.m. (PDT) on May 18 at 245 Market Street, San Francisco, Calif.

★ **Pacific Telephone & Telegraph Co.**
May 7 filed 1,004,603 shares of common stock to be offered for subscription by common and preferred stockholders in the ratio of one share for each seven shares of common and/or preferred stock held. **Price**—At par ($100 per share). **Proceeds**—To reduce bank borrowings.. **Underwriter**—None.

★ **Package Store, Inc., Leonardtown, Md.**
May 3 (letter of notification) five shares of common "A" stock, 4,995 shares of common "B" stock and 5,000 shares of common "C" stock. **Price** — At par ($5 per share). **Proceeds**—To purchase an inventory for resale. **Underwriter**—None.

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.

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.

★ **Phoenix Budget Loans, Inc.**
May 4 (letter of notification) $200,000 of 5½% subordinated debentures dated May 15, 1954, due 1956 to 1965, inclusive. **Price** — 97.98% to 100%, according to maturity. **Proceeds**—For working capital, etc. **Office**—Minneapolis, Minn. **Underwriter** — M. H. Bishop & Co., Minneapolis, Minn.

★ **Phoenix Budget Loans, Inc., Minneapolis, Minn.**
May 4 (letter of notification) 4,000 shares of $1.50 cumulative preferred stock, series A (no par). **Price**—$24 per share. **Proceeds** — For general corporate purposes. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

★ **Poly-Seal Corp., New York**
May 7 (letter of notification) 50,000 shares of capital stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital, etc. (including mould construction). **Office**—405 Lexington Avenue, New York, N. Y. **Underwriter**—None.

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.

★ **Product Development Corp.**
May 4 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For working capital in the acquisition, manufacturing and distribution of products. **Office**—1511 Fox Building, 16th and Market Streets, Philadelphia, Pa. **Underwriter**—A. J. Grayson, New York.

Public Service Electric & Gas Co. (5/19)
April 28 filed 249,942 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To redeem on June 30 a like amount of 4.70% preferred stock. **Underwriters**—Morgan Stanley & Co., New York; Drexel & Co., Philadelphia, Pa.; and Glore, Forgan & Co., New York.

Public Service Electric & Gas Co. (5/26)
April 28 filed $50,000,000 of first and refunding mortgage bonds due May 1, 1984. **Proceeds**—For new construction. **Underwriter**—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**—To be received up to 11 a.m. (EDT) on May 26 at 80 Park Place, Newark, N. J.

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.

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.

★ **Scudder Fund of Canada, Ltd. (6/1)**
May 12 filed 800,000 shares of common stock. **Price**—To provide the company wth initial investment funds of approximately $24,000,000. **Proceeds** — For investment. **Underwriter**—Lehman Brothers, New York.

● **Shawano Development Corp. (Fla.) (5/19)**
April 23 (letter of notification) 83,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For development of land and planting Ramie and for working capital. **Underwriter** — McGrath Securities Corp., New York.

South Carolina Electric & Gas Co. (5/20)
April 30 filed 80,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To repay $2,800,000 of bank loans, for new construction and for advances to its subsidiary. **Underwriter**—Kidder, Peabody & Co., New York.

Southeastern Public Service Co. (5/20)
April 29 filed 36,000 shares of 6% cumulative convertible preference stock, seris B (par $25). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Bioren & Co., Philadelphia, Pa.

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.

★ **Springfield City Water Co., Springfield, Mo.**
May 7 (letter of notification) 22,284 shares of common stock (par $10), of which 14,600 shares will be underwritten. **Price**—$13.50 per share. **Proceeds**—To repay bank loans and for additions and improvements. **Underwriter**—Moody Investment Co., Springfield, Mo.

State Loan & Finance Corp. (5/18)
April 26 filed $8,000,000 of 12-year sinking fund debentures due May 1, 1966. **Price**—To be supplied by amendment. **Proceeds** — To reduce outstanding bank loans. **Underwriters**—Johnston, Lemon & Co., Washington, D. C., and Union Securities Corp., New York.

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.

Taylorcraft, Inc., Conway, Pa.
April 30 (letter of notification) 150,000 shares of 6% cumulative convertible preferred stock, of which 100,-000 shares will be offered to public and 50,000 shares to creditors. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—Graham & Co., Pittsburgh, Pa.

★ **Three-In-One Gold Mines Corp., Reno, Nev.**
May 3 (letter of notification) 1,993,333⅓ shares of capital stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining expenses. **Office**—139 N. Virginia St., Reno, Nev.

Transportation Development Corp. (5/20)
April 26 filed 100,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To finance the costs of obtaining contracts for the construction of the company's transportation system, for working capital and for other general corporate purposes. **Underwriters**—L. H. Rothchild & Co., New York.

Trican Petro-Chemical Corp., Montreal, Canada.
April 30 filed 500,000 shares of common stock (par $1). **Price** — To be related to the market price at time of offering. **Proceeds**—For development costs and general corporate purposes. **Underwriter** — To be named by amendment.

United States Sulphur & Chemical Corp., Carson City, Nev. (5/27)
April 30 filed 380,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds** — For acquisitions, exploration and development expenses, and for working capital. **Underwriter**—Vickers Brothers, New York.

Uranium-Petroleum Co. (5/13-17)
April 29 (letter of notification) 2,900,000 shares of common stock (par five cents). **Price** — 10 cents per share. **Proceeds**—For exploration and development of uranium and petroleum properties. **Office**—53 East 4th South St., Salt Lake City, Utah. **Underwriter** — Hunter Securities Corp., New York. **Offering**—Expected today (May 13) or Monday (5/17).

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**—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, being 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, which will expire any time after June 7, 1954, is conditioned solely upon acceptance by 80% of outstanding shares. **Underwriter**—None. Statement effective May 5.

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.

★ **Western Bowling, Inc., Seattle, Wash.**
May 3 (letter of notification) 20,000 shares of class A preferred stock and 5,000 shares of class B common stock. **Price** — At par ($10 per share). **Proceeds** — For general corporate purposes. **Office**—4505 39th Ave., S.W., Seattle 6, Wash. **Underwriter**—None.

Wisconsin Electric Power Co.
April 7 filed 421,492 shares of common stock (par $10) being 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**—$26.25 per share. **Proceeds**—For property additions and improvements. **Underwriter**—None.

Wyoming Oil & Exploration Co., Las Vegas, Nev.
April 29 filed 500,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development of oil and gas properties. **Underwriter**—None.

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 Natural Gas Co.
April 28 stockholders approved a proposal to increase 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).

★ **Bangor & Aroostook RR. (5/18)**
Bids will be received by the company up to 11 a.m. (EST) on May 18 for the purchase from it of $975,000 of equipment trust certificates to be dated June 1, 1954, and to mature annually from June 1, 1955 to 1969, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Boston Edison Co.
Feb. 15 it was announced company plans to issue and sell about $15,000,000 of first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. **Offering**—Tentatively expected in June.

Carrier Corp.
Feb. 23 stockholders approved a proposal to increase the authorized common stock (par $10) from 1,600,000 shares to 5,000,000 shares and the authorized preferred stock (par $50) from 181,855 shares to 800,000 shares to provide for further possible financing. **Proceeds**—For expansion, etc. **Underwriters**—Harriman Ripley & Co. Inc. and Hemphill, Noyes & Co.

Central Hudson Gas & Electric Corp.
March 8 it was announced issues of mortgage bonds and preferred stock are now under consideration, but definite plans will depend largely upon developments in the securities markets. Construction cash requirements are estimated at $17,300,000 for 1954-1955. Company is reported to be considering the issuance of about $9,000,000 bonds this fall and $3,500,000 of preferred stock in 1955. **Underwriter**—Kidder, Peabody & Co., New York.

Central Illinois Electric & Gas Co.
Dec. 9 it was announced company intends to offer and sell around the middle of 1954 an issue of $4,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Central Maine Power Co.
April 1 William F. Wyman, President, 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. **Meeting**—Stockholders will vote May 12 on increasing authorized preferred stock from 330,000 shares to 410,000 shares.

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).

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.

★ **Columbus & Southern Ohio Electric Co.**
April 29 it was announced company plans to raise $15,000,000 this year to assist in financing its construction program which is estimated to cost $23,100,000 in 1954. **Underwriter**—Dillon, Read & Co. Inc., New York.

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.

★ **Cott Beverage Corp.**
May 5 it was reported 160,000 shares of common stock are to be publicly offered—100,000 shares for account of company and 60,000 shares for selling stockholders. **Price**—In neighborhood of $10 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Ira Haupt & Co., New York. **Registration**—Expected in June, 1954.

Duquesne Light Co. (6/22)
April 22 directors announced stockholders will vote on June 23 to increase the authorized preferred stock from 1,000,000 to 1,250,000 shares (par $50). It is planned to sell about $5,000,000 to $6,000,000 of this issue. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers; Blyth & Co. Inc.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly). **Bids**—Tentatively expected to be received on June 22.

Duquesne Light Co. (6/29)
April 28 it was reported company is tentatively planning to issue and sell from $15,000,000 to $17,000,000 of bonds about June 29. **Underwriter**—To be determined by competitive bidding. Probable bidders: 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.

Eastern Utilities Associates
April 30 trustees authorized issuance of additional common stock (par $10) to present stockholders on a basis not greater than one new share for each 12 shares held. **Proceeds**—To pay off $2,000,000 of bank loans. **Offering**—Expected not later than Oct. 1, 1954.

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).

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 27 stockholders voted to approve a proposal to increase the 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 had been 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.

Gulf Power Co. (6/22)
April 20 it was reported company plans to issue and sell $10,000,000 of new first mortgage bonds due 1984. **Proceeds**—Refund $6,593,000 of outstanding first mortgage 4⅛% bonds due 1983 and for repayment of bank loans and new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Drexel & Co. (jointly); Equitable Securities Corp.; Union Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on June 22.

★ **Gulf States Utilities Co. (6/15)**
May 7 it was announced company plans to issue and sell $24,000,000 of first mortgage bonds. **Proceeds**—To redeem two issues of 3⅜% bonds totaling $20,000,000, and for new construction and general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Tentatively expected to be received about June 15.

★ **Gulf States Utilities Co. (6/15)**
May 7 it was announced company proposes to issue and sell 160,000 shares of preferred stock (par $100). **Proceeds**—To redeem 50,000 shares of $4.50 dividend preferred, 60,000 shares of 1949 series $4.40 dividend preferred and 50,000 shares of $4.44 dividend preferred stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Tentatively expected to be received about June 15. Stockholders will vote June 11 on approving preferred stock financing.

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. (6/15)**
May 6 company asked SEC permission to issue and sell $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. **Bids**—Expected to be received up to 11 a.m. (EDT) on June 15.

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 on April 27 arpproved new financing.

Libby, McNeill & Libby
April 23 it was announced stockholders will vote May 20 on authorizing an issue of 100,000 shares of cumulative preferred stock (par $100), and to provide that this stock may be issued, without first being offered to common stockholders. **Underwriters**—May be Glore, Forgan & Co., New York.

Long Island Lighting Co.
April 20 it was announced company plans this year to issue $20,000,000 mortgage bonds. **Proceeds** — To finance construction program. **Underwriter**—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.

Long Island Lighting Co.
April 20, Errol W. Doebler, President, announced company contemplates later this year to offer probably about 700,000 shares of common stock to common stockholders, probably on a one-for-eight basis. **Proceeds**—For new construction. **Underwriters**—May be Blyth & Co. Inc., The First Boston Corp. and W. C. Langley & Co. (jointly).

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).

★ **Maine Public Service Co.**
May 10 it was reported company plans early registration statement of about 30,000 shares of cumulative preferred stock (par $20). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., both of New York.

Merritt-Chapman & Scott Corp.
April 23 it was announced company plans to offer additional common stock (about 281,432 shares) to stockholders of record June 25, 1954 on a one-for-five basis (with an oversubscription privilege); rights to expire on July 19. **Proceeds**—For expansion and working capital. **Underwriter**—None.

Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

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.

Continued on page 46

Continued from page 45

Inc.; Blyth & Co., Inc., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair, Rollins & Co. Inc.

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 England Electric System
April 29 it was announced company plans to offer to its common stockholders next Fall additional common stock on a 1-for-10 basis. There are outstanding 9,018,824 common shares. **Proceeds** — For construction program of subsidiaries. **Underwriters** — To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

New Jersey Power & Light Co.
Dec. 16 it was reported this company tentatively plans issue and sale in 1954 of about $3,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Equitable Securities Corp.; Union Securities Corp. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

New Orleans Public Service Inc.
Feb. 8 it was reported company plans to offer for sale $6,000,000 of first mortgage bonds due 1984 late this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.

★ New Orleans Public Service Inc.
May 6 it was announced company has filed a proposal with the SEC to issue and sell not to exceed 160,228 additional shares of its common stock (no par) to common stockholders on the basis of one new share for approximately each seven shares held. Of the total number of shares outstanding, 1,059,901 shares (95.255%) are owned by Middle South Utilities, Inc., the parent. **Price** — $25 per share. **Proceeds** — For property additions and improvements. **Underwriter**—None.

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.
April 27 stockholders approved a proposal to increase 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.

★ Peoples Gas Light & Coke Co.
May 10 it was reported company plans the sale of $40,000,000 first and refunding mortgage bonds. **Proceeds**—To refund series F and series H bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co. **Offering**—Expected in July or August, 1954.

Philadelphia Electric Co. (6/9)
April 30, company announced it will file with the SEC and the Pennsylvania P. U. Commission, within the next few weeks, registration statements covering a proposed offering of approximately 900,000 shares of common stock to common stockholders of record June 7, 1954, on the basis of one new share for each 12 shares held (but not the $1 dividend preference common stock). **Price**—To be named later. **Proceeds**—For new construction, etc. **Underwriters** — Drexel & Co., Philadelphia, Pa., and Morgan Stanley & 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 Co. of New Hampshire
May 7 preferred stockholders approved a proposal to increase the authorized preferred stock from 160,000 shares to 300,000 shares, of which it is planned to issue not in excess of 75,000 shares. **Proceeds**—To refund outstanding 50,000 shares of 5.40% preferred stock and for new construction. **Underwriter**—If through competitive bidding, bidders may include Kidder, Peabody & Co. and Blyth & Co., Inc. (who made the only bid in June, 1952, for the 5.40% issue, which was rejected); R. W. Pressprich & Co. and Spencer Trask & Co. (who were awarded that issue in July, 1952, on a negotiated basis.

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.

★ Resources of Canada Investment Fund, Ltd.
April 27 the SEC authorized the company to register as an investment concern and to make a public offering of securities in the United States.

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.

San Diego Gas & Electric Co.
April 28 it was reported company plans to offer late in 1954 (probably first to stockholders) 800,000 shares of additional common stock. **Underwriter** — Blyth & Co., Inc., San Francisco and New York.

Scott Paper Co.
April 27 stockholders approved proposals which increased 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.

★ Southern Colorado Power Co.
May 10 it was announced stockholders will vote on May 14 on creating an issue of 50,000 shares of preferred stock (par $50) and on increasing the authorized common stock from 1,000,000 shares to 1,200,000 shares. It is planned to raise about $3,500,000 through issuance and sale of new securities. **Underwriters**—May be Hutchinson & Co., Pueblo, Colo.; and Boettcher & Co. and Bosworth, Sullivan & Co., both of Denver, Colo.; who underwrote common stock offering to stockholders in 1948; subsequent common stock financing was not underwritten.

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.

• Southwestern Gas & Electric Co. (6/8)
May 6 company applied to SEC for permission to issue and sell $10,000,000 first mortgage bonds, series F, due May 1, 1984. **Proceeds**—To refund bank loans 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. **Bids**—Expected to be received on June 8.

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.
April 27 stockholders approved a proposal increasing the authorized common stock from 7,500,000 shares to 10,000,000 shares (par $7). **Underwriter**—Dillon, Read & Co. Inc., New York.

Texas International Sulphur Co., Houston, Texas
April 28 it was reported company plans to do some additional financing in the near future. **Underwriter**—May be Vickers Brothers, 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 annouced that the cost of the building of the proposed cross-Canada gas pipeline would be approximately $292,000,000, which would be financed through the issuance of about $36,500,000 each of common stock and debentures and $219,000,000 of first mortgage bonds. **Underwriters**—Lehman Brothers and Wood, Gundy & Co., Inc., both of New York.

Transcontinental Gas Pipe Line Corp.
March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Tri-Continental Corp.
March 30 stockholders voted to reclassify 500,000 shares of presently authorized but unissued $6 cumulative preferred stock, without par value, into 1,000,000 shares of a new class of preferred stock, $50 par value, making possible a refunding of the outstanding $6 preferred stock at an appropriate time, when conditions warrant. **Underwriter**—Union Securities Corp., New York.

• Vanadium Corp. of America (6/3)
April 20 it was reported company plans to issue and sell $5,000,000 of convertible debentures. **Proceeds**—To repay bank loans and for working capital and expansion. **Underwriter** — Kidder, Peabody & Co., New York. **Registration**—Expected on May 14.

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.

Our Reporter's Report

Happenings in the investment market the past week provided further evidence of growing confidence on the part of the underwriters and dealers as regards the outlook for the new issues that have been a bit on the slow side.

There is definitely less disposition right now to cut loose and run when a given undertaking shows a tendency to lag a little because of a difference of a few basis points in pricing ideas between underwriters and potential buyers.

On the contrary it appears that the "professionals" in the distributing business are now bullish and willing to take a position, confident that they will be able to sell bonds later when, as they expect, the seasoned market comes up to current pricing ideas.

Underwriters and dealers are taking down their participations in most recent deals, in other words, dividing up unsold balances and "banking" them for an anticipated improvement in the general level.

Until recently such unsold balances had been customarily "left in the pot" for the major sponsors to dispose of, usually by breaking the syndicate agreements and letting the issues seek their own levels.

Current procedure creates something of a "corporate blue list," but the observation on that score is that "its counterpart never worried the municipal end of the business very much."

Good Week Ahead

Next week's calendar of new prospects appears comfortable from any point of view provided, of course, you are in on part of the business in sight.

The aggregate of new issues is formidable but, at the same time, not of dimensions which promise to put any real strain on the ability of underwriters to handle it.

Largest single undertaking is that of Pacific Gas & Electric Co., which, on Tuesday, will open bids for $65,000,000 of 30-year first and refunding bonds. Two groups are set to compete for this business.

Other Issues on Tap

Monday will bring to market $25,000,000 of first mortgage and refunding bonds put up for bids by Virginia Electric & Power Co., to provide funds for payment of notes and for new construction.

Five groups already have indicated their intentions of bidding for this issue and there is the possibility that a sixth banking aggregation will be in the running.

Public Service Electric & Gas Co. on Wednesday has 249,942 shares of $100 par preferred stock tentatively slated for public offering.

New York State Electric & Gas Corp. will market $20,000,000 of 30-year first mortgage bonds the same day. Bidding for this one promises to be keen.

Bankers also will have opportunity on Wednesday to bid for 50,000 shares of $100 par preferred of Missouri Public Service Co.

A Little Variety

By way of changing the bill of fare a trifle, the Montreal Transportation Commission will be in the market early next week, unless plans are changed, for $27,000,000 of new funds.

It will offer for bids that amount of new sinking fund debentures which will carry the guarantee of the City of Montreal.

Funds raised will be used to redeem outstanding obligations and to replenish general funds. Both American and Canadian bankers are expected to be in the market for this undertaking.

MEETING NOTICE

THE NEW YORK CENTRAL RAILROAD COMPANY

Albany, N. Y., April 23, 1954.

The Annual Meeting of the Stockholders of The New York Central Railroad Company will be held in the Armory, 195 Washington Avenue, in the City of Albany, New York, on Wednesday, May 26, 1954, at 12 o'clock Noon, Eastern Daylight Saving Time, for the election of Directors and three Inspectors of Election, and the transaction of such other business as may be lawfully brought before the meeting, including action upon resolutions proposed by Stockholders relating to cumulative voting for Directors and change of date of the Annual Meeting.

Stockholders of record at 3 o'clock P.M. on April 19, 1954, will be entitled to vote at said meeting.

By order of the Board of Directors.

RUSSELL T. WALKER,
Secretary.

Blyth Group Offers Allis-Chalmers Mfg. 4.08% Pfd. Stock

Blyth & Co., Inc. headed an underwriting group which yesterday (May 12) offered publicly 350,000 shares of 4.08% cumulative convertible preferred stock ($100 par value) of Allis-Chalmers Manufacturing Co. at $102 per share, to yield 4%.

The preferred stock is convertible any time prior to redemption at the conversion price of $60 per share of common, subject to adjustment.

Proceeds from the preferred will be applied to payment of $35,000,000 of the $50,000,000 current bank loans incurred to carry larger inventories and receivables and to replenish working capital.

Allis-Chalmers Manufacturing Co. makes a diverse line of power, industrial, agricultural and earthmoving machinery and equipment. It has 12 plants in the U. S. as well as plants operated by subsidiaries in Canada and England.

In 1953 the company had consolidated net earnings of $21,944,000, or $6.58 per common share on sales of $514,574,000. Dividends of $4 per common share were paid in 1953.

C. L. Barr Co. Formed

OKLAHOMA CITY, Okla.—Clarence L. Barr has formed Clarence L. Barr & Co., 541 Southwest Grand Boulevard, to engage in a securities business.

Irwin Chernick Opens

(Special to THE FINANCIAL CHRONICLE)

PAWTUCKET, R. I. — Irwin Chernick is engaging in a securities business from offices at 69 Exchange Street.

DIVIDEND NOTICE

Manufacturers of AE Wall & Floor Tile

AMERICAN ENCAUSTIC TILING COMPANY, INC.

COMMON STOCK DIVIDEND
Declared May 7, 1954

15 cents per share

Payable May 28, 1954
Record Date May 21, 1954

America's OLDEST Name in Tile

With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Joseph F. Poeschel has become affiliated with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Bernar H. Seidel, Jr. is now affiliated with King Merritt & Company, Inc.

With Stifel, Nicolaus

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Arthur D. Mayfield has become associated with Stifel, Nicolaus & Co., Inc., 105 West Adams Street. He was recently with Hornblower & Weeks and C. W. McNear & Co.

DIVIDEND NOTICES

J. I. Case Company
(Incorporated)

Racine, Wis., May 10, 1954

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable July 1, 1954, to holders of record at the close of business June 12, 1954. No action was taken on the Common Stock dividend.

WM. B. PETERS, Secretary.

THE COLORADO FUEL AND IRON CORPORATION

At a meeting of the Board of Directors of The Colorado Fuel and Iron Corporation held in New York, N. Y. on May 11, 1954 the Board of Directors of The Colorado Fuel and Iron Corporation declared the regular quarterly dividend on the series "A" $50 par value preferred stock in the amount of 62½ cents per share and also the regular quarterly dividend on the series "B" $50 par value preferred stock in the amount of 68¾ cents per share, both payable on June 30, 1954, to stockholders of record at the close of business on June 8, 1954. The Board of Directors of the corporation also voted today to declare a 2½ per cent stock dividend on the outstanding common stock in lieu of a cash dividend. The common stock dividend is payable June 22, 1954, to holders of common stock of record at the close of business on May 25, 1954.

Shareholders will receive one additional share of common stock for each 40 shares of common stock held on the record date.

Scrip will be issued in lieu of fractional shares. Arrangements are being made so that stockholders may, without expense, purchase or sell scrip certificates until December 31, 1954 at current market prices.

D. C. McGREW,
Secretary.

DREWRYS

A dividend of thirty-five (35) cents per share for the second quarter of 1954 has been declared on the common stock, and the regular quarterly dividend on the 5¾% cumulative preferred stock of this company, both payable June 10, 1954 to stockholders of record at the close of business on May 25, 1954.

Drewrys Limited U. S. A., Inc.
South Bend, Indiana

T. E. JEANNERET,
Secretary and Treasurer

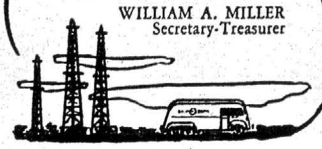
TECHNICAL OIL FIELD SERVICES

LANE-WELLS COMPANY

Dividend No. 68

The Directors have declared a quarterly dividend of 40 cents per share on the common stock, payable June 15, 1954, to stockholders of record May 19, 1954.

WILLIAM A. MILLER
Secretary-Treasurer



THE DAYTON POWER AND LIGHT COMPANY
DAYTON, OHIO

127th Common Dividend

The Board of Directors has declared a regular quarterly dividend of 50c per share on the Common Stock of the Company, payable on June 1, 1954 to stockholders of record at the close of business on May 17, 1954.

GEORGE SELLERS, Secretary
May 7, 1954

DIVIDEND NOTICES

The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of fifty cents per share payable on June 15, 1954 to stockholders of record at the close of business on May 17, 1954.

D. H. ALEXANDER, Secretary.
May 7, 1954.

LION OIL COMPANY

A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable June 15, 1954, to stockholders of record June 1, 1954. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*
May 11, 1954.

NORFOLK SOUTHERN RAILWAY COMPANY

Common Dividend

The Board of Directors of Norfolk Southern Railway Company have declared a quarterly dividend of forty-two and one-half cents (42½¢) per share on the common stock of said Company, payable on June 15, 1954, to stockholders of record at the close of business June 1, 1954.

CECIL M. SELF, *President*

O'okiep Copper Company Limited

Dividend No. 30

The Board of Directors today declared a dividend of ten shillings per share on the Ordinary Shares of the Company payable June 1, 1954.

The Directors authorized the distribution of the said dividend on June 11, 1954 to the holders of record at the close of business on June 4, 1954 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to approximately $1.40 per share, subject, however, to any change which may occur in the rate of exchange for South Africa funds prior to June 1, 1954. Union of South Africa non-resident shareholders tax at the rate of 7.2% will be deducted.

By Order of the Board of Directors,
F. A. SCHECK, *Secretary.*
New York, N. Y., May 5, 1954.

The UNITED Corporation

The Board of Directors has declared a semi-annual dividend of 10 cents per share on the COMMON STOCK, payable June 11, 1954 to stockholders of record at the close of business May 24, 1954.

WM. M. HICKEY,
President
May 12, 1954

DIVIDEND NOTICES

SOUTH AMERICAN GOLD & PLATINUM COMPANY
61 Broadway, New York 6, N. Y.

May 10, 1954.

A quarterly dividend of ten (10c) cents per share has been declared payable June 12, 1954, to stockholders of record at the close of business on June 1, 1954.

JOHN G. GREENBURGH, Treasurer.

pf PACIFIC FINANCE CORPORATION

DIVIDEND NOTICE

A regular quarterly dividend of 50 cents per share on the common stock ($10 par value), payable June 1, 1954, to stockholders of record May 14, 1954, was declared by the Board of Directors on May 5, 1954.

B. C. REYNOLDS, *Secretary*

PHELPS DODGE CORPORATION

The Board of Directors has declared a second-quarter dividend of Sixty-five Cents (65¢) per share on the capital stock of this Corporation, payable June 10, 1954 to stockholders of record May 21, 1954.

M. W. URQUHART,
Treasurer.
May 6, 1954

ROME CABLE Corporation
ROME · NEW YORK

61st Consecutive Dividend

The Board of Directors of Rome Cable Corporation has declared consecutive Dividend No. 61 for 35 cents per share on the Common Capital Stock of the Corporation, payable July 1, 1954, to holders of record at the close of business on June 10, 1954.

GERARD A. WEISS, Secretary
Rome, N. Y., May 7, 1954

Common and Preferred DIVIDEND NOTICE

May 3, 1954

The Board of Directors of the Company has declared the following quarterly dividends, all payable on June 1, 1954, to stockholders of record at the close of business May 12, 1954:

Security	Amount per Share
Preferred Stock, 5.50% First Preferred Series	$1.37½
Preferred Stock, 4.75% Convertible Series	$1.18¾
Preferred Stock, 4.50% Convertible Series	$1.12½
Common Stock	$0.25

Secretary

TEXAS EASTERN Transmission Corporation
SHREVEPORT LOUISIANA

Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—It is freely predicted at the Senate that out of the Banking Committee sometime around June 1 will come a bill tightening up on government-sponsored real estate mortgage credit — the direct opposite of the purpose of the Eisenhower Administration housing program.

This, of course, is the consequence of the Great Housing Scandal of 1954.

Except in one direction, the weight of recommendations of the Eisenhower program were for easier mortgage credit. The exception was that it was hoped that the Federal National Mortgage Association could finance purchases of a part of its insured and guaranteed loans out of funds raised by sale of FNMA debentures, rather than from direct Treasury obligations.

However, members of the Committee point out that inasmuch as the most sweeping (if as yet little substantiated) charges have been made of racketeering in the use of FHA insured home improvement loans, it would be political foolishness for the members of the Committee to evade tightening up on this credit.

How the home improvement credit will be tightened up remains to be seen. However, members of the Committee have suggested that instead of insuring the total portfolio of a lender's home improvement loans, the Committee may recommend that a lender shall be insured only on a percentage ratio of each individual loan.

In other words, the lender would have a small responsibility for the soundness of the loan.

As to FHA-insured real estate mortgage loans, committee members are talking about requiring every builder to swear to his costs, if not submit to an audit thereof, and to kick back any excess of mortgage amounts over his costs.

Thus the most efficient builder would have no point in cutting down costs to make a bigger profit, and the FHA system of appraising a house according to its estimate of its real value will tend to be replaced by the equalitarian idea that while nobody can make a more than normal builder's profit, everybody shall be guaranteed costs.

Worries Officials

This outlook keenly worries those Administration officials who recognize that the Eisenhower Administration is committed to the Home Building Activity Support Program of 1,000,000 units of housing per year.

What happens if lenders are required to return to normal prudent credit policies in both the housing construction and improvement lines? They fear that the goal of 1,000,000 units of housing construction may be jeopardized.

They are even more worried when they think of the President's proposal to vastly liberalize real estate mortgage credit if this becomes necessary as a business stimulant. For instance, the President proposed that the government should insure 100% of mortgages running 40 years for the GOP version of "low cost public housing." There is a good chance that this section may be killed.

Another easy credit proposal was that, at the direction of the President, FHA could insure loans to a greater than present ratio of loans to value, permit smaller down payments, and establish repayment terms on various classes of mortgages at 30 years.

These also are threatened with defeat.

Defense Emergency Passes; Housing Goes On

In 1951 a great fuss was kicked up about the crying need for housing war factory workers for the Korean defense emergency. Congress passed the Defense Housing Act of that year.

Last year production passed its peak under the Korean defense emergency, and is sliding down. But housing continues to be built under the Defense Housing Act. Some 95,000 units of defense housing was "programmed" under the act. About three-fourths of it has been completed. Eighty-eight per cent of such housing has been started.

Hence, all the housing contemplated to meet the needs of the Korean defense emergency probably will be completed by the time that particular emergency has passed into history.

Humphrey Hints More Excise Taxes

Treasury Secretary Humphrey, in rejecting the proposed constitutional amendment limiting any rate of Federal taxation to 25%, hinted that the Treasury would come up with a proposal for a greater dependence upon excises for Federal revenues. Corporation and individual income taxes now provide better than 80% of Federal taxes.

Whenever any big shift in sources of revenue is contemplated, the Federal sales tax comes to mind, for this is rated as about the only untapped form of excise tax, the government already taxing excises selectively at a heavy rate.

Mr. Humphrey rejected this constitutional amendment in a letter to Chairman Langer (R., N. D.) of the Senate Judiciary Committee, which has it under consideration.

"Our tax system is under continuing study by the Congress and the Treasury Department," the Secretary wrote the Chairman. "These studies may well lead to proposals for changes in the relative significance of different sources of revenue. But the changes should be made systematically, and existing sources of revenue cannot be restricted until substitutes are agreed upon.

"This balanced approach to tax reform can best be obtained through the elected representatives in the Congress."

Would Cut Back to $49 Billion

This constitutional amendment, limiting any rate of Federal tax to 25%—except in an emergency when it could be raised year by year up to 40% by a three-fourths vote of both Houses—would also eliminate death taxes.

Secretary Humphrey told the Judiciary Committee Chairman that such an amendment could easily result in a financial break-down.

On the other hand, the Secretary said that if enacted at present, it would occasion a loss of $13.3 billion of revenue. On the basis of forecast yields, this would force the curtailment of Federal revenues to around $49 billion.

At $49 billion, the Federal revenue would still amount to some 12 to 13 times pre-Roosevelt, against 15 to 16 times such a base at present.

Such a constitutional amendment in any case probably could not be adopted by 36 states and be put on the statute books before some five years.

Hence Mr. Humphrey's solid and unqualified opposition to such an amendment being enacted at any time may be a clue to the attitude of the Eisenhower Administration. It may be that the Administration never contemplates even for the future a diminution in the size of the government down to the range of $50 billion, or less.

Nettled Conservatives Against T-H Changes

The strategy of the friends of labor was to enlist Southern Democratic conservatives behind the move to shelve Taft-Hartley act amendments. The strategy succeeded.

When it became apparent that the Goldwater amendment restoring some State regulation of labor relations had a good chance of passing, and that the House would pass no T-H amendments unless they were in the net restrictive of labor's broad powers, the "liberals" determined they had to kill T-H amendments.

Their device for this purpose was the proposed "Civil Rights" amendment to the T-H bill changes. Although such an amendment had been turned down some three times in the past as a proposed part of T-H, the Southern conservatives, considering the demoralized state of the Reublican leadership, were frightened that many Republicans would "break and run" and vote for such an amendment.

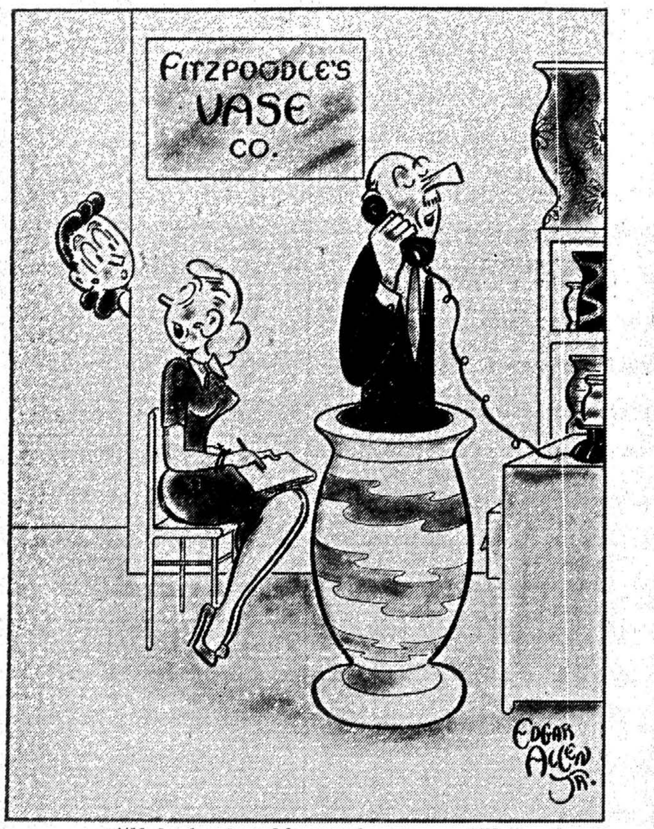
They did not want to take a chance of its adoption, so lined up behind the left-wingers to put T-H amendments on ice.

Smith Would End Federal Encroachment

Representative Howard Smith (D., Va.) has offered a simple bill whose terms are so broad as to checkmate all future Federal encroachment of state powers not only in respect to labor relations, but in any other regulatory field. The bill, however, would not automatically end such usurpation of power, but would only provide that where the states and the Federal Government regulate in the same field, Federal power should be paramount only if Congress expressly so stated in enacting any Federal statute.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"He's having his pants pressed!"

Business Man's Bookshelf

Automatic Merchandising: 1954 Directory—National Automatic Merchandising Association, 7 So. Dearborn Street, Chicago 3, Ill. (cloth), $5.00.

Board of Trade of the City of Chicago: 96th annual report for the year ended Dec. 31, 1953—Board of Trade of the City of Chicago, Chicago, Ill. (cloth).

Business Man and His Money, The—Sidney Scott Ross—Sidney S. Ross Company, 3070 Hull Avenue, New York 67, N. Y. (paper), no charge.

Emerging Pattern of International Payments, The — Raymond F. Mikesell—International Finance Section, Department of Economic and Social Institutions, Princeton University, Princeton, N. J. (paper).

Guides to Modern Financial Planning — American Management Association, Inc., 330 West 42nd Street, New York 36, N. Y. (paper), $1.00 to members of the Association; $1.25 to non-members.

How H. J. Heinz Manages Its Financial Planning and Controls—American Management Association, Inc., 330 West 42nd Street, New York 36, N. Y. (paper), $1.00 to members of the Association; $1.25 to non-members.

Modern Management of Capital Expenditures—American Planning Association, Inc., 330 West 42nd Street, New York 36, N. Y. (paper), $1.00 to members of the Association; $1.25 to non-members.

Stock Exchange Official Year-Book 1954 (London Stock Exchange) — in two volumes—$33.00—Thomas Skinner & Co., Gresham House, Old Broad Street, London, E.C. 2, England and 111 Broadway, New York 6, N. Y.

Story of Lucky Strike: The Romance of Tobacco and the story of cigarette manufacturing — Roy C. Flannagan and Pat Flannagan Hooker — American Tobacco Company, Inc., 111 Fifth Ave., New York 3, N. Y. (paper).

Timely Notes on Instalment Credit—Instalment Credit Commission, American Bankers Association, 12 East 36th Street, New York 16, N. Y. (paper), 75¢.

Joins Bache Staff

(Special to The Financial Chronicle)

GREENVILLE, N. C. — Robert W. Pennell has become connected with Bache & Co.

ESTABLISHED 1839

In 2 Sections — Section 2

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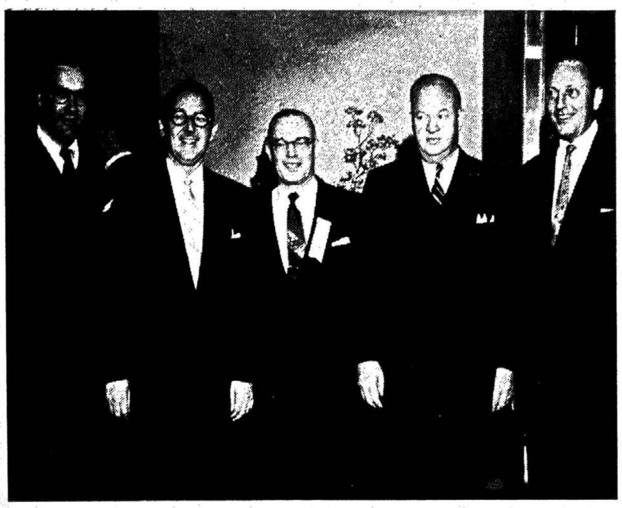

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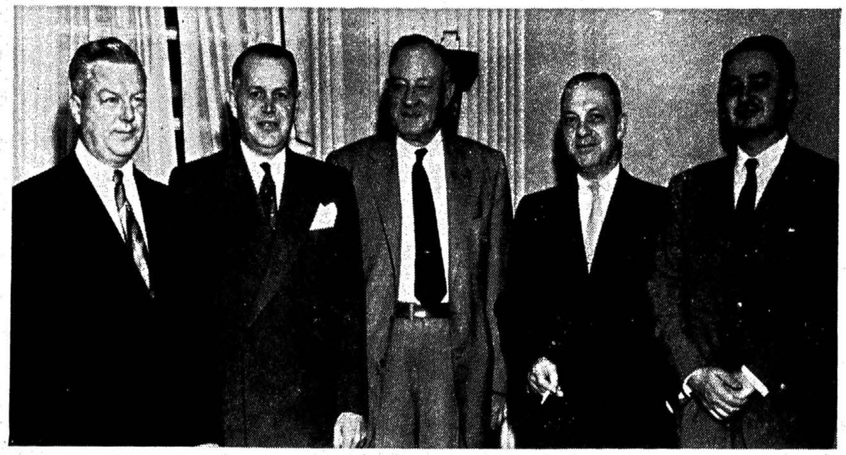

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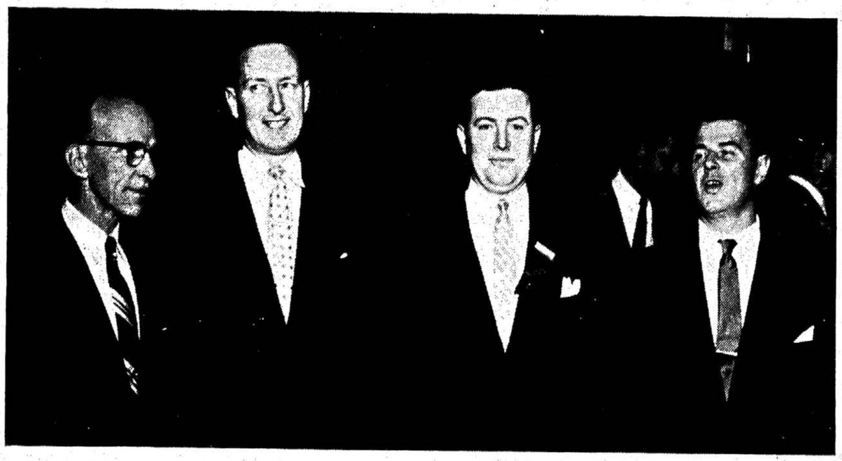

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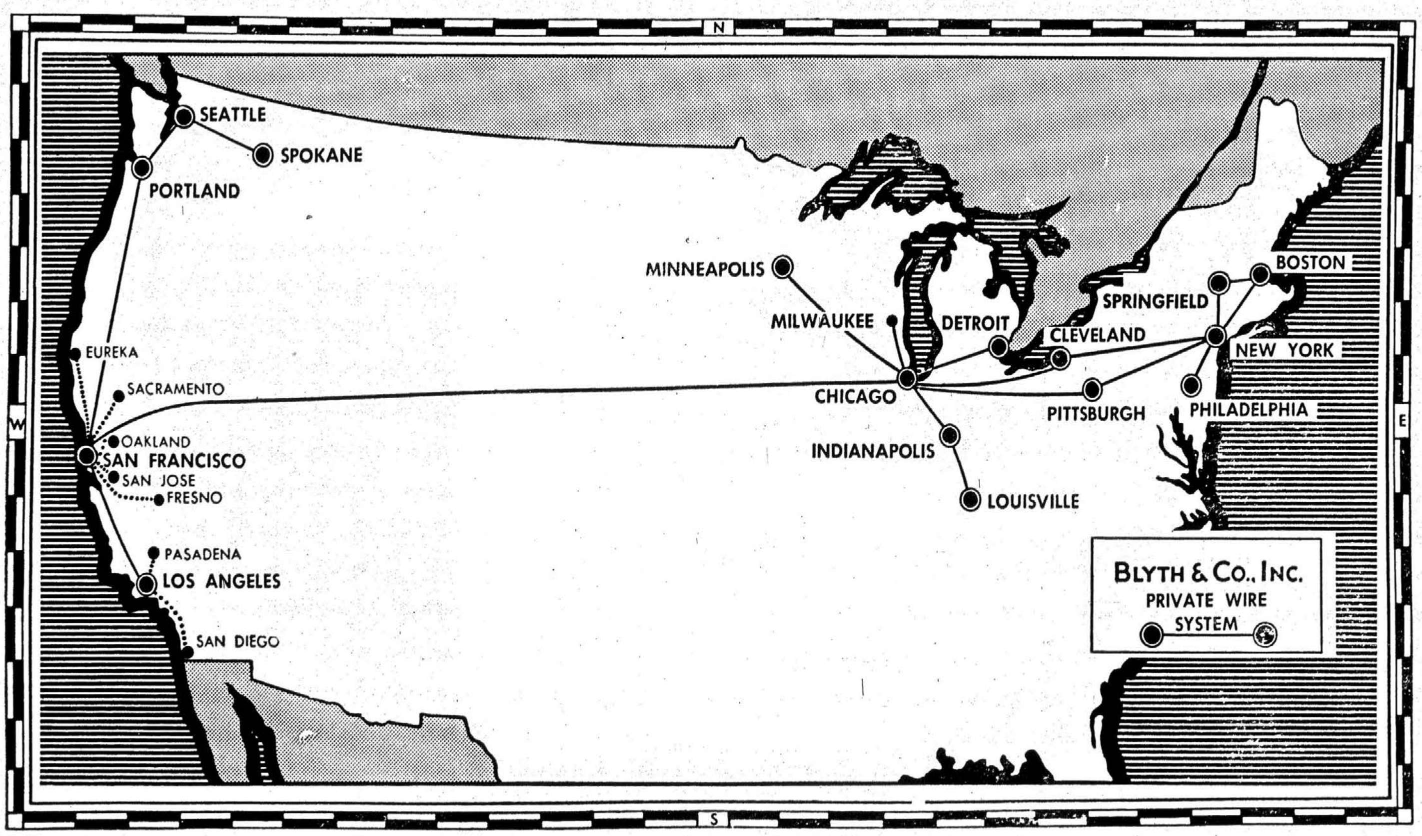

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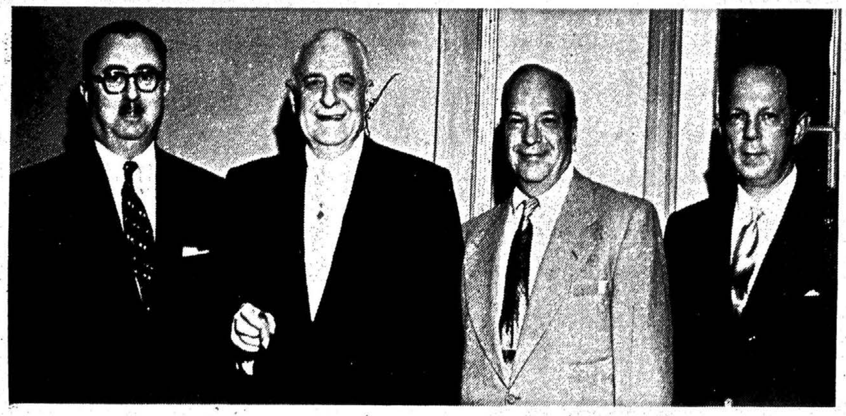

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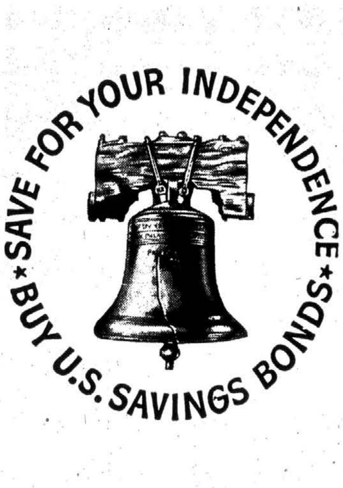

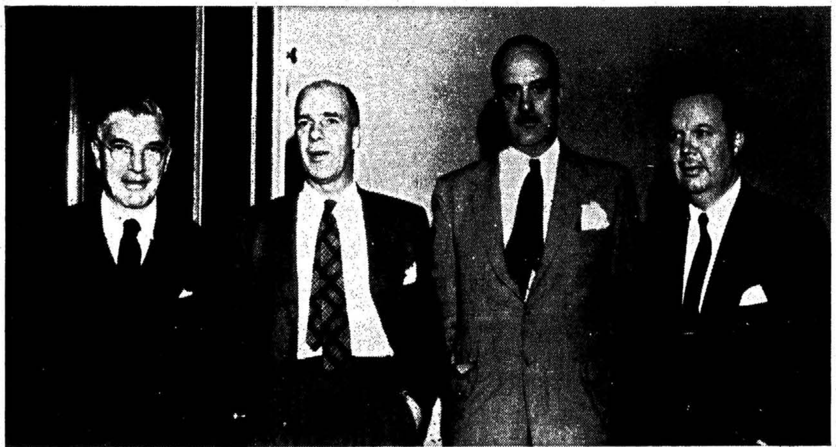

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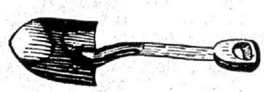

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