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EDITORIAL

As We See It

If the so-called McCarthy hearings have served no other purpose, they have at least brought certain very unfortunate political situations sharply to the attention of the public. First of all, it is now clear beyond dispute that the investigations of the subcommittee of which Senator McCarthy is the regular Chairman have been conducted in the most high-handed manner.

Certainly, the proceedings so far have raised a question as to whether the subcommittee (for which the name of Senator McCarthy may well be substituted) has always confined its activities to "digging communists out of government," and it is now clear beyond any peradventure of doubt that the Senator cares little about American ideas of fair play or of protecting the innocent while searching for the guilty. Nor need there be any doubt that purely political considerations have played an important part in the activities of the Senator.

It is clear that the powers that be have not always been nearly as keen or as careful as they should have been in protecting the country from the insidious work of agents of the Kremlin, and so far as this subcommittee has undertaken and succeeded in uncovering this state of affairs and contributed to its elimination, the country owes it sincere thanks. It may be that the present Administration is still in need of a gadfly, but whatever the need of the country, and whatever the merits of the work of Senator McCarthy and his subcommittee, there are offsetting demerits which must not be overlooked in the assessment.

Disheartening Disclosures

But in a sense even more glaring and disquiet-

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Trickle-Up Prescription

By ROGER M. BLOUGH*
Vice Chairman of the Board
United States Steel Corporation

Stressing economic health of the country as important to all walks of life, U. S. Steel executive decries business slump fears as leading to universal hypochondriacism. Says he is disturbed by appalling profusion of economic medicinemen. Prescribes as his own remedies: (1) overhauling the tax structure to create greater business incentives and to increase the earning power of the people; (2) stimulating greater productivity of workers and executives, and (3) elimination of class hatreds. Denies new tax measure benefits only the rich, and points out need of more venture capital.

There is one topic which is being universally debated throughout the world these days, and which is of vital importance to every one of us in every profession, every industry and every walk of life. And it is especially appropriate on this occasion, I think, because it is a question of health—the economic health of our country.

Roger M. Blough

We have been in a slump lately. Our pep and energy aren't what they were at this time last year. Our metabolism is down. Our blood pressure is low. We've been having a lot of headaches and the aspirin business is booming. So we're worried about it.

In fact, someone has observed that we're so worried about it that we take our economic pulse every five minutes, our temperature every ten, and that—as a nation—we are well on our way to becoming a confirmed hypochrondriac.

Now that is deplorable, perhaps, but not necessarily fatal. What concerns me most deeply is the appalling profusion of economic medicine men who are trying to

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*An address by Mr. Blough before the 188th Annual Meeting of the Medical Society of New Jersey, Atlantic City, N. J., May 17, 1954.

Problems in Building a Life Company Portfolio

By R. B. PATRICK*
Financial Vice-President
Bankers Life Company, Des Moines, Iowa

Financial executive of Mid-Western life company, after pointing out importance of constant critical examination of the liabilities that the investment portfolio may be called upon to meet, discusses factors affecting life insurance investment policies. Stresses the steadiness of income and payments of life companies and concludes liquidity of investments is not an important concern. Calls attention to state laws regulating life insurance investments, and stresses need of diversification as well as safety in a portfolio policy. Points out life companies at all times must have funds fully invested.

Fundamental to any investment program for a financial institution is a critical analysis of the liabilities that the investment portfolio may be called upon to meet, and the probable circumstances and conditions under which reliance must be placed upon it. As most of you know, typical life insurance and annuity contracts are, by their nature, long-term. Purchasers of these contracts usually agree to pay small equal payments over a large number of years in return for benefits to be received upon death or termination of business activity. In contracts involving life insurance, the premium payment in early years is greater than required for mortality costs and expenses, and as a result reserves are accumulated to be used in later years when the premium is less than required. Annuity reserves are created by payments made over varying periods in anticipation of benefits to be received after retirement. It is these so-called reserves that constitute

R. B. Patrick

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*A paper by Mr. Patrick presented at the Annual Convention of the National Federation of Financial Analysts Societies, Chicago, Ill., May 17, 1954.

PICTURES IN THIS ISSUE—Candid shots taken at the annual get-together of the St. Louis Municipal Dealers Group in St. Louis and Normandy, Mo., on April 29-30, appear on page 18.

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.)

S. LOGAN STIRLING
Eastman, Dillon & Co., New York City
Members New York Stock Exchange

Chicago Corporation

Among the better situated groups at this time is the oil and natural gas industry, and in that field I would nominate as The Security I Like Best, Chicago Corporation, selling on the New York Stock Exchange at around 26. The fact that the issue recently sold at an all-time high does not alter this view, inasmuch as the reason for this advance is responsible for making me feel the stock is still undervalued and offering above average attraction at this time, especially for capital gains purposes. Something new of major importance was added through the acquisition on April 14, 1954 of the Champlin Refining Company, of Enid, Okla., and all of the stock of that company's subsidiary, the Peppers Refining Company, which indicates the company has entered a new growth era. In recent years Chicago Corp. has gradually changed its status from a closed-end type investment company to an oil and gas producing concern, which move has produced extraordinary growth in recent years.


S. Logan Stirling

The steady progress which the company has made to date as an important producer of natural gas, natural gas liquids and crude oil, will be greatly accelerated as a result of the acquisition of the above two companies. It is understood this transaction was consummated through a $50 million loan from a New York bank and $5 million advanced by the company. A preliminary appraisal of the assets of the two companies suggests that Chicago Corp. acquired a real bargain at a price worth substantially in excess of the purchase price. Champlin Refining Company and the Peppers Company are engaged in all phases of the oil business, including production, refining and marketing. The combined production of the two companies is in excess of 9,000 barrels daily from over 600 wells located on developed leases in Oklahoma, Texas and Kansas. The Champlin Refinery has a rated daily capacity of 22,000 barrels and the Peppers Refinery 715 barrels per day. Service stations numbering 273 and bulk stations numbering 213 are located in the States of Oklahoma, Nebraska, Kansas and Iowa and are serviced by a products pipeline. A wholly-owned subsidiary of Champlin also owns and operates about 600 miles of crude gathering lines in Oklahoma. Champlin also owns a fleet of about 600 tank cars. In addition to developed acreage, Champlin and Peppers combined have approximately 1,200,000 acres of unexplored leases on which Chicago Corporation intends to carry on exploratory drilling.

Reserves of oil and gas equivalent for Champlin and Peppers are well in excess of 30 million barrels. Combined consolidated reserves of Chicago Corp., including its two new subsidiaries, according to management, show 1.604 trillion cubic feet of gas and over 56 million barrels of liquids. Including reserves behind the company's ownership in two other operations, it is believed total liquid reserves would be over 60 million barrels. It might also be noted that the combined net working capital of the two companies acquired is in excess of $20 million while their cash exceeded $12 million.

At the annual meeting of Chicago Corp. on April 30, company's President stated that operations of the two acquired companies produced first quarter earnings of over $900,000, after taxes. It is also stated that using 1953 results it would appear that at the outset additional earnings accruing to Chicago Corp. stockholders from the Champlin and Peppers purchase would be in the neighborhood of $3 million after taxes in 1954, which would be equal to about 90 cents per share on the present outstanding common stock of Chicago Corp.

One of the most important factors arising from this acquisition will be the substantial increase in the cash flow (earnings plus depreciation, depletion and amortization and other non-cash charges) of Chicago Corp. The combined average cash flow of Champlin and Peppers before taxes has been around $10,800,000 per annum for the past five years. However, on the basis of 1953 experience, it is expected Chicago Corp. and its new subsidiaries will have consolidated cash flow before taxes in excess of $20 million.

To finance the purchase of the two companies, Chicago Corp. is currently negotiating a long-term debenture issue but it has not been definitely decided whether this will be in the form of a bank-insurance company private loan or in the form of a public offering. However, no equity financing is contemplated. Management estimates that after debt service on such a loan, both as to interest thereon and retirement payments, there will be available from Champlin and Peppers, a cash flow of between $5-$6 million annually for development, exploration and other corporate purposes.

At the end of 1953, Chicago Corp. held varying interests in 320 gas wells and 295 oil wells, a total of 615 producing wells, a net increase of 82 producing wells for the year. During 1953 company participated in the completion of 43 exploratory and 94 developmental wells for a total of 137 wells. Of this total, 123 wells were drilled by the company and 14 were drilled by partners. This drilling resulted in 87 productive wells with 94 oil and/or gas allowables. On March 24, 1954, company brought in a new well in Noland County, West Texas, having a daily flow of 1,425 barrels of oil. Company intends to drill additional wells on this lease. At the end of 1953 Chicago Corp. had 650,150 net acres under lease located in 12 states. Principal producing properties are in Texas. Company's sales of crude oil in 1953 averaged 5,117 barrels per day and sales of natural gas last year averaged 115 billion cubic feet per day. Company also owns three recycling plants in the Gulf Coast area and a 58% interest is held in a natural gasoline plant which the company operates. Other interests related to oil and gas activities include—Great Southern Chemical Company (25%); Midland Gasoline Company (50%); Atlas Processing Company (14%).

Virtually all of the company's natural gas contracts have been rewritten within the past year or so at higher figures. For example, its Tennessee Gas Transmission Company contract for the Stratton area was increased approximately four cents per mcf on Feb. 1, 1953 which added over $1 million to annual gross revenues, and on Jan. 1, 1954 an increase of one cent per mcf became effective on its contract with Manufacturers Light & Heat Company.

Chicago Corp. reported earnings in 1953 of $1.45 per share compared with $1.20 per share in 1952. The 1953 earnings were after providing $552,832 for write-down of carrying value of investments. First quarter earnings this year amounted to 58 cents per share compared with 40 cents in the same period last year. This year's showing reflected profits received from sale of securities as operating income was below a year ago. The latter resulted from fewer allowable producing days and lower prices for gasoline and light petroleum products. However, from now on earnings will be materially benefited from the Champlin acquisition to the extent that last year's earnings could be more than doubled within the not too distant future.

Chicago Corp.'s capitalization at the end of 1953 was as follows: Long-term debt $4,609,000; 100,000 shares of $3 convertible preferred stock, no par (convertible share for share into common), and 3,324,196 shares common stock, $1 par.

Dividends have been paid each year since 1946 and currently are at the annual rate of 80 cents per share. Company's President stated at the recent annual meeting that when the new acquisitions are digested, the board will take up the possibility of increasing dividends, perhaps after the end of the year. In the past this issue has sold on a relatively high price-earnings ratio (in recent years, 12 to 15 times earnings),

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This Week's Forum Participants and Their Selections

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What Do You Think?

Some More Commentaries on "Full Employment & Its Dangers"

Another group of letters to Editor given today in connection with the views expressed by Dr. Carl Wiegand in paper published in "Chronicle" of April 8. Dr. Wiegand presented a thorough analysis of the economic implications of the full employment philosophy inherent in the "Employment Act of 1946" and contended that while full employment "at any price might be good politics for short time," it would turn U. S. into a regimented society and seriously weaken our economic system

We present below some more of the letters received in connection with Dr. Carl Wiegand's paper "Full Employment and Its Dangers" which appeared in the "Chronicle" of April 8, other communications on the subject having appeared in our issues of May 6 and May 13.

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.

The letters previously published as well as those given today, in our view, constitute an important contribution to a more thorough understanding of a subject that up to now has not received the considered attention it merits — EDITOR.

L. L. WHITE

President, The New York, Chicago and St. Louis RR. Co. ("Nickel Plate Road")

As Dr. Wiegand points out, the political slogan "full employment" is said to be underlain by two important assumptions, i. e., that private enterprise cannot provide sufficient employment without government hypodermics and that the central government is responsible for preventing unemployment. Nevertheless, the bare political slogan, probably without sufficient emphasis on its bases or consequences, has been demonstrated to be an influential vote-getter, and in a period of substantial unemployment might be a most powerful inducement.

L. L. White

It is difficult for me to believe, however, that if the ultimate consequences of carrying out the political slogan — such as wages, price and employment controls, over-all centralized planning, galloping inflation, elimination of the middle class and state socialism—were generally known, any substantial number of Americans would buy it. Nor do I understand how the political slogan "full employment" could be implemented "in a manner calculated to foster and promote free competitive enterprise" and "under free competitive enterprise," as the National policy on employment is delimited in Sections 2 and 4 of the Employment Act of 1946.

If I am entirely misguided in relying on my faith in the intelligence of the very great majority of Americans, and if state socialism therefore can be brought about in the United States by publicizing the slogan "full employment," those of us still interested in private enterprise should concentrate on inventing a better and more attractive slogan.

ALFRED P. HAAKE, PH. D.

Economist, Consultant & Lecturer, Hi-Oaks, Route 2, Largo, Florida

I find myself substantially in agreement with the conclusions reached by Professor Carl Wiegand in his paper on "Full Employment and Its Dangers." He has done an excellent piece of work, thoughtful, careful and well-balanced.

Dr. Alfred P. Haake

The dangers pointed out by Dr. Wiegand are real and the possible consequences thoroughly frightening. It appears that we must one day make up our minds, really, on what we want to be and where we want to go.

If we are interested in the building of a state, as was Mussolini, Hitler, Stalin, with the individual no more than a compliant, manipulative unit out of which the state is built—then the full employment philosophy, making the government fully responsible and giving that government the necessary full and unqualified power to control the lives of individuals, is the way.

I still prefer to think of the individual, responsibile as an individual to his creator, as paramount. Government, business activity and organization and all forms of association and cooperation are finally the channels and

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Will Government Anti-Recession Aid Be Another Maginot Line?

By H. E. LUEDICKE*

Editor, "Journal of Commerce," New York

Indicating most businessmen are not facing up to the basic problem confronting us today, Dr. Luedicke warns against full faith in belief of Government's implied ability to guarantee a perpetual boom. Discusses role of Government in combating economic fluctuation, and points to five vulnerables in current situation. Calls attention, however, to sustaining economic forces, but states "we are not out of the woods yet." Concludes we are still living in an age of economic experimentation

The consensus among businessmen and economists on the outlook for business today can be summed up very simply as follows: The current recession is showing signs of flattening out. While it is premature to bank on an early resumption of the boom as it prevailed until mid-1953, the important thing is that business need have no fears of any serious acceleration of the decline, even if the current seasonal flurry should turn out to have been just that—and not the end of the decline. If business fails to develop recuperative powers in the near future, government intervention will be increased to bring about a reversal in the trend anyway.

H. E. Luedicke

Most businessmen feel quite secure behind this kind of reasoning and don't seem at all disturbed over the possibility that they may be putting their faith into just another Maginot Line; that the government's implied ability to guarantee us a painless economic existence may perhaps be just a myth.

I

Millenium or Fool's Paradise?

But is this kind of faith a sufficiently solid basis for short-term, and even more so, long-term managerial decisions? Do businessmen fully realize that in placing their reliance on political factors they are actually betting that our economy has reached the "millenium"? Do they really believe that natural economic forces are no longer of consequence; that the business cycle has been conquered; that the Employment Act of 1946 has legislated us into a state of permanent boom?

We rather suspect that most of them are not even aware that such are the implications of their economic testimony as it is expressed from day-to-day in their actions.

We rather suspect that most businessmen are not yet facing up to the basic problem that is confronting us today. And why should they, as long as they have been told by two Democratic administrations, and are now being told by a Republican one as well, that the government is going to throw all its resources into the fight in order to stop any serious recession that may develop?

There is no reason to doubt the sincerity of the current Administration. Its spokesmen, from the President on down, mean exactly what they say. We have been told not once but many times that Washington has developed an arsenal of anti-recession weapons that will be a match for any recession or depression.

So why should any one worry? The government, it is felt, will take care of the near future; and the country's growth potential will take care of the long-range prospects. Could anyone ask for more?

And yet, doesn't every one of us at times wake up with this gnawing fear: what if our faith in the perpetual boom, the millenium, is premature after all?

What if we are not yet living in a New Era? What if we are still in an experimental stage, and that this experiment, like all experiments, can go sour? Isn't there still a danger that one fine morning we may find that we have been living in a fool's paradise rather than in the millenium?

Let's keep on with the questions a bit longer: Are we really justified in shrugging off the current recession as a mere inventory "adjustment" that will be over in a jiffy? Aren't we merely kidding ourselves when we assume that we can grow into our current industrial capacity without any occasional stumbling or breaking of stride? Wouldn't it have an important bearing on our managerial decisions if we suspected that the government's ability to cushion any decline may not match its willingness to try for that goal?

These questions are not just idle speculations. They can easily take on bread-and-butter significance for any industry—perhaps not today or tomorrow, but at some time in the future.

That is why it is important today to get a clear perspective on three problems:

(1) What does the record show about the ability of government to suspend the business cycle?

(2) What are the economic fundamentals today and what do they imply for the future?

(3) What can government do in order to guide the economy out of its present vulnerable position into a sound long-range future without too much stumbling?

II

The Role of Government

Getting away from generalizations, the key question confronting business today is: Has government really learned to perpetuate growth and does it possess the means to reduce the business cycle to minor fluctuations—without piling up more serious trouble for a later date?

No doubt, we have learned a lot about what government can do to cushion deep recessions. We can feel sure today that a repetition of the Great Depression of the early 30s can and will be prevented.

We have also learned how to knock the bloom off an excessive boom by credit restrictions — but the past two Democratic Administrations, for reasons of their own, never liked to practice what they preached when it came to the task of knocking down excessive peaks in the business cycle. The present Republican Administration, on the other hand, almost came a cropper because of an ill-timed attempt to do just that early in 1953.

Under the law — the Employment Act of 1946—the government is pledged to "use all practical means . . . to promote maximum employment." This is a blank check as there are no restrictions or safeguards built into the Act, except for the general statement that the Act is to "foster and promote free competitive enterprise and the general welfare."

Since the Employment Act currently is undergoing its first actual test since its inception eight years ago, it would be important to know which degree of inflation—in the attempt to boost production and employment — the Administration in power would consider as compatible with the concept of "general welfare." Thus far, we can only guess in this respect.

The Eisenhower Administration thus far has shown restraint in using inflationary stimulants—but that was primarily because it has been convinced, and still is, that the economy will straighten out by itself . . . and soon. This does not constitute a basic decision against the use of such stimulants if and when they are deemed necessary.

The economic history of this country in the past 20 years shows instances in which the inflationary "needle"—in the form of deliberate deficits or steps for the direct stimulation of consumption—failed to work (particularly during the thirties) and it shows instances in which the "needle" did work (particularly after the second World War).

It is true, of course, that the two biggest artificial stimulants during the past 20 years were World War II and the Korean War. But in between the two wars, the Truman Administration was quite successful in preventing any serious business declines by one artificial prop or the other. But then, the danger of a serious decline never was great as long as the postwar replacement boom was on.

At any rate, the lesson of the past 20 years is that a good deal can be done to keep a boom going through artificial means and to hold any decline to moderate proportions. The only thing we still don't know, is how long such a policy can work.

Also, whether such a policy is economically sound or unsound, is of course a different question. Unfortunately, in answering it political rather than economic judgment will prevail most of the time.

There can be not the slightest doubt, however, that as the result of constant over-stimulation over the past two decades a number of maladjustments have developed in the economy that are now blocking traffic on the one-

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*An address by Dr. Luedicke before the Spring Meeting of the Tanners' Council of America, Bedford, Pa., May 13, 1954.

A Good Group

By IRA U. COBLEIGH

Enterprise Economist

Some topical items about a gigantic global producer of petroleum, the romantic and renowned Royal Dutch Petroleum Company.

Together, the Royal Dutch Petroleum Company, a Netherlands corporation, and Shell Transport and Trading Co., Ltd., a British corporation, form, next to Standard Oil of New Jersey, the largest and most important integrated oil enterprise on the face of the globe. They are commonly referred to as the Royal Dutch/Shell group and, to snatch a phrase from TV's Jackie Gleason, it's a good group!

Ira U. Cobleigh

We're not going to talk entirely about the whole group today; but a good deal about the 60% interest in this classic combination, owned by Royal Dutch Petroleum Company, whose shares are publicly held.

This piece is also a bit of a prelude to a sort of later day Dutch resettlement on Manhattan Island, since Royal Dutch Petroleum has recently made application to list its shares on the New York Stock Exchange. This will be an event of great interest to American investors, who now know little about this great company; and to the company management which may derive, in the future, the major portion of capital requirements from American flotations.

A Gigantic Enterprise

Any capsule account of Royal Dutch/Shell group, of which RD is the senior and 60% partner, will but feebly convey its ecumenical magnitude. First of all, it produces 13% of the world's crude, and the sun never sets on its derricks. Get a globe and spin it slowly. Start at Venezuela and move to Colombia, Trinidad, then North in the U. S. from Texas to British Columbia; then across the Pacific to Australia, New Guinea, Indonesia, Borneo; move up the Persian Gulf to Iraq, Egypt, and into Europe. Do this and you will have hastily traced the origins of Royal Dutch crude. In 1952 the group produced 600 million barrels of oil—75% from the Western Hemisphere—that's the opener.

The next phase is transportation. You'll note many of these far-away wells are remote from refineries and markets. To get the crude there, this Doyal Dutch/Shell combine propels the black gold through 10,000 miles of pipe lines, and floats it on the largest fleet of tankers anywhere, 600 vessels (roughly one for every million barrels of annual production).

You don't burn crude in your motor car, or airplane—it has to be refined first. Royal Dutch/Shell is no slouch in that department, either. Refineries accessible to major markets, including a new one in Geelong, Australia, prepare the crude for distribution to most of the countries in the world, outside the Iron Curtain.

Marketing areas are divided roughly into four equal parts—North America, South America, Europe, and Australia, Africa and Asia grouped together. Truly, this is a vast enterprise, with great diversity in distribution, and excellent coverage of many markets which, compared to American per capita consumption, have only had their surfaces scratched.

Owns 65% of Shell Oil Co.

A very important asset in the Royal Dutch/Shell group is its ownership of 65% of the 27,480,000 shares of Shell Oil Company, one of the leading American oils, ranking, I believe, sixth among our producers and refiners. It had a wonderful year in 1953, led the integrated companies in market performance, split its stock 2-for-1 last month, and seems to be headed for another banner year in 1954, thanks, not to MFT, but TCP! Fact is that Royal Dutch Company's interest in these Shell shares, at current prices, plus its present net working capital, create a value above $40 a share for Royal Dutch "New York" shares.

The "New York" Shares

That last phrase requires a little explanation. The Royal Dutch Company itself has its common equity divided up into three share types: (1) 1,000 Florin par value ordinary shares; (2) 100 Florin sub-shares; and (3) "New York" shares which are one-third of a sub-share. It sounds very complicated but it really isn't because, any time you want, you can switch back or forth—one ordinary share for 10 subs, and three "New York" shares for each sub. From now on, to avoid confusion, we'll just talk about the "New York" shares. These each paid last year $1.40 in cash; they earned, net, about $7 a share in 1952 (1953 figures aren't out yet); and about $14.60 a share in the same year on a cash basis. Shareholders will vote, this June, on a 20% stock dividend, and assuming this fission is favorably balloted on, there will be outstanding 36,491,239 "New York" shares (or their equivalent in Florins). It is this total capitalization that is now up for listing on the NYSE; and full trading privileges in so large and elegant an issue should be lustily acclaimed by investor and broker alike.

Dividends on Royal Dutch have consistently been on the conservative side, a fact which has permitted a heavy plow-back of earnings into expansion. For example, capital outlays over a five year period ending 12-31-52, amounting to over $1\frac{1}{2}$ billion, required but $300 million from security flotation. You might like to know where all this expansion dough went. Well, for 1952, $525 million was spent; $250 million looking for and producing more oil; $150 million on refining and manufacture, and the balance on transportation and marketing. The money must have been fairly well spent, as 1952 net was up 30% over the year before!

From 1917 to 1941 Royal Dutch paid dividends in each year; but the war hit the company hard, causing dividend suspension for six years. From 1947 on, cash dividends have been continuous and the earnings power and dividend potential of Royal Dutch right now are truly impressive. Dividends are usually paid twice a year, in February and July, in U. S. dollars.

Shares Under-Valued

For those seeking an equity which has not been blown up to fancy altitude by the rampant markets of the past two months, Royal Dutch has merit. It's quite fair to say that this issue is a better stock now than it was 14 years ago. Yet it sold in 1937 at 64, against 45 today (over-the-counter)—and look how the dollar has inflated in the meanwhile!

A number of analysts have come forward with comparisons of Royal Dutch and Standard of New Jersey, pointing out the similarity between these titans, and noting that Royal Dutch is selling at only six times earnings against about nine for Jersey. Royal Dutch accounting practice is regarded as extremely conservative. Its handling of depreciation and depletion have doubtless resulted in a considerable understatement of earnings.

Those taking a long look perceive, in the application to list shares in New York, a prelude to major American financing later on. If, for example, a $200 million issue of debentures were sold in New York, much cash now dedicated for expansion could be released in the form of a fatter cash dividend. Perhaps this is getting ahead of the story a bit, but any hill-billy knows that it's easier to raise money in New York today than in London or Amsterdam. It may take dollars rather than guilders to gild this financial lily!

Naturally, because this issue has been held so extensively abroad, and because it had not enjoyed wide broker or investment banker sponsorship, Royal Dutch has not appeared on many trust portfolio lists or brokers' offering sheets. Then, too, the dividend has been a bit low to attract American investors into a foreign enterprise. But when you look over the thing more thoroughly, you realize that what you are getting, for $45 a share, is the market value of the Shell Oil equity plus the net cash on the balance sheet, worth $40; leaving hundreds of millions of production assets, pipelines, ships, and refineries all over the world offered to you at $5 a share.

"A Good Group"

If you think that atomic power is going to destroy the position of petroleum as the world's most important source of energy, then the merits of Royal Dutch may leave you cold. But in that case so would Jersey, Gulf, or Amerada. But if you like diversity, a Gibraltar-type balance sheet, the prospect of larger dividends in the future, and a management that has demonstrated a genius for finding oil in every quarter of the globe and turning it into money, then you may want to learn more about Royal Dutch. It is growing as rapidly, if not more so, than any major oil; and a wider perception of its value, by American investors, should result in a rather impressive market following. It's a good group.

Two With Investors Realty

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Alfred C. Lassise and William E. Donovan have become connected with Investors Realty Fund, Inc. Mr. Donovan was previously with Francis I. du Pont & Co. and Marache, Dofflemyre & Co.

With Jamieson & Company

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — Edwin N. Drake, Delbert C. Partin and Phillip Sperry are now connected with Jamieson & Company, Russ Building, San Francisco. Mr. Sperry was formerly with Sutro & Co., in Los Angeles.

With Standard Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Hyman Bennett, Gordon L. Koth, Seymour L. Meyer, Allen Sterling, Jr., and Jack K. Penner have been added to the staff of Standard Investment Co. of California, 571 East Green Street.

Max Straus Opens

Max Straus is engaging in a securities business from offices at 56 Bennett Avenue, New York City.

The State of Trade and Industry

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

The slightly higher trend in over-all industrial output of two weeks ago was carried over into the period which ended on Wednesday of last week. Despite this mild rise in production, it continued to be down from the high level of a year ago.

Latest employment figures indicated a decrease in total unemployment for the week. Continued claims for compensation remained unchanged and new claims declined by 4%. The improved situation was attributed to a decreased rate of new unemployment in the apparel, automobile and coal industries.

In the week ended May 8, new claims for unemployment compensation mounted by 29,900 to 327,200, the United States Department of Labor reports. Thirty-four states showed increases over the preceding week. The biggest was in Virginia, where a rise of 10,400 was attributed to the start of a new benefit year giving previously ineligible idle workers a chance to file for compensation.

The trend of industrial production in April was slightly below the March level, according to the Federal Reserve Board, but output in early May "continued steady" at the April rate. The Board's industrial production index, which measures the output of the nation's mines and factories, stood at 123% of the 1947-49 average in April. This was about 2% below March and 9½% under April, 1953.

Federal Reserve Board officials noted that the drop in production between March and April was "normal." On a seasonally-adjusted basis, they added, output was unchanged from March. April was the first month since last July in which the seasonally-adjusted index did not decline.

This week may prove to be one of the most important periods in the steel market during 1954, and it may mark a turning point when production started up, states "The Iron Age," national metalworking weekly.

Steelmaking operations are estimated at 70.0% of rated capacity, the first time since February that they have been scheduled that high. If this rate is actually achieved the production index will be 103.8 (1947-48=100.) Last week the industry operated at nearly 71% of capacity, although operations had been scheduled 2.5 points lower. In recent weeks production has rather consistently turned out a point or so better than anticipated, this trade journal notes.

It will take another week or two to determine whether an upturn in steel production has actually begun, or whether this is just a flash in the pan. Steel companies are now working close to their booking of new business, and production schedules have become sensitive to any real change in demand.

Actually steel demand has been gradually improving for some time, even though the production record doesn't show it, declares "The Iron Age."

Early this year producers chewed up their order backlogs in order to keep operating rates from plummeting. But new business has gradually supplanted the shrinking backlogs keeping production on a fairly even keel. Without improvement in new orders the operating rate would have come down as the backlogs melted.

Although reversal of the trend of new orders has been a lifesaver to the industry, consumer demand still may not pack enough wallop to generate a substantial upturn in steel production, this trade weekly reports.

Barring last minute scare buying resulting from labor negotiations, the second quarter may be written off as far as a big upturn in production is concerned. Some producers are not too hopeful for the third quarter, expecting nothing significant until late in the period, it continues.

Steel salesmen in the Detroit area realize that automotive steel buyers are getting close to the end of present model buying.

Purchasing agents for auto companies are buying now for July auto production. It's the rule that this month's steel becomes next month's cars, and steel ordered today goes on June books. It is even a month earlier for the body companies who operate a month ahead of final assembly schedules. So the buyer for a body company is also buying now for July manufacture, but his finished product won't show up on a new car until August, states this trade authority.

With several very early model changes coming up, some of the parts and body purchasers will start hedging shortly, followed in a month or so by auto company buyers.

This means that the present steel buying rate by auto companies will probably continue into June and possibly through June, but a sharp decline will likely materialize before the Fourth of July, "The Iron Age" points out.

Automotive production in the United States last week declined to 142,179 cars and trucks due to shutdowns by Hudson, Packard and Studebaker, according to "Ward's Automotive Reports." The count was below the prior week's 144,433 but only 4% below the eight-month weekly high of 148,238 reached at the close of April.

"Ward's said on Friday last that unless May-June-July sales show unexpected improvement, the automotive industry faces sharp production adjustments beyond mid-year if its changeover to '55 models is going to be orderly.

This agency declares that while the industry's used car problem has been successfully checked, factory production plus the selling rate leave little room for new car stock depletion before July, and possibly beyond that month.

New car sales during April are estimated upwards of the 500,000 mark, or 3% above March despite one less selling day. Producers such as Plymouth and Oldsmobile announced bright sales gains for the month. But other "hard-pressed" manufacturers continue to report stocks above a 30-day supply despite production cutbacks of six months running.

The statistical agency noted that while Hudson, Studebaker

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Observations . . .

By A. WILFRED MAY

Our Strategic Materials Policy

Overhanging the copious discussion over East-West trade policy, is the lack of public understanding on both sides of the Atlantic of the *strategic* trade control program. Gross misconception thereover extends from the basic purposes of the restrictions on militarily helpful shipments, to the specifics of the implementing regulations and the role of the United States therein.


A. Wilfred May

Important help in filling this void could be rendered through dissemination of FOA Director Stassen's currently issued report to the Congress on East-West trade. (*East-West Trade Trends. Mutual Defense Assistance Control Act of 1951 [the Battle Act]. Fourth Report to Congress. Second Half of 1953.*)

The basic question in this area of discussion is how to tell the difference between strategic and non-strategic goods, and where to draw the dividing line between the two. The answer, sometimes offered, that strategic goods are those goods which make a significant contribution to the war-making power of the Soviet bloc, is insufficient. For it may well be, and is, argued that in reality there is no difference between "strategic" and "non-strategic" goods—on the ground that anything, even butter, in strengthening the people, constitutes military aid. Midst this general difficulty, our optimum aim, in the words of Mr. Stassen, must be to carry on that two-way trade which will help the free nations without permitting the Kremlin to accelerate the growth of military power or to divide the free world.

U. S. Not Dictatorial

In making decisions, not only in the border area, but generally, the decisions are by no means made arbitrarily by United States dictation. As Mr. Stassen points out, "The allied governments put their heads together, pool their facts, and try to arrive at mutually acceptable judgments."

It should be realized that, contrary to considerable prevalent opinion, far from being a matter of American governmental dictation, the strategic materials limitations are imposed only pursuant to close and continuing consultation with our Allies in Washington, Paris and other European centers.

Our Policy—General and Specific

United States policy, as set forth in the Battle Act, has been "not to prevent all East-West trade but to cooperate with other free-world countries in a system of selective and flexible controls. The aim was to prevent Soviet-bloc countries from obtaining items that would contribute significantly to their war-making power, and to insure that the trade which will go on served the real economic and security interests of the West."

The United States current basic policy on East-West trade is well summarized as follows:

(1) Mutual security can best be advanced by continued increase in the political, economic and military strength and cohesion of the free nations relative to that of the Soviet bloc.

(2) The free nations should not furnish a potential aggressor with goods which directly and materially aid its war industry and military build-up.

(3) The free world may derive a net security advantage out of some East-West trade.

(4) Security export controls should be applied on a selective basis, except in the case of military aggression, when a policy of complete embargo may be in order.

It appears worthwhile, particularly in view of the public's obfuscation, to quote the Stassen Report's citation of the United States exercise of controls over its own trade in accordance with these principles, as follows:

United States exports to Soviet bloc in Europe:—Not prohibited entirely, but limited to clearly nonstrategic goods.

United States imports from Soviet bloc in Europe:—Not prohibited, except for certain types of furs.

United States shipping to Soviet Bloc in Europe:—Not prohibited, if carrying properly licensed goods.

United States exports to Communist China and North Korea:—Prohibited.

United States imports from Communist China and North Korea:—Prohibited (some licenses were issued, though not re-

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We Can Expect Improvement In the Steel Industry

By T. M. GIRDLER*

Chairman, Republic Steel Corporation

Head of nation's third largest steel producer, predicts a bright future for both the nation and the steel industry. Foresees a slow upward climb in operations in last quarter of year, and points out "we can't have one peak year after another." Holds general business level "has about reached bottom," and more steel will soon be needed.

The other day a friend asked me when I expected business to return to normal.

"What," I asked, "do you consider normal?"

T. M. Girdler

"Why," he replied, "the best year I ever had."

That, as I listen to people talk, read comments in papers and magazines, and hear what comes over the air, agrees with the opinion of most people. And still we all know that we can't have one peak year after another. A little historical research will prove that.

The fact is our views have been distorted by an economy which has expanded almost continuously for the past decade and a half. For 15 years with few exceptions, we have enjoyed increasing business, higher wages and maximum employment. Too many of us have convinced ourselves that this desirable condition is normal, though we know it isn't.

I am emphasizing this point because I am not too disturbed by the lower rate at which the steel industry is operating as compared with 1953. That doesn't mean I'm satisfied either. We in Republic are never satisfied. What was the best yesterday must be better today.

We want to operate more efficiently and more economically today than we did yesterday and we hit that objective with surprising frequency. We constantly want better selling and we get that, too.

We want continuously to improve the quality of our products and we do that.

Finally, but of fundamental importance, Republic wants constantly to improve the earnings of the company so that dividends can be increased. A review of the past decade shows that has been done, as you know.

Jobs of Management

Management has two distinct jobs—among many.

One is to get the best possible returns out of today's business. The second is to build wisely for the long-term future of the company.

If these jobs are successfully carried out, then the best interests of the stockholder will be served. The security of his investment will be improved and the return on his investment will be increased.

In addition, and this is important, the attainment of these objectives insures the highest possible rate of employment at the best possible wages.

I have gone into this subject briefly because it is the very foundation of what I want to talk about today.

The steel business is in some ways a difficult business because it does not sell its steel to the ultimate consumer, except as a company may have fabricating plants as Republic does. If, however, you make automobiles, additional sales effort will probably result in a wider sale of your cars. But as an automobile maker you won't buy more steel until you have sold more cars.

So we have to wait in large part until other manufacturers sell their products before we can sell them more of our products.

For illustration, let's look at the first quarter of 1954. Between 1946, for instance, and the end of 1953 the annual capacity of the steel industry increased from 92,000,000 tons to 124,000,000 tons or 35%. As a result during recent months, steel could be made faster than it was being used. Steel users weren't used to a steel surplus. They made commitments which either weren't or couldn't be reduced quickly enough. It followed that steel started to pile up and inventories increased far beyond the needs of the day-by-day production. The steel buyers, with warehouses full of steel, stopped buying.

For a while that made little difference in production. The steel industry operated in part on its still sizable backlog. As the backlog decreased and incoming orders went down, furnaces had to be taken off and the steel operating rate went down. That meant laying off employees, which we never like to do.

As business decreased your management bore down increasingly on ever greater economy and efficiency.

You know what the results have been. During the first quarter of this year our operating rate dropped to 69.4% from 103.0% in the same quarter in 1953, or 33.6%.

But Republic's net income dropped only 19.6%. Earnings per common share decreased only from $2.24 per common share to $1.79.

At the same time net income per dollar of sale rose from 4.7 cents in the first quarter of 1953 to 5.2 cents, proving that greater economies and efficiencies were being obtained.

During the months to come the work being done in these fields will show up to increasing advantage.

The Immediate Future

Now let's look at the immediate future.

It would appear as though the second quarter will certainly be as good as the first and perhaps a little better. Orders are coming in at a somewhat improved rate. The low point in orders was in October and each month since has shown improvement over that month.

As for the second half, we do know that inventories are being reduced, that production in some cases is at a higher rate than are steel purchases. That is helpful. I can't, of course, foretell with accuracy and assurance exactly what is going to happen business-wise during those six months.

However, I study reports from a number of organizations who make a business of following and forecasting economic trends. I have very considerable confidence in their ability to look ahead.

On the basis of what they tell me I would say that the business level has about reached the bottom. It may stay at approximately this level for some weeks and then may be expected to start a slow upward climb. The current year will not be a 1951 or a 1953 but it may well end up one of the five most prosperous years this country has seen.

As general business picks up, the steel industry will show improvement. As the steel industry improves, Republic's volume will also increase.

The low point of our operations was in March 1954, when Republic had 11 out of 26 electric furnaces and 37 out of 78 open hearth furnaces in operation. Early in May we had 16 electric furnaces and 49 open hearth furnaces operating—an encouraging increase.

No, I am not discouraged about business. I have seen a good many ups and downs and this recession may be compared to some of the depressions I have seen as an earth tremor is compared to an earthquake.

But my chief interest is in the long term future of business as opposed to the next few months. Republic Steel is going to be in business for a good many years and plans must be laid for a long time ahead.

That is why Republic has placed special emphasis on its raw materials supply.

A steel plant represents a tremendous investment—at today's prices about $350 per annual ton of capacity. It takes a good many years to work out that investment. That means that iron ore, coal and limestone, the essential basic triangle of steel production, must be available for decade—not years.

It was to the building up of these reserves that Republic has devoted a great deal of time and attention during the past 15 years. You know about the iron ore reserves in Minnesota, Labrador, New York State, Alabama, and Liberia which we either own or in which we have an interest.

You, perhaps, recently read of the research Republic is carrying on with National Lead Company out of which we hope will come a method of making a usable iron concentration out of now noneconomic low grade ore of Alabama.

Though carloads and partial shiploads of taconite pellets have been shipped from Minnesota for two or three years, the first full shipload was moved from Minnesota to the lower lakes by Reserve Mining Company late in April. Republic, as you know, has a 50% interest in this company which in turn controls taconite deposits sufficient to produce 500,000,000 tons of high quality pellets.

Take all of the resources into account and Republic now has ore reserves adequate for half a century.

Our coal reserves will last for from 30 to 35 years and our limestone deposits even longer.

We are also anticipating the future by maintaining a vigorous program of research and new product development. Our latest step has been the employment of a nuclear physicist who has been associated with the Atomic Energy Commission in the industrial use of atomic power.

Republic has also secured a rich deposit of rutile in Mexico. This is the raw material from which titanium is made.

We have added new facilities and improved old ones to insure highest productivity and the greatest economies.

All of this—raw material reserves, research, and improved production facilities—insures Republic's ability to serve the expanded steel demands of the future. Republic is ready for tomorrow.

Now what about the long term future of this country of ours. Short of a catastrophic world war the future is bright.

A Free Nation, With Every Possibility of Being Greater

This is a great country with every possibility of being greater.

We are a free nation with a government designed to serve the individual.

That is essential to our way of life.

It is this freedom combined with a steadily rising population and a mounting standard of living and productivity that gives me my long term confidence in the prosperity of the country and, as a result, the prosperity of Republic Steel.

Let me mention a few of the factors that insure our country's future.

Last year nearly 11,000 babies were born every day or about eight a minute. In 10 years we will have an additional 21 million people in the United States. There will be six million more families. That is the equivalent to adding 25 cities the size of Washington.

This means a tremendously expanding market for steel products. This expanded market is based not only on the actual population increase but on the constantly rising demands for things made of steel. In 1903 steel production amounted to 400 pounds per person. In 1953, half a century later, each indiivdual used on the average about 1,400 pounds — three times as much. To meet this expanding demand the industry has increased its capacity nearly five times—from 26.8 million tons in 1903 to 124.3 million tons in 1954. Since 1930 when Republic was organized its own capacity has been increased to more than 10 and a quarter million tons. Republic will do its share towards supplying the growing needs of a growing population.

Our people are becoming better educated. They are earning and buying more — and saving more, too. They enjoy more of the good things of life. They aren't working as hard—95% of today's work is done by machinery—they have more leisure and are living longer. That means more steel will be used.

In the immediate future this country will need more schools, highways, and hospitals. Half of our homes are over 30 years old. We must rebuild our cities and keep our industries modern and efficient. To meet these needs alone will mean the expenditure of 500 billion dollars. And you can't build today without steel. These are long range needs and the needs of today as well.

More Steel Will Be Needed

Let me mention a few products that we are making today that are calling for more and more steel. Home dryers have gone from 58,000 in 1947 to 685,000 last year. Room air conditioners from 43,000 in 1947 to 1,075,000 in 1953. Home freezers from 607,000 to 1,200,000. Television sets from 179,000 in 1947 (only 7,000 in 1946) to 7,213,000 sets last year. Power mowers from 362,000 to 1,275,000.

These and many more devices which make life easier and more pleasant are small in themselves but in the aggregate they require hundreds of thousands of tons of steel.

Yes, I have great faith in the future of this country. And having great faith in that, I have great faith in the future of Republic Steel.

*Remarks by Mr. Girdler at the Annual Meeting of the Stockholders of the Republic Steel Corporation, Flemington, N. J., May 12, 1954.

K. D. Nelson Joins Courts in Charlotte

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Katheryn D. Nelson has become associated with Courts & Co., Liberty Life Building. Miss Nelson was formerly associated with R. S. Dickson & Co., Inc., in the corporate stock trading department.

Sebastian & Co. Formed

(Special to THE FINANCIAL CHRONICLE)

WASHINGTON, D. C.—Richard A. Sebastian has formed Sebastain & Company with offices at 734 Fifteenth Street, N. W. to engage in a securities business.

Economics of Capital Formation: Summer Course

The University of Vermont is again sponsoring jointly with the New York financial community its fourth annual summer course on "The Economics of Capital Formation," to be given in New York City, June 21 through July 30. The lectures and discussions this year will be on "Nature and Operation of Securities Markets and Investment Analysis."

The Classroom will be located at Room 735 of the Chase National Bank of the City of New York, 11 Broad Street, New York City, with students' residence at the Hotel Latham.

The course carries graduate or undergraduate credit of six semester hours. Registration is limited and must be approved by Dr. Philipp H. Lohman, director of the course. Tuition is $90 for the six semester hours; cost of room $84 (two students to a room with bath).

Lectures scheduled are:

Role of the Financial Industry in the Process of Capital Formation—Dr. Lohman.

The Economic Outlook — Harold X. Schreder, Distributors Group, Inc.

Venture Capital Investment — F. Harmon Driscoll, Rockefeller Brothers, Inc.

Origination of an Issue — L. E. Katzenbach, White, Weld & Co.

Underwriting of a Issue—Herbert S. Hall, Morgan Stanley & Co.

Opportunities and Problems in Selling Securities — Robert C. Johnson, Kidder, Peabody & Co.

Quoted Markets in Over-the-Counter Securities—L. E. Walker, National Quotation Bureau, Inc.

Over-the-Counter Securities Markets — William J. Hudson, Jr.

Economics and Social Functions of the American Stock Exchange — John J. Sheehan, American Stock Exchange.

Listing of Securities on the American Stock Exchange — Martin J. Keena, American Stock Exchange.

Floor Procedure—Arthur A. Bellone, American Stock Exchange.

Outside Supervision—H. Vernon Lee, American Stock Exchange.

Economics and Social Functions of the New York Stock Exchange — G. Keith Funston, President of the Exchange.

Floor Procedure and Round-Lot Trading on the New York Stock Exchange — Walter W. Stokes, Jr., Stokes, Hoyt & Co.

The Specialist on the New York Stock Exchange—Ira Haupt, Ira Haupt & Co.

Odd-Lot Trading on the New York Stock Exchange—Stuart Scott, Jr., Carlisle & Jacquelin.

Problem of Basis and Inventory —Sander Landfield, Carlisle & Jacquelin.

Analysis of Technical Action of the Stock Market—E. W. Tabell, Walston & Co.

The Specialists Post and the Odd-Lot Dealer.

Listing of Securities on the New York Stock Exchange — Philip L. West, New York Stock Exchange.

Financing Philosophy and Stockholder Relations—John J. Scanlon, American Telephone & Telegraph Co.

Margin Buying and Short Selling: Technique and Regulations — W. D. Fleming, Walston & Co.

Put and Call Options — Herbert Filer, Filer, Schmidt & Co.

Back Office Procedure.

Role of Securities and Exchange

Commission — Irwin R. Frumberg.

Supervision of Member Firms of the New York Stock Exchange — Frank J. Coyle, New York Stock Exchange.

Role of the National Association of Securities Dealers, Inc. — Carl Stolle, G. A. Saxton & Co., Inc.

Collection and Dissemination of Financial News — William F. Kerby, Dow Jones & Co., Inc.

New York Money Market—Renwick Case, Discount Corporation of New York.

Commercial Bank's Contact with the Money Market — H. C. Brewer, Jr., National City Bank of New York.

Federal Reserve Bank of New York—Cash Operations, Paul R. Fitchen; Check Operations, Angus A. MacInnes, Jr.; Fiscal Agency Operations, Felix T. Davis; Foreign Operations, Peter P. Lang and Thomas J. Roche; Economy, Money Supply and Bank Reserves, Thomas O. Waage; Tools of Federal Reserve Credit Policy and Their Use, Hobart C. Carr; Policy Formulation, Tilford Gaines; Federal Reserve Contact with Money Market, Miss Madeline McWhinney; Debt Management and the Money Market, Arthur H. Willis.

The Corporation Bond Market—Jonas Ottens, Salomon Brothers & Hutzler.

Bond Ratings — Edmund L. Vogelius, Moody's Investors Service.

Investing for a Life Insurance Company — William R. Cowie, Equitable Life Assurance Society.

Investing for Mutual Funds — Harold X. Schreder, Distributors Group, Inc.

Growth and Importance of Pension Funds—Esmond B. Gardner, Chase National Bank of the City of New York.

Functions of the Corporate Trustee—Carl E. Buckley, Chase National Bank of the City of New York.

Investment Qualities of Bank and Insurance Company Stocks — Ralph C. Sheets, Blyth & Co., Inc.

Analysis of Municipals—John S. Linen, Chase National Bank of the City of New York.

Analysis of Revenue Bonds—Albert J. Milloy, First Boston Corporation.

Facilities of the Port of New York Authority.

Products Demand in the Petroleum Industry and Need for Continued Capital Expansion.

Research in the Petroleum Industry.

Why Should Investors Be Interested in Chemical Securities as a Part of Their Investment Portfolio? — Craig Severance, F. Eberstadt & Co., Inc.

Outlook for Rails—Finley J. Iseman, Merrill Lynch, Pierce, Fenner & Beane.

Public Utilities Securities — Marvin Chandler, Reis & Chandler, Inc.

Economic Growth in Canada Since 1939.

Participation in Canada's Growth through Investment in Canadian Securities — James R. Clarke, Dominion Securities Corporation.

Worth of the International Bank for Reconstruction and Development—Henry W. Riley.

King Merritt Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Eugene F. O'Neill has been added to the staff of King Merritt & Co., Inc., 1151 South Broadway. He was formerly with Gross, Rogers, Barbour, Smith & Co.

Vacant Land

By ROGER W. BABSON

Deploring the change in style of houses, in which ranch type homes are preferred to well-built and well-located large houses, Mr. Babson finds more use for vacant land. Asserts, unless frozen in price, land could double in value in a few weeks, should we have World War III. Warns, with the big Federal power and irrigation projects there may be a surplus of high-priced irrigated lands. Calls Congressional legislation mildly inflationary, and is "especially bullish on drug and variety chain stocks."

Roger W. Babson

Old houses may now be a sale. Women have gone crazy both over one-story houses (ranch type) and over ultra-wide skirts. There is a style in houses, like styles in dresses. Well-built and well-located large houses are now out of style. How long it will be before women get sensible and buy such houses again is anyone's guess.

But one thing will always be in style, and that is vacant land—whether small city lots that can be used for parking, or fringe acreage just outside cities and towns. Thus far people have not taken seriously the fear of World War III, but now, with these "Evacuation Days," they are beginning to give up their rented city houses and buy in the suburbs.

If World War III should really look threatening, you will see a big boom in suburban property 20 miles out. Unless the price of land is frozen, it could double in value in a few weeks. Well-drained and well-located vacant land should not now be sold.

Some Things Being Overdone

If World War III threatens, farms outside big cities which cannot now be sold at a fair price may again come into demand. I, however, am not bullish on all commercial farm land. This especially applies to many citrus groves, apple, peach, and other fruit orchards.

With the new big Federal power and irrigation projects, there may be a surplus of high-priced irrigated lands. Irrigation can be overdone, the same as the building of motels and the manufacturing of automobiles. We may be approaching a time when there will be too many filling stations and automobile agencies. More consolidations will be witnessed.

What About Inflation?

In view of what is happening in Indo-China, it now seems as if more inflation is inevitable. This may be hard on the housewife and those with fixed incomes, but it should help well-located vacant land and certain other real estate. In view of the preferred treatment received during World War II by the owners of business property some vacant business property may now be a good purchase.

Inflation should also help farm crop prices and aid merchants. I am especially bullish on the market prices of the securities of the drug and variety chains. Many of these stocks now yield from 5% to 10% and should benefit from mild inflation. Too much inflation can harm everybody except the stock brokers, who are foolishly urging inflation along.

Taft-Hartley and Inflation

I forecast that the proposed legislation to amend the Taft-Hartley Bill will remain buried until after the November elections. If it had passed Congress as President Eisenhower wanted, it would have made your dollar worth more. If it had passed amended as certain labor leaders wanted, it would have made your dollar worth less. As any action has now been delayed, its present effect on inflation will be nil.

Considering all other Congressional legislation to date, I forecast the net result will be mildly inflationary. This should help most land values and all producers. The ultimate consumer, however, will suffer from higher prices. Good mining properties should benefit. Hence, if you are selling vacant land, retain the mineral and oil rights.

Elliot B. Lemon Is With Olderman, Asbeck

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Elliot B. Lemon has become associated with Olderman, Asbeck & Co., Union Commerce Building, members of the Midwest Stock Exchange. Mr. Lemon has been associated for some years with the Cleveland office of the Securities & Exchange Commission. Prior thereto he was an officer of Borton & Borton, Inc.

Joins Goodbody Staff

(Special to The Financial Chronicle)

MIAMI, Fla.—Elizabeth K. Dayton has become associated with Goodbody & Co., 14 Northeast First Avenue. Miss Dayton was formerly with A. M. Kidder & Co. and prior thereto was with Beil & Hough as cashier.

W. A. Baxley With Thomson & McKinnon

(Special to The Financial Chronicle)

MIAMI, Fla.—Willard A. Baxley has become associated with Thomson & McKinnon, Shoreland Building. Mr. Baxley in the past was for many years with Merrill Lynch, Pierce, Fenner & Beane in charge of the Augusta office.

With Merrill Lynch Staff

(Special to The Financial Chronicle)

COLUMBUS, Ga.—Thomas W. Bouchier has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 101 Twelfth Street.

With Hornblower & Weeks

(Special to The Financial Chronicle)

CHICAGO, Ill.—John W. Goldthwaite is now with Hornblower & Weeks, 134 South La Salle St.

Dealer-Broker Investment Recommendations & Literature

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

Achievement in Steel—New 16-mm color film telling the story of steel available to organized groups—"Achievement" National Steel Corporation, Pittsburgh, Pa.

Earnings Performance For Japanese Stocks—In current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Fire & Casualty Insurance Earnings—Annual Comparison—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Machine Tool Companies—Statistical comparison of 16 companies — H. M. Byllesby & Company, Incorporated, 1500 Chestnut Street, Philadelphia 2, Pa.

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.

Railroad Industry—Analysis—H. Hentz & Co., 60 Beaver St., New York 4, N. Y. Also available is an analysis of **Hilton Hotels Corp.**

Sugar Statistical Chart—Trend of sugar distribution in the United States 1934-1953—Lamborn & Company, Inc., 99 Wall Street, New York 5, N. Y.

United States Government Securities—Brochure—First Boston Corporation, 100 Broadway, New York 5, N. Y.

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Affiliated Gas Equipment, Inc.—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y. Also available is a bulletin on **Gardner-Denver Company.**

Canadian Breweries, Ltd. — Memorandum — W. C. Pitfield & Co., Inc., 30 Broad Street, New York 4, N. Y.

Chattanooga Gas Co.—Memorandum—Link, Gorman, Peck & Co., 208 South La Salle Street, Chicago 4, Ill.

Cities Service—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

City of New Orleans — 1953-1954 annual report — Scharff & Jones, Incorporated, 219 Carondelet Street, New Orleans 12, La.

Corn Products Refining Company — Analysis — Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Cutler Hammer—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Devon-Leduc — Bulletin — McLaughlin, Reuss & Co., 1 Wall Street, New York 5, N. Y.

Allen B. Du Mont Laboratories, Inc. — Bulletin — De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

General Motors Corp.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a bulletin (No. 165) on **Railroad Earnings** and on **Southeastern & South Central Railroad Companies** (No. 166).

Holly Corporation—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Marine National Exchange Bank—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Milburn Mining Company (Asbestos) — Bulletin — Willis E. Burnside & Co., Inc., 30 Pine Street, New York 5, N. Y.

Missouri Pacific — Analysis of reorganization plan — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Montana Power Company—Analytical brochure—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is an analysis of **Bank Stocks** including pertinent facts on 33 selected institutions, and a brief review of **Eastman Kodak Company.**

J. C. Penney Co. — Memorandum — McDonnell & Co., 120 Broadway, New York 5, N. Y.

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

Pullman Incorporated — Report — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is an analysis of **Textile Stocks**, including data on **American Viscose Corporation, Burlington Mills Corporation, Cannon Mills Company, Cone Mills Corporation, J. P. Stevens & Co., Inc.,** and **Industrial Rayon Corporation.**

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

Southern Railway Company—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Spencer Chemical Co.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Transcontinental Oil Corporation—Report—L. D. Sherman & Co., 30 Pine Street, New York 5, N. Y.

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

NSTA Notes

AD LIBBING:

The Secretary of NSTA Johnny Hudson of Philadelphia's Thayer, Baker & Co. has always encouraged active interest and participation in the activities of NSTA and its affiliates. Not only has he sought to expand the interest of ITA officers and members in NSTA work, but has carried the idea into his own office. Various members of his small organization are interested and working members in many industry groups.

John M. Hudson

One of them, Lewis P. Jacoby, Jr., last year was responsible for securing $532 of commercial advertising for the NSTA Convention issue of the "Chronicle." This placed him second on the list in this department. Now Lew has never attended one of our conventions, but has backed Johnny up by covering the desk while the Hudson duo traveled. His interest was kindled by the fact that NSTA was bringing a convention to a site near his home in New Jersey in 1954. This year he is out to prove that Jerseyites can get the business! He has three or four good accounts in the bag and is hollering for commercial subscription blanks. Looks like Lew may get the first order on the line.

I know that his interest will continue through and beyond this year's convention at Atlantic City.

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

COMING EVENTS

In Investment Field

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.

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

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

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

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

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

Chas. R. Livingstone Now With Marache Dofflemyer

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles R. Livingstone has become associated with Marache, Dofflemyer & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with Crowell, Weedon & Co. and prior thereto was an officer of Livingstone & Co.

Peoples Funding Corp.

The Peoples' Funding Corp. is engaging in a securities business from offices at 424 East 168th Street, Bronx, N. Y.

Gage Agency Formed

WALDEN, N. Y. — The Gage Agency, Inc. is conducting a securities business from offices at 51 Orchard Street.

J. Squier Reimer Opens

SCARSDALE, N. Y.—J. Squier Reimer is conducting a securities business from offices at 18 Kempster Road.

Lincoln McRae Adds

(Special to THE FINANCIAL CHRONICLE)

ROCKLAND, Maine—Percy E. Connick has been added to the staff of Lincoln E. McRae, 449 Main Street.

Benjamin Stenzler

Benjamin Stenzler, member of the New York Stock Exchange, passed away at the age of 51 after a long illness.

Now With Robert Showers

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Ralph E. Balgemann has become connected with Robert Showers, 10 South La Salle Street.

On W. L. Lyons Staff

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—Robert C. French is with W. L. Lyons & Co., 235 South Fifth Street, members of the New York and Midwest Stock Exchanges.

Hemphill, Noyes Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Lawrence B. Askins has been added to the staff of Hemphill, Noyes & Co., 510 West Sixth Street.

Business Prospects: 1954-55

By DR. LEO BARNES*
Chief Economist, Prentice-Hall, Inc.

Dr. Barnes predicts current contraction will be at least as long and deep as that of 1949; and longer but far less deep than the 1937-38 recession. Foresees a moderate rise in new orders plus more sober appraisal of future prospects. Stresses importance of alternative possibilities in international developments on overall business outlook.

I want to consider with you today (1) the current business picture; (2) the outlook for the rest of the year; (3) the longer-term outlook; and (4) some of the specific problems of and prospects for, the textile and apparel trades.

Dr. Leo Barnes

The first question we have to answer is: Where are we in this recession? How far has it gone? Where has it been the most noticeable, where the least? How does it compare with previous recessions?

These questions are important. If we can understand how and why we've come to where we are, that may help us make some useful guesses as to where we're going. It might also tell us what we—business, consumers and government — might have to do in order to get to where we want to be.

Anyway you slice it, the current business contraction is turning to to be at least as long and as deep as that of 1949; longer but no where near as deep as the 1937-38 recession.

1949 was essentially an inventory correction. 1954 is that too —but it also involves small to moderately large declines in autos, housing, defense spending, machinery and many other important business areas. Here's a brief box score as to how the two recessions compare up to date:

Depression Box-Score

(1) **Total industrial production** has dropped about as far and as fast as in the '49 recession. In both cases, output is down 10% from the previous peak.

(2) **Manufacturing of soft goods** has dropped further and faster this time than in '48-'49—9% in seven months in the present recession, compared with 6% in 10 months in the previous one.

(3) **Hard goods manufacturing** has dropped more swiftly but not yet more steeply than in '48-'49 —13% in seven months now versus 17% in 12 months then.

(4) **Retail sales** have already sagged longer and more deeply than in 1949. Hard goods retail sales have dropped 13% from their 1953 peaks, soft goods sales by about 4%. Consumers are, for the time being, adequately stocked in most lines. Many of them have overextended themselves a bit on consumer credit, are repaying more old debt than they're taking on in new obligations.

(5) **The inventory correction** has still some way to go. Total business inventories are still around $80 billion (valued at cost). If you want to compare them with *sales*, that's probably about $100 billion valued at *selling prices*. They're down less than $2 billion from the all-time peak of last September. At least $2-$3 billion more will have to be chopped off inventories to bring them down to normal. If the pattern of 1948-49 is any test, inventory curtailment will run until at least next fall. Steeper cutbacks are indicated particularly at the manufacturers' level.

(6) There are notable strong points in the present picture. Above all is *construction*, still holding at record highs thanks to booming housing and commercial building. Then there is *spendable income*, still running a shade above a year ago despite slipping farm income and a 10% drop in factory payrolls; *wholesale prices*, which are above year-ago levels; and *stock prices*, which are at the highest point since the fateful days of October 1929.

Next Question: Where do we stand *today?*

The 10 month old decline seems to have "bottomed out" in March. For the past six weeks or so, business hasn't been getting noticeably worse. Many firms report definite though not sensational lift in new orders. There's no easier way to improve business sentiment than that.

Is the downward phase, then, of this recession over? That's what some economists and businessmen are already proclaiming. Or is the current leveling off just a bottom — a temporary interlude before the decline resumes?

I wish I could give you a sharp, resounding, clear and unequivocal answer to that one. Of course, I could give you such an answer —but I don't think it would be worth the air it was sounded on. I think we can definitely say that we are *near* bottom. But the available facts just aren't clear enough to reach a firm and fast decision on whether we have actually hit absolute low. Nor is my murky crystal ball much of a help. The plain truth is that the future is an open, not a closed book. It depends. It depends on how millions of people—you and President Eisenhower and Secretary Dulles and Malenkov and Mao and Churchill — will think and act in the next few weeks or months. I don't know, you don't know, I don't think they themselves know. And remember, too, that my forecast and your forecast and thousands of other forecasts will *change* what people do.

Well, then, what can we say about the near-term outlook? Plenty. I'm not going to sit down for a little while yet.

But we have to say what there is to say not absolutely and dogmatically—but in terms of several possible alternatives.

Moreover, there are several other things we have to do to reach some worthwhile conclusions. First, if we are to avoid wishful thinking, we have to separate—not only the sheep from the goats—but *the facts from the hopes*. You have to distinguish between reliable statistics of *actual orders on the books* and possibly unreliable reports and projections based on businessmen's hopes and desires. I think it's a fair generalization to say that most businessmen today are considerably more optimistic than the actual state of their order books would warrant. I suppose, psychologically, that's a good thing.

Recession Underplayed

That comment probably goes for government officials too. Why should any government official say publicly that things are going to get even a little worse? The policy all along has been to underplay the recession. Optimistic statements from this quarter, therefore, should be taken with the proverbial grain of salt. *New orders in basic industries will have to rise quickly and substantially if optimistic expectations for 1954 are to be confirmed.* Gap between actual orders and expectations foreshadows three possibilities in the months ahead: (1) a new order-delivery squeeze; or (2) a general collapse of optimistic expectations as the spurt in new orders fails to materialize; or (3) a moderate rise in new orders plus a more sober appraisal of future prospects. Right now, (3) seems most probable. But more war scares or a new "old look defense program could produce (1).

In the same way, you have to distinguish between *a purely seasonal lift* and *a genuine cyclical revival*. The fact that total unemployment between February and March of this year increased by only 54,000 is encouraging. But if normally (as shown by the average experience of the postwar years) unemployment usually *declines* between February and March, the small February-March increase this year can be seen in its proper prospective.

Between now and June, the normal seasonal pattern calls for substantial increases in employment and an approximately level amount of unemployment. By July, there should be 2.5 million more people at work than there were in March (again based on our average postwar experience). That's the standard against which to measure the increases in employment that will shortly be announced by the government. The question is not: Has there been a rise or decline? The question is: Is the rise less than, more than, or strictly seasonal?

If the increase is less than seasonal, that's bad. If the increase is more than seasonal, that's wonderful. Even if the increase is just seasonal, that's good—because a strictly seasonal revival might help spark a real cyclical turn.

Political and Economic Pressures

Last but far from least, we have to consider not only economic forces, but political and international pressures as well. For instance, on purely economic grounds, suppose you believe that the recession would get worse before it got better. Yet politically, you could not believe that any administration — Republican or Democratic — would permit the recession to get worse. Therefore, your forecast would be that the recession low has been reached.

Similarly, there are forecasters who are betting their pile of intellectual chips on the near certainty of more shooting war involving the U. S. *Obviously, deeper U. S. involvement in the Indo-China war would quickly reverse the present decline.*

The honest forecaster must, therefore, throw his lines into the future in terms of several possible alternative variables in the uncertain, precarious economic, political and international picture. I can see at least four such alternatives.

(1) Alternative No. 1 is *hotter war*. For the forecaster, that horrible possibility is by far the simplest alternative. All of us know what would happen if the U. S. got more deeply involved in Indo-China or elsewhere in Asia. The business downturn would promptly end. A new Korean boom would start. Inflation, not deflation, would again become the immediate problem.

This prospect is definitely a possibility. The Geneva Conference may not be able to arrive at any way out of the Indo-China impasse that will satisfy both China and Russia, on one side, and the Eisenhower Administration and the U. S. Senate, on the other. *But I cannot see Congress, in an election year, voting for another Korea in Southeast Asia, with U. S. troops bearing the brunt of the fighting.* And the Eisenhower Administration has clearly indicated that it will seek congressional approval before committing U. S. troops to battle.

(2) Alternative No. 2 is *bigger defense spending without more shooting war*. If the Geneva Conference winds up in failure, the Administration will surely take another look at its "new look" defense program. *Bigger* armed forces, rather than presently scheduled reductions, may be the result. Arms spending would also rise rather than taper off because a firmer defense of what's left of Southeast Asia will be required.

Continued on page 32

*An address by Dr. Barnes before the 36th Annual Convention of the National Knitted Outerwear Association, New York City, April 29, 1954.

The Plight of Higher Education Under a Depreciated Currency

By JAMES B. TRANT
Dean, College of Commerce
Louisiana State University

Dean Trant shows how the depreciated purchasing power of the dollar has adversely affected higher education in the country. Holds professors' salaries have not kept pace with increase in the gross national product or consumption expenditures, and they suffer further in being paid in depreciated dollars.

The American people believe in education, and they have been willing to support education at the elementary, secondary, college, and university levels. The depreciation of the dollar, however, has made it impossible in the field of higher education to maintain an income proportionately as high as the dollar has declined. This can be shown in a great many ways:[1]

(1) **Endowments.** Income from endowment earnings amounted to 13.5% of total income for higher educational institutions in 1938. It had dropped by 1950 to 5.4%. For private institutions during that same period the income from endowed earnings which amounted to 25.3% in 1938 had dropped by 1950 to 10.7%. This was in actual income to say nothing of the drop in purchasing power of this income.

(2) **Student Fees.** Income from student fees in 1938 for all higher institutions of learning amounted to 34.3% of their total income. By 1950 the amount had declined to 21.7% of the total notwithstanding the fact that the actual amounts had approximately doubled. Income from fees increased from $178,995,000 in 1938 to $394,610,000 in 1950.

(3) **State Government Appropriations.** Income from state government appropriations remained at exactly the same percentage basis—27% of the total—notwithstanding the fact that the actual figure had increased from $140,959,000 in 1938 to $491,958,000 in 1950.

(4) **Expenditures.** From the above principal income it has been necessary for higher education to take care of an ever increasing enrollment which almost doubled between 1940 and 1950. In 1940, enrollment amounted to 1,499,109 students, and in 1950 it had increased to 2,439,910 students. This increased enrollment has necessitated new buildings, new equipment, and additional faculty members; and all these had an increased cost in terms of our ever depreciating dollar. It has been necessary in 10 or 11 years to increase the faculty in higher education by a minimum of 80% because of this huge increase in enrollment. A great deal of the increase in students would justify a proportionate increase in the faculty and some of the increase in students, notably for graduate work, would justify an even larger increase in faculty.

Further insight into the picture may be obtained from a comparison of professors' salaries with selected figures on gross national product, personal consumption expenditures in the United States, an index of wholesale prices, and the purchasing power of the dollar for the same years.

(5) **Gross National Product.**[2] The estimated increase in the production of goods is shown by figures on gross national product. When we look at the increase in the gross national product from 1939 to 1951, we find a rosy picture. This would be less rosy if multiplied by the present purchasing power of the dollar. The gross national product is shown below:

	Billions
1939	$91.3
1941	126.4
1949	258.2
1951	329.8

Personal consumption expenditures in the United States for the same years are as follows:[3]

	Billions
1939	$67.5
1941	82.3
1949	180.6
1951	208.1

For the same years the median for professors' salaries for the nine months school year in 52 land grant institutions were as follows:[4]

1939	$4,245
1941	4,302
1949	6,132
1951	6,926

Reducing each of the above columns to index numbers probably reveals why many of younger professors leave teaching:

Date	Gross Nat'l Product (1939=100)	Personal Consumption Expenditure (1939=100)	Professors Salaries (1939=100)
1939	100.0	100.0	100.0
1941	138.4	121.9	101.3
1949	282.8	267.6	144.5
1951	361.2	308.3	163.2

The above figures indicate that professors' salaries have not kept pace with the increase in gross national product, or general consumption expenditures. The plight of higher education, however, is shown still more when we consider the decline in the purchasing power of the dollar in which the professors are paid. The general wholesale price level, as constructed by the Bureau of Labor Statistics, now uses 1947-49 as a base.[5] The other figures used in this paper, however, were given from 1939. It was necessary, for comparative purposes, therefore, either to construct a price level with 1939 as a base or to convert the Bureau of Labor Statistics index numbers to a 1939 base. The Bureau of Labor Statistics index numbers were used so that the converted table would be in line with the official figures of the Bureau of Labor Statistics.

In the table below is presented the increase in the wholesale price level from 1939 to 1953; and along with it is presented its reciprocal which indicates the purchasing power of the dollar.

Year	Wholesale Price Index	Purchas'g Power of 1939 Dollar
1939	100.0	1.00
1940	102.0	.98
1941	113.4	.88
1942	128.1	.78
1943	133.7	.75
1944	134.9	.74
1945	137.3	.73
1946	157.1	.64
1947	192.4	.52
1948	208.4	.48
1949	198.0	.50
1950	205.8	.49
1951	229.1	.44
1952	222.8	.45
1953	219.8	.45

While professors' salaries increased 63 percentage points from 1939 to 1951, the general wholesale price level as constructed increased by 129 percentage points. Much of that time we had price ceilings, but we have had, during all of that time, a much more powerful influence for raising prices — an irredeemable paper dollar. To be sure, foreign central banks may get American dollars redeemed, but American citizens cannot.

It is granted that a fairly stable price level has, for short periods of time, been maintained without the use of redeemability, but not for long; and such a stable price level can never be considered the result of sound money. Again it is not maintained that redeemability of a currency in gold would maintain a stable price level in itself, but it would provide sound money. Under a sound monetary system, with currency redemable in gold, a country is less likely to have wide and devastating fluctuations in domestic prices than when it employs an irredeemable currency.

If the trends discussed above are permitted to continue for another decade or two, American college professors can be expected to be in an intolerable position. Under such circumstances, maintaining the standards of scientific work in our colleges and universities may become all but impossible. Institutions of higher learning with inadequate plant and equipment and inadequately staffed should not be expected to maintain the leadership in the scientific advance on which the survival of our Nation in a hostile world may depend. We should stop the depreciation of the Nation's currency by a return to and firm adherence to a gold coin standard with all currency redeemable or convertible in gold.

1 *Higher Education in the 48 States* (The Council of State Governments, Chicago 37, Illinois, 1952), pp. 90-172.

2 *History and Descriptive Supplement to Economic Indicators* (U. S. Government Printing Office, Washington, 1953), p. 5.

3 *Ibid.*

4 *Faculty Salaries in Land Grant Colleges and State Universities, 1951-52*, Circular No. 358 (Federal Security Agency, Office of Education, Washington, D. C., December, 1952), p. 26.

5 "A Description of the Revised Wholesale Price Index," *Monthly Labor Review* (U. S. Labor Department's Bureau of Labor Statistics, Washington, D. C., February, 1952).

Kidder, Peabody Group Offers South Carolina Gas & Elec. Pfd. Stock

Kidder, Peabody & Co. today (May 20) heads an underwriting group offering 80,000 shares of 4.50% cumulative preferred stock of South Carolina Electric & Gas Co. at par ($50 per share), to yield 4.50%.

The new preferred stock is redeemable at prices ranging from $52.50 per share on or before June 1, 1959 to $51.00 per share after June 1, 1964.

Proceeds from the sale of the new preferred stock will be used for repayment of $2,800,000 of construction loans, to finance in part the construction program of the company and to provide additional equity capital for its subsidiaries, South Carolina Generating Company. For the years 1954 to 1956 the construction program of the company and its subsidiaries will cost an estimated $62,000,000.

The company provides electric service in central, southern and southwestern portions of South Carolina with a total population of about 700,000. Largest cities in the area are Charleston and Columbia.

For the 12 months ended March 31, 1954, the company had total operating revenues of $30,119,000 and net income of $3,968,000.

Connecticut Brevities

The entire outstanding stock of **M. B. Manufacturing Company,** with two plants in New Haven, has been purchased by Textron, Incorporated for an approximate $2,000,000. M. B. is a producer of aircraft engine mounts and vibration elimination equipment, having a backlog of $6,000,000 and a sales volume of about $8,000,000 in 1953. The company will be operated under the same management as a subsidiary of Textron.

* * *

Gray Manufacturing Company will commence production later this year of Old Town Inkless Duplicators. These duplicators use the spirit process to make facsimile copies of typed, written, drawn or printed matter in as many as six colors with one turn of the duplicator arm. Both hand and electrically powered models are available. With the aid of production of Gray, Old Town, whose main plant is in Brooklyn, expects to double its sales volume this year.

* * *

Eastern Industries, Inc. have announced plans to construct a $300,000 combination home office and manufacturing plant in Hamden. The new plant will be used to produce airplane parts of the company's own design. Other products of Eastern include centrifugal pumps, fluid motors, mixers, stirrers and electronic control equipment.

* * *

The Kaman Aircraft Corporation is presently constructing a new flight test hangar on its 85 acre tract in Bloomfield. The new plant will contain 27,000 feet of floor space and will be completed at a cost of about $500,000. In 1953 Kaman moved into its new 108,000 square foot main plant located on the same tract.

* * *

Directors of **Hartford-Connecticut Trust Company** and **Phoenix State Bank & Trust Company** have recommended a plan to merge the two Hartford banks to form **The Connecticut Bank & Trust Company,** which, based on total resources, will be the largest bank in Connecticut and the fourth largest in New England. The combined capital, surplus and undivided profits amount to over $22 million. The new bank would employ approximately 1,000 in 33 offices and branch banks throughout the Hartford area and the central and eastern part of the state. Stockholders of the two present banks will meet on June 15 to approve the merger, which would become effective July 1 if authorized by state and Federal banking authorities.

Under the proposed plan stockholders of Hartford-Connecticut will receive one and one-fifth shares and stockholders of Phoenix one and one-twentieth shares of stock in the new bank for each share now held. It is anticipated that the dividend rate on the new stock will be $3. At some future date plans will be formulated as to the establishment of a permanent main office of the new bank.

* * *

The Travelers Insurance Company will begin construction of a new 11-story office building in August. The new building will be located adjacent to and will increase present home office space by about 30%. The building will require about 18 months for completion and will cost an estimated $6 million.

75th Anniversary Observed by Bache Co.

Firm, with network of branch offices and correspondents, now holds memberships on 24 securities and commodities exchanges

Bache & Co., members of the New York Stock Exchange and other leading securities and commodities exchanges, on Wednesday, May 19, observed the 75th anniversary of the founding of the firm. During the entire span of the firm's existence, a member of the Bache family has been associated continuously and actively in the management of the partnership — from the formation of the original firm in May, 1879, to the present Bache & Co.


Harold L. Bache

In May, 1879, Leopold Cahn, uncle of the late Jules S. Bache, organized the firm of Leopold Cahn & Co. to engage in the securities brokerage business. A year later, in 1880, the 19-year old Jules started with the firm as cashier. In 1892 the partnership was reorganized as J. S. Bache & Co., a name under which the firm was to operate for 53 years. The present firm name, Bache & Co., was adopted in 1945 when Harold L. Bache became senior partner following the death of his uncle, Jules S. Bache, in 1944.

Bache & Co. maintains branch offices in 37 cities in the United States, has correspondents in 31 other cities in this country and branches or correspondents in Canada, England, France, Germany, Japan, Mexico and Switzerland. Bache & Co. holds memberships on twenty-four securities and commodities exchanges, including five memberships on the New York Stock Exchange. Employees of the firm number approximately 1,400.

Ross Borton Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Milan P. Greguric has become connected with Ross, Borton & Simon, Inc., 1010 Euclid Building. He was previously with Saunders, Stiver & Co.

Security Dealers—Watch Out for Reefs Ahead!

By J. HOWARD ROSSBACH
Formerly Member, Securities and Exchange Commission

Mr. Rossbach discusses the proposed Capehart Amendment to the Securities Act, holding its proponents are attempting to replace a fictional approach with a realistic method. States legislating difficulties are complicated by the categories of offers: "good-good" offers, "good-bad" offers, and "bad-bad" offers. Warns dealers to realize the Amendment's adoption would entail important booby-traps, and to consider carefully exact wording of each offer.

At long last the Securities Act of 1933 is apparently going to be amended, probably in this session of Congress. The changes to the statute are embodied in the so-called "Capehart Amendment." This legislation has been the subject of study for a long time and has been drafted by conscientious and capable men. It is aimed at a workable syndicate procedure to provide for the more orderly marketing of securities that are subject to registration with the SEC.

J. Howard Rossbach

There is no doubt but that the present Securities Act does need amendment. The system now in force is far from perfect, and for years it has been generally conceded that the Act required change. Professor Louis Loss in his excellent book on "Securities Regulation" points up some of the difficulties involved. The main criticism of the present law is that it disregards the essential mechanics of marketing new securities. It makes a Chinese ritual of the dealings between the underwriter and the dealer prior to the effective registration of the new security. This ritual comes about because at present there can be practically no offers of the security or solicitation of an offer to buy until the effective date of registration. At that point the whole syndicate operation is expected to bloom overnight. The SEC, long aware of these difficulties, has sanctioned by regulation such devices as the "red-herring prospectus" and the "identifying statement" on the ground that these are mere distributions of information and not solicitations of any offer to buy. The whole approach has been a fictional one and the quicker it is replaced with a realistic method the better. This is what the proponents of the Capehart Amendment are earnestly seeking to do.

Aims of Capehart Amendment

The Capehart Amendment attempts to overcome the problem by allowing, in the first place, dealings among the underwriters themselves during the waiting period while the security is in registration. It also will allow offers of the security—offers only, not sales—during this same waiting period, and before the effective date of registration. These offers are not limited to those between underwriters and dealers but extend to the general public as well.

As is shown by the following chart, the main difference is that during the process of registration oral offers will not be violations of the Act.

Activities Permitted During the Waiting Period

Activity	Present Act	Capehart
Red herring prospectus	Yes	Yes
Identifying statement	Yes	Yes
Written offer	No	No*
Oral offer	No†	Yes

*Unless OK'd by the SEC.
†Cannot use interstate telephone, etc.

Thus while no final sales of course can be made prior to registration, apparently all offers during this period after the registration statement has been filed with the Commission will be permitted.

The amendment was done generally by splitting the definition of "sell" into its components of (1) true sales and (2) offers. As testimony before the Senate Committee on Banking shows, certain other "technical changes" were made to other sections in conformity with this purpose, including Sections 12 and 17 of the Act. More of these "technical changes" later.

Difficulties and Complexities

The natural difficulties of drawing legislation on this subject are further complicated by the fact that there are "offers" and "offers." For the purpose of our analysis it is useful to classify these offers in a Marquand manner into (a) good-good offers, (b) good-bad offers and (c) bad-bad offers.

The good-good offer is really an offer in name only since it does essentially what is permitted under the Act today. For example, a dealer might call a prospective customer and say "We may become interested in an underwriting of stock of the XYZ Steel Company. Would you be interested in receiving a preliminary prospectus and a short statement giving some essential data (the identifying statement)?"

The good-bad offer would contain a description of the stock but omit material factors which might well influence the customer's judgment. For example: The dealer might call his customer and say "We may be able to sell you a hundred shares of the XYZ Steel Company in a few days. We think that steel companies are now somewhat underpriced, and the XYZ Company is a good one. It earned $1.50 per share in 1952 and $2 last year." The dealer obviously cannot summarize the whole red-herring prospectus over the telephone and in fact does not tell his customer that the XYZ Company has had a substantial reduction in its backlog of unfilled orders and that the common stock will be behind a large amount of debt securities in the form of bonds coming due in the next few years. The customer gets no warning of the refinancing problem. Right at this point we have a violation of the Act under Section 17 as amended for "technical changes." That is not all, however, because such a statement which omits to give the customer material facts will give this customer the right to get his money back if he buys the security under Section 12 of the same Act.

"Bad-Bad" Offers

Finally we have the bad-bad offers. These are the obviously dishonest means of selling securities. In this case a dealer might say, "Good morning, dear lady. We want to give you a chance to double your money in the next 90 days. We can get you in on the ground floor for a good deal involving the XYZ Company, which is making terrific earnings. You just can't lose your money. It is just the sort of thing in which elderly widows should invest their savings." Actually this company is losing money hand-over-fist and the stock is already considerably under water. Such abuses are a prime target of the Securities Act and of course are prohibited under present law as well as under the Capehart Amendment.

The Dealer's Status

How then will the new law work from the standpoint of the dealer? As a practical matter, what will it be safe for the seller of securities to do? In the first place, he can do just about what he is allowed to do now, that is, make a good-good offer. Of course he cannot actually make an offer at present but it amounts to about the same thing since in either case he will telephone the customer and invite his attention to the red-herring prospectus or the identifying statement. No description of the security would be involved unless he attempted the impossible, of reading these lengthy documents over the telephone, without further comment.

If on the other hand he makes a good-bad offer (or a bad-bad offer) he at that point has violated the Act. What may be equally important to him—certainly to his pocketbook—is that he can be sued by his customer for the purchase price of the security after the actual sale has been made. It is important to note that a customer can sue to get his money back under any bad offer. Apparently a bad offer is not later cured by a good sale. Apparently the violation of the bad offer is not cured by the later giving of a true prospectus. Under the Capehart Amendment there are two distinct offenses under Sections 12 and 17—bad offers or bad sales. There is logic to this position. Otherwise a customer who was the victim of a bad-bad offer could be deprived of his right to get his money back merely by the dealer handing him a true prospectus along with the worthless shares. The good-bad offer, however, raises substantial problems for the dealer.

Trouble From the "Cute" Customer

The really "cute" customer has it in his power to cause trouble for any broker who ventures beyond sending out the red-herring prospectus and the identifying statement. Suppose our cute customer gets a good-bad offer made by an unwary dealer. With the best of intention, he omitted a material factor in describing the security, such as an increase in the competitive field of the issuer. The cute customer makes a careful note of what was told him over the telephone. He then buys the security from the dealer on the effective day of the registration. Along with the purchased securities or confirmation he gets a prospectus telling him the true facts. The cute customer carefully leaves this prospectus sealed in its envelope, as well as any copy of a red-herring that he may have previously received from the dealer. He has then put himself into the position where he has a perfectly wonderful "put" for one year. If the stock should go up, well that's all right; no one has yet complained, to my knowledge, of a violation of the Act due to the fact that the stock he bought went up too much. If the stock goes down, the cute customer has an umbrella for a rainy day. He then asks for his money back on the ground that he bought in reliance on a good-bad offer. If the broker is honest he will admit that the offer was good-bad; and if not, the question will resolve itself into one of proof. If the courts should take consistently the word of the broker, then the victims of the bad-bad offers will have no redress. There thus is a way in which a clever customer can take advantage of an honest but somewhat incautious dealer.

The question is then raised as to whether a dealer can insulate himself from liability by in turn not reading the red-herring prospectuses which have been sent to him. He might argue that he himself was uninformed of certain bad features in the stock and so could not pass them on to his customer. Alas, this excuse is not available to the dealer because he is liable if he knew of the defect or could have learned of it by exercising due diligence.

The way the new amendment stacks up, the dealer does not get anything much of substance which he does not have under the present law, since the only safe oral offer that he could make would be a bare statement of the security and an immediate reference to the red-herring prospectus or the identifying statement.

Booby Traps

Well, there may not be much benefit in the new amendment, but at least there is nothing harmful in it—or is there? The suggestion of free offers during the waiting period is a booby trap that may blow up in the hands of a well-meaning but incautious dealer. Furthermore, by making two separate offenses—that is, offer or sale—there is a real danger that a defective original offer is less easily cured by a good sale than under the present law. This will be a matter of interpretation for the courts, but the so-called "technical changes" in Sections 12 and 17 of the Act may turn out to be something considerably different.

How many customers will actually seek to take advantage of this situation is now impossible to estimate. If prices continue to rise, there may be none. In any event, dealers should realize the presence of reefs ahead, and if the Capehart Amendment becomes law in its present form, dealers must carefully consider the exact wording of each offer.

George H. Dunn With Daniel F. Rice & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—George H. Dunn has rejoined Daniel F. Rice & Company, 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges. Mr. Dunn was recently Princeton, Ill., manager for Faroll & Company.

Alm, Kane, Rogers Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—John N. Mees is now associated with Alm, Kane, Rogers & Co., 39 South La Salle Street. He was formerly with Paine, Webber, Jackson & Curtis in Duluth.

King Merritt Adds

(Special to The Financial Chronicle)

BENICIA, Calif.—Earl R. Sherman is now with King Merritt & Co., Inc.

Joins Loren S. Smith

(Special to The Financial Chronicle)

FRESNO, Calif. — Herbert H. Wigh has become affiliated with Loren S. Smith, Rowell Building.

Jet Airliners Due in 3 to 5 Years

By GEORGE W. HALDEMAN*
Special Assistant to Director
Office of Aviation Safety, Civil Aeronautics Administration

CAA official reviews developments in jet airliners and intimates, as the result of studies and tests and the data gained from British experience, jet powered transports probably will start regular schedules in the United States in from three to five years. Says there is considerable likelihood that such craft will have reverse thrusts to brake their landings, and that they can operate from present airports.

We must recognize before an airplane manufacturer can begin to design a new jet transport he must first know something about the power plant he is going to use—its size—power in pounds of thrust or brake horsepower—overall dimensions—control characteristics and availability. I am sure there is no need here to attempt to list or describe all of the experimental and production turbo-jet and turbo-prop engines being built in the United States. Our aviation magazines have compiled comprehensive listings from time to time. Many of these engines are in the experimental stage and are, therefore, wrapped in classified restrictions. It is interesting to note we have turbo-jet engines of varying power up to 10,000 pounds thrust and turbo-prop engines up to approximately 15,000 horsepower. Our military services have been operating turbo-jet engines for several years and have accumulated thousands and thousands of hours of experience.


Geo. W. Haldeman

It must be realized that since we have no turbine-powered transports in operation in this country, our operational knowledge and experience must be learned from the military services — NACA — from the Canadians who built the A. V. Roe jet liners —our own manufacturers' experimental and military production test flights—and from the British who built the de Havilland Comets and Vicker's Viscounts.

As a result of the CAA studies during the past several years, we are now able to say to the industry that in considering the type, certification and operation of turbine-powered transports the present Civil Air Regulations, *CAR Part 4B*, will apply where applicable and where new problems are presented, or wherein the present regulations would not apply, this report issued in January, 1954 on turbine transports will be used as a guide as evidence of our best knowledge and thinking to date. All such problems can then be settled on the basis of ad hoc discussions between the CAA and the applicant. We have attempted to give industry the best guidance possible in this report, and to indicate to them the conclusion arrived at as a result of all of our findings. A Vice-President of one of our large airlines summed up the situation very adequately when he stated that "no manufacturer can afford to build, and no operator can afford to buy a jet transport until all of these problems as proposed by the CAA are settled." We can and must settle these issues in such a manner as to insure the maximum in safety, in the operation of these aircraft. Having had the opportunity of working with our manufacturers for the past 20 years on type certification problems, *I personally* have no fear but that each of the problems can be satisfactorily solved using such a method.

*An address by Mr. Haldeman at the Second Annual Air Safety Forum, Chicago, Ill., April 23, 1954.

We in the CAA have been fortunate in accumulating a considerable amount of flight experience in flying turbine-powered aircraft such the P-80, Convair jet liner, T-33, B-45, B-47 and the F-94C, as well as several foreign designs. We have had some of our engineering test pilots go through the test pilot's course at Farnborough, England. I personally had the good fortune of making two dives through the sound barrier in a Lockheed F-94C and obtained some first-hand information of Mach effect on controllability, compressibility, and stability. While the accumulated flight time in jet aircraft of all CAA personnel is limited, I merely want to point out to you that we are not relying on hearsay but are actually obtaining first-hand flying information which is most valuable in discussing flight characteristic problems.

We do have several turbo-prop aircraft flying experimentally today from which operational experience that will be applicable to commercial transports is being gained. Such aircraft as the Convair Turbo-liner with Allison T-38 turbo-prop engines, the C-124, Douglas Globemaster, the Convair Model 340 with Allison T-56 engines—and we will soon have the Connie with turbo-prop engines, the Lockheed military transport C-130, and the Boeing C-97 with the Pratt-Whitney T-34 engines. Consolidated's four-engine long-range patrol flying boat has already flown and is now in production.

British Experience

You are familiar, I am sure, with the various new turbo-jet designs being proposed and being discussed by Boeing, Douglas, Lockheed and Fairchild. I shall not go into details relative to these developments except to note that the first U. S. developed turbo-jet prototype, the Boeing Model 707, is scheduled to fly the latter part of this year.

Reviewing the jet transport development operation in England and Canada, we note that the A. V. Roe Company in Canada built the AVRO jet liner in 1949 for the Canadian Department of Transport. In England the de Havilland Comets turbo-jet transport and the Vicker's Viscount turbo-prop transport have been certificated and in operation. Military four engine turbo-jet bombers have been developed in England and there is a strong indication that some of these may have commercial counterparts. Most outstanding are the Handley Page Victor developed at Cricklewood, London, which is noted for its crescent wing design, the Vicker's Valiant developed at Weybridge, England, and the Vulcan, a delta wing bomber designed by the A. V. Roe Company of Manchester, England. We understand that all three of these aircraft are in the 200,000 pounds Mach 1 design class.

The Bristol Company have the turbo-prop Britannia which is in the 150,000 lb. class and are now in production for B. O. A. C.

The British and Canadian aircraft manufacturers and the United Kingdom airline operators are certainly to be commended for the fortitude and farsightedness they have displayed in paving the way for turbine-powered transport operation.

It seems that any new advancement in the design of transport category aircraft must go through a stage of "growing pains" and certainly the British have had their share with the Comets and the Britannia. Some of us can very vividly recall the romances we experienced with some of our own transport designs in the past. It is certainly to be expected that definite clues will be found to the cause of the recent accidents to the British turbine transports and that necessary corrective measures, where necessary, can be taken since such accidents will undoubtedly retard the introduction of jet passenger operation, *all over the world.*

During a recent trip to England, I was afforded the rare opportunity of getting some first-hand information on U. K. constructed jet aircraft. Thanks to the arrangements made by Mr. Fraser's compatriots in the Ministry of Civil Aviation and the Air Registration Board, it was possible for me to gain first-hand information on the Vicker's Viscount, the de Havilland Comet Mark I and II, and the Avro Vulcan. Scheduled procedures were observed by flying the route from London to Livingstone, Northern Rhodesia, and return in one of BOAC's Comets. In mingling with the passengers on this 36-hour flight, it was noted that the passengers' reaction to flying at high speed and high altitudes in the jet powered aircraft was the most enthusiastic I have ever seen. Many passengers indicated that in planning a trip from Johannesburg to London, they would prefer to wait for weeks in order to get a seat on one of the Comets rather than make the 6,000-mile flight in the slower piston engine powered aircraft.

Acting as part time crew member and passenger, I had the opportunity to observe the operation of the aircraft and to obtain first-hand information relative to fuel control, navigation, holding patterns and the like since stops were made on this trip at Rome, Cairo, Khartoum and Entebbe. I must say that the pilot and crew training afforded, training of dispatchers, ground personnel, in fact the entire operation reflected the maximum of efficiency. Starting of engines—taxi time—takeoff—climb—cruise—descent and landing—are based on split-timing. Mistakes cannot be tolerated.

General Conclusions

I should like to review with you here certain general conclusions reached by the CAA Turbine Transport Team as a result of the investigations conducted during the past year. These conclusions are based on available evidence and a broad engineering evaluation of trends which may be developed from the evidence.

(1) **Start of Use:** U. S. built turbine-powered transports will probably go into civil scheduled passenger operation in the period 1957-59, with domestic or overland operation preceding over-ocean operation. Civil cargo operation may precede passenger operation. The competitive effect of the substantial increase in operating speed provided by the compound-piston engines in the DC-7 and the Constellation aircraft may actually accelerate the introduction of turbine-powered transports into U. S. domestic operations, fully as much as British turbine-powered aircraft may affect U. S. international operations. With reference to the first of these conclusions, please bear in mind that it was written approximately six months ago. Events since that time may alter this predicted timing—since certainly this is not a static subject we are discussing.

(2) **Turbo-Prop versus Turbo-Jet Transports:** Both turbo-prop and turbo-jet powered transports may come into service at nearly the same time, with the turbo-prop, because of lower direct operating costs, becoming an important factor in air coach, cargo, and possibly in local service and executive aircraft operation; and the turbo-jet, because of its greater predicted speed having its main field of operation in first-class domestic and overwater passenger operation in the medium to long range operations.

The by-pass or ducted fan engine, a type of turbine power plant intermediate between the turbo-jet and the turbo-prop, may have promise in the high speed transport field, because of its potential advantages in low specific fuel consumption and reduced noise.

(3) **Airports:** Turbine transports will operate from present size and location airports except for such continuing improvements and gradual increases in length as may evolve. No substantial change in the present CAA airport standards, as given in TSO N6a, is anticipated.

Turbo-prop aircraft will probably not be airport limited, i.e., the weights will not be limited by the take-off runway distance. Jet transports are being designed to operate over present routes from present airports.

Approach and landing speeds will probably not be less than present transports, thus approach and runway lighting will continue to be of prime importance.

(4) **Terminal Handling:** Terminal ramp areas are already stretched to awkward proportions with present piston powered transports, putting loading gates at excessive distances from the terminal. This critical condition plus the desirability of avoiding noise and blast effects and reducing taxiing time may foster the development of special loading ramps, passenger loading buses or other means.

(5) **Airways:** As has been previously pointed out, new methods of traffic separation at high altitudes may be necessary in the future, to cope with the increased high altitude traffic and the mode of operation currently deemed most efficient for turbine-powered aircraft, i.e., a gradual climb in cruise.

(6) **Noise:** Noise which is a real problem at present may be expected to increase with increases in the power of aircraft engines. Some of the research progress is encouraging, and substantial improvements could be made based on present knowledge, but at a severe penalty in weight. Solutions to the noise problem must be pressed since operating procedures may be adversely affected by the need to control noise in terminal areas.

(7) **Weather:** Turbine-powered transports will place a premium on a greater degree of accuracy in weather observation and prediction. Minimum altitude and ceiling values at airports, upper air winds, icing, turbulence at intermediate altitudes and hot day temperatures over the runway will be among the important data needed.

(8) **Airframes:** From the standpoint of the airframe designer and manufacturer, the principal new problems are:

Structural, in insuring a proper correlation of the structural design speeds with the expected operational speeds so that the aircraft will have adequate strength and satisfactory ride characteristics to cope with expected gusts and turbulence in climbing and descending, in maneuvers, and to provide adequate margins against fatigue failures.

Integrity of Pressurization. Operation at high altitudes will make vitally important the reliability of windows, seals, doors, emergency exits, and other airframe components to provide the highest possible insurance against loss of pressure.

Primary Control Systems. The primary control systems should provide fully as good feel characteristics to the pilot as do present transports, yet the speeds and the size of these aircraft together with the rapid changes in flow characteristics at high Mach numbers will make it extremely difficult to do this in a simple manner. The use of power assisted controls increases the difficulty of insuring absolute reliability.

Vulnerability from Powerplant Failures. The configuration of the airplane and the location of the powerplants must provide the maximum insurance against catastrophic damage from powerplant failure.

(9) **Powerplants:** The extensive background of design and production experience on military jet engines will assist in reaching high standards of turbine wheel reliability, containment of turbine and compressor blades, and the avoidance of severe engine breakup in case of shaft or bearing failures. Because of the tremendous amount of kinetic energy contained in present turbine engines, freedom from extensive engine break-up can not be overemphasized.

Fire Safety. It appears that considerable improvement in fire safety, both in flight and following damage on landing, can be obtained by utilizing the results of available information in the early design stages of the powerplant.

Contamination. Turbine engine designs should incorporate careful provision against contamination of bleed air introduced into the inhabited zones of the aircraft.

Turbo-prop Controls. The lessons learned from past propeller reversing problems and the best features of fail-safe design must be applied to turbo-prop propeller and power controls. The turbo-prop propeller by its nature may generate much greater adverse yaw, following engine failure, than piston engines and extreme care will be essential to avoid hazards from this source.

Reverse Thrust. Contrary to the general attitude less than a year ago, there now is considerable optimism in industry that a practical device, providing about 40% thrust in reverse without appreciable penalty in normal operation, will be developed in time for use in the first U. S. civil jet transport operation.

Thrust Augmentation. Water will probably be used for thrust augmentation. It is possible that a modest amount of afterburning, 20%, may be used for certain long-haul operation but noise and appearance will militate against it.

Fuel. Cost and space advantages of a kerosene-base fuel will justify its use over a gasoline-base fuel. A closely controlled uniform grade of fuel probably will be used to prevent adverse effects in operation and in maintenance.

(10) **Equipment:** The extension of civil operations to higher altitude and higher speeds brings with it additional equipment of electronic, electrical, hydraulic and mechanical nature. Failure or inadvertent operation of these devices may have much more serious consequences than in the past.

Because of the complete dependence on cabin pressurization, many of the current faults, such as electrical fires or smoke, fluid mist or false fire warning indications, are potentially much more serious. Substantial improvements in the devices and possible isolation from the pressurized cabin are needed.

Many controls, components and details now deemed secondary, such as inspection doors, drag devices and others, become of primary importance.

Further work is urgently needed on brakes or other decelerating devices, particularly for use with wet and icy runways, to aid in attaining all weather operation.

(11) Test Programs: Because of high original and operating costs of the equipment as well as the operational unknowns to be faced, test programs leading to the integration of turbine aircraft into airline operating fleets will require thorough planning.

The high operating speeds and altitudes of the new compound piston engine transports will aid in solving some of the problems by their operation into regimes which will be used by turbine-powered transports.

There are many predictions into the future as to just what we can expect during the next 10-15-25 years in airline transportation.

As a result of the investigation our Turbine Transport Team have conducted during the past year, I have lost a considerable amount of my normal conservatisms.

We already have turbine-powered aircraft — the commercial counterparts of which can operate up to near Mach 1—the speed of sound.

It is not unrealistic to predict speeds of 1,000 mph. or greater with payloads of more than 50 tons—when we consider the tremendous rate of progress in developing higher thrust and lighter power units—the use of new, light, heat resisting materials and the furtherance of knowledge in streamlining.

Who can say but what we will, in the not too distant future, be able to realize nuclear power for *aircraft*, thereby making possible operation at even greater heights with larger payloads as a result of the *decreased weight of fuel required*. If it is practical for the submarine—then why not for the transport aircraft.

I don't think we can say that we know the answers—but it looks like we are in for a fast ride—and for one, I'm glad I'm young enough to be in on its development.

Mohawk Carpet Elects Barnard Townsend

AMSTERDAM, N. Y.—At a special meeting of directors of Mohawk Carpet Mills, Inc., May 19, Barnard Townsend was elected Financial Vice-President and Treasurer of the company. His election fills the vacancy caused by the death of William McCleary, Mohawk's former Treasurer.

Barnard Townsend

Mr. Townsend has been associated with the investment banking firm of Lehman Brothers and prior to that was President of the Title Guarantee & Trust Company from 1948 to 1950. In 1950 the banking business of Title Guarantee & Trust was sold to Bankers Trust Company.

From 1936 to 1948 Mr. Townsend served as President of the Troy Savings Bank which he joined after an association with The Hanover Bank in New York City.

With Somerset Secs.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Katharine L. Hardie has been added to the staff of Somerset Securities Corporation, 310 Sansome Street.

The Government Bond Picture

By AUBREY G. LANSTON*

Aubrey G. Lanston & Co., Inc.

Mr. Lanston lists as neglected phases of the Government bond picture: (1) an indispensible free market for government securities; (2) a mechanical weakening in the functioning of the Federal Reserve that causes inadequate response to changes in demand for private credit, and (3) the need for more banking and public scrutiny of the scope and technique of the Reserve's open market operations. Discusses these phases, and sums up the Government bond market as being "tired," after having undergone an unprecedented rise. Sees a surplus of investable funds, and advises commercial banks to take profits by making swaps, even if there is no desire to change maturity distribution of their individual holdings.

The aim of my remarks today will be to stimulate your thinking about three phases of the government bond picture that ordinarily might not occupy much of your attention.

Aubrey G. Lanston

First, I believe that this so-called free market for Treasury securities is indispensable to the type of business enterprise, and to the individual freedoms we have in the United States. Why is this virtually a fact?

Second, there is a mechanical weakness in the functioning of the Federal Reserve System that causes the availability of reserve credit to be insufficiently responsive to desirable changes in the demand for private credit; this causes the fluctuations in Treasury security prices and yields to be wider than they need be. It can be remedied to the benefit of all.

Third, as a matter of basic policy, the Federal Open Market Committee is confining its market transactions solely to such purchases and sales of short-term Treasury securities (in practice to Treasury bills) as are necessary to provide or to absorb bank reserves; the President of the Federal Reserve Bank of New York believes this to be an undesirably restrictive practice, one that should not become a permanent rule for open market operations. He urges more banking and public scrutiny of the scope and technique of the Reserve's open market operations. I plan to discuss this matter with you.

Then, I shall conclude by giving you my estimate of the present market situation and of my attitude toward the management of commercial bank Treasury security portfolios at this time.

Point One: Why is the Treasury security market, that we call a free market, indispensable to the type of business enterprise and individual freedoms we have in the United States?

In the management of money, public debt, and credit we must rely primarily on general credit controls or primarily on selective controls.

Selective controls are essentially incompatible with our type of business enterprise, and, if a large number of them were to be introduced, two things would be likely to happen:

(1) General credit controls would bog down and invite the introduction of an enlarged number of selective controls.

(2) Individual freedom would be increasingly circumscribed by the regulations necessary to make an increasing number of selective controls workable.

It seems to me that, on these simple grounds alone, it becomes plain that general credit controls must be the principal reliance of the government and of the people of this country. This, however, does not guarantee that general credit controls will work to our general satisfaction. It is in their application that we run into complications because, in the final analysis, the success attained cannot be greater than the success with which flexible debt management and credit policies are administered.

In effect, we have the following succession of requirements:

(1) A principal reliance on general credit controls.

(2) A sound Treasury budget.

(3) The successful execution of appropriately chosen flexible debt management and credit policies; and

(4) A Treasury security market that, in common with other markets in this country, must be as free as possible to reflect the purchases and sales of the general public.

As you know, the market for Treasury securities is not an entirely free market and it hasn't been for about 40 years. The Federal Reserve System was formed about that long ago to provide us with an elastic currency that would be responsive to the expansion and contraction of sound credit. In addition to that we have a tremendous Treasury debt that causes the Treasury to be in the market almost constantly.

Therefore, we know, and most informed people should know, that Treasury debt management and Federal Reserve credit policies influence the amount, availability and cost of money in the Treasury security market and in all other markets in which funds are supplied or used. In such circumstances, it is inescapable that everyone who supplies or uses funds is affected (1) by Treasury debt and Federal Reserve credit operations, and (2) by the reactions of others to these operations, and (3) by the composite reflection in the market of future anticipations, that is, of future Treasury-Reserve operations and future reactions to these.

It seems to me, therefore, that when we speak of a "free market" for interest rates we are referring to a situation where the private sector of the economy is free to arrange mutually satisfactory terms on a competitive basis — within the environments that are provided by business conditions and by Treasury debt management and Federal Reserve credit operations.

The Treasury security market operates in these environments. Therefore, it is no more free than any other market. The point, as I see it, is that this market should be as free as possible, a requirement that applies to all markets in a competitive, enterprising economy—whether for securities, goods, or services.

Being as free as possible means retaining the maximum ability to reflect, in market prices (and in this case yields as well) the transactions of the general public. Conversely, it means that market transactions for the account of the Treasury and of the Reserve must be held to the minimum that are required for the execution of appropriate money, public debt and credit policies.

If we maintain such a Treasury security market we will get fluctuations in interest rates that will accurately reflect the response of the country to changes in the amount and availability of money that flow from changes in business activity and from Treasury-Reserve policies.

These fluctuations in interest rates will be a product of what has been, and is happening, and what is expected to happen. If the Treasury, for its Accounts or the sinking fund, or the Federal Reserve, needlessly engages in market purchases and sales of Treasury securities, these transactions will obscure the reflection — in market prices and yields — of the transactions of the public. The Treasury security market then would reflect less accurately where we have been, where we are, and where the public thinks we are going.

Since the rates on Treasury securities are the key rates in the interest rate structure, anything less than maximum freedom for the Treasury security market will befog the action of interest rates generally.

If this happens then the margins of human error in the application of flexible debt and credit policies will increase. This means that we will fail to realize the full potential from general credit controls.

Situations could develop that would lead us easily to an increased reliance on selective credit controls — with consequential harm to business enterprise and loss of individual freedoms.

Therefore, I submit to you that the facts are:

(1) The Treasury security market is subject, as are all other markets, to the influences of money, public debt and credit policies.

(2) The Treasury security market needs to be as free, in such an environment, as any other market for securities, goods or services.

(3) The maximum freedom obtainable for the Treasury security market comes from keeping the market purchases and sales of the Treasury and the Federal Reserve to the minimum that satisfies Treasury-Reserve operations.

(4) We cannot achieve the full potential of general credit controls if we fail to achieve maximum freedom for the Treasury security market; and

(5) If general credit controls bog down, because of failure to meet the above requirements, or because of inappropriate debt management and credit policies, an increasing number of selective credit controls may be introduced on the grounds of expediency. These will be harmful to competitive business enterprise and the regulations necessary to them will be bound to circumscribe individual freedoms.

Point two concerns a mechanical weakness in the function of the Reserve System. This causes the availability of reserve credit to be insufficiently responsive to desirable changes in the demand for private credit. In turn, this causes the fluctuations in

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*An address by Mr. Lanston before the Indiana Bankers' Association, Indianapolis, Ind., May 12, 1954.

What It Takes to Make Money Sound and Honest

By FREDERICK G. SHULL*
Connecticut State Chairman
Gold Standard League

Describing the Gold Standard as currency having "fixity-of-value" and "redeemability," Mr. Shull recites opinions of outstanding authorities on the advantages of the gold standard and reviews American monetary experience. Scores abandonment of the gold standard in 1933, and opposes change of gold value of dollar.

An old proverb reads as follows: "We have gold because we cannot trust governments." I shall draw your attention to facts which will show that there is a great deal of truth in that well-known "proverb." Back in 1931 a famous British committee, known as the "Macmillan Committee," rendered a report in which that committee of 14 eminent financiers and economists included the following significant statement:

Frederick G. Shull

"There is, perhaps, no more important object in the field of human technique than that the world as a whole should achieve a sound and scientific monetary system. But there can be little or no hope of progress at any early date for the monetary system of the world as a whole, except as the result of a process of evolution starting from the historic gold standard."

This raises the question: "What is the Gold Standard?"

The answer is very simple. That standard involves just two basic principles, namely, "fixity-of-value" and "redeemability." In other words, a nation fixes the value of its monetary unit, such as our dollar, in terms of a definite weight of gold, which is the principle of "fixity-of-value"; and having done that, the nation must be willing to exchange gold, on demand, for its paper money, or other token currency, at that fixed value, which is the gold-standard principle of "redeemability."

To make sure, right at the start, that those basic principles are clear to everybody, I shall illustrate their importance by referring to the common game of poker. In poker, as you all know, the chips are given a definite value before the game can start; those chips possess no intrinsic value—any more than paper money possesses "intrinsic value"; and hence, giving them a "value" corresponds to the gold-standard principle of "fixity-of-value." And as you know, those chips are exchangeable at their fixed value—which is closely akin to the gold-standard principle of "redeemability." Now I need not remind you what would happen to the banker of a poker game if he ever attempted to change the value of the chips or refused to redeem them at their fixed-value; and yet, in 1933, 130 million American people sat idly by while their political leaders not only "changed the value" of the chips, but refused to "redeem" them even at their greatly debauched value. That is the greatest piece of dishonesty that has ever been inflicted upon the American people; and, a little later on, I shall show you just how this penalized the people of this nation.

*An address by Mr. Shull before the Bridgeport Rotary Club, Bridgeport, Conn., April 13, 1954.

Opinions of Outstanding Authorities

First, let's examine the opinions of the outstanding authorities of the past 200 years on this subject of "sound money." The world's greatest economist, Adam Smith, wrote his authoritative book, "Wealth of Nations," nearly 200 years ago. To be exact, that book was first published in the year 1776 (a very significant year), after ten years of hard work by its author. In that book Adam Smith gives strong evidence that he was a firm believer in the gold standard: He cites the case of the Bank of England as having at times, issued a greater quantity of bank-notes than were needed for the normal conduct of business; that, as a result, the surplus of those bank-notes tended to drift back to the bank for redemption in gold; that this, of course, cut down the bank's supply of gold; and that they therefore went into the open market—the free gold market—and purchased gold to replenish their supply; and, as Adam Smith points out, the Bank of England never hesitated to pay a premium for gold, whenever necessary; and they did that for just one reason: When the Bank of England put out a paper money that claimed to carry a definite value in terms of gold, that bank had the honesty and integrity to see to it, at all times, that the paper be maintained "as good as gold."

A passage in Adam Smith's book, and quoted by later economists, is as follows: "The raising of the denomination of the coin has been the most usual expedient by which a real public bankruptcy has been disguised under the appearance of a pretended payment." Back in 1933 our political leaders violated the sound-money principle envisaged in that quotation—they "raised the denomination of our coin": They took what had been a $20 gold piece for almost a full century and declared it to be a $35 gold piece. That was "raising the denomination of the coin," and, in the words of Adam Smith, it was "disguising a real public bankruptcy under the appearance of a pretended payment." That was the greatest piece of dishonesty that has ever been inflicted on the people of this nation; and, a little later on, I shall show you specifically just how that injured the American people.

Just 13 years after the publication of "Wealth of Nations" we set out as a nation in the year 1789. It soon became apparent that we needed a national currency; and under the able leadership of Alexander Hamilton the American dollar was born. Hamilton was what is known as a bimetal man—he believed that our currency should be specie-backed with both gold and silver—and, at that time, he was probably very wise in that view; for, as against the 22,000 tons of gold owned by this nation today, they had very little gold in 1792 when the dollar was established. They, therefore, set the dollar up in terms of each of these two rare metals: They first gave it a "value" of 412.5 grains of silver 0.9 fine, which works out to exactly 371.25 grains of pure silver; and, having determined that the relationship of gold to silver should be 15 to 1, they also gave the dollar a "value" of 24.75 grains of fine gold—which is exactly 1/15 of 371.25 grains set for silver.

Under this set-up the U. S. went forward for the next 40 years without any tampering, whatever, with the "value" of the dollar. But, in the early 1830's, someone conceived the idea that the "15 to 1" relationship wasn't quite right—that it ought to be "16 to 1," instead; and the idea had sufficient support to result in its adoption. This was done by leaving the silver content of the dollar unchanged, but the gold content was dropped from the original 24.75 to 23.22 grains—thus resulting in the desired 16 to 1 relationship. This had the effect of raising the original official-price of gold from $19.39 to the well known $20.67 an ounce; the change went into effect in 1837; and the "value" of the dollar was never again tampered with for 96 years—not until the New Deal debauched the dollar in 1933.

Again, in the 1830's there was an agitation to do away with paper money, altogether, and use nothing but specie; and one of the strongest opponents of that proposal was a man who is generally regarded as the greatest statesman who ever graced the Congress of the United States—Daniel Webster. It was on the 22nd of February, 1834, that Webster delivered a powerful address before the Senate, which address carries the title, "A Redeemable Paper Currency"; and here are some direct quotes from that address: "I know, indeed, that all paper ought to circulate on a specie basis; that all bank-notes, to be safe, must be convertible into gold and silver at the will of the holder. . . . We have lived hitherto under a well constructed, practical, and beneficial system; a system not surpassed by any in the world. . . . Such a currency is not paper money, in an odious sense. It is not like the Continental paper of Revolutionary times. . . . On the contrary, it is the representative of gold and silver, and convertible into gold and silver on demand, and therefore answers the purposes of gold and silver; and so long as its credit is in this way sustained, it is the cheapest, the best, and the most convenient circulating medium. I have already endeavored to warn the country against irredeemable paper; against the paper of banks which do not pay specie for their own notes; against that miserable, abominable, and fraudlent policy, which attempts to give value to any paper, of any bank, one single moment longer than such paper is redeemable on demand in gold and silver."

Those are the sound-money principles enunciated by Daniel Webster 120 years ago; they were just as true 100 years after their utterance, when the New Deal gave us the printing-press money we have been using for the past 20 years; and they are just as true today, notwithstanding the fact that the present Administration, committed to "a dollar on a fully convertible gold basis" in its 1952 platform, seems perfectly contented to continue with the New Deal type of money described by Webster as "miserable, abominable, and fraudulent."

Are we supposed to fall for the idea that our present political leaders know more than the great monetary authorities of the past—such leaders as Adam Smith, Alexander Hamilton, Daniel Webster, John Sherman, Andrew D. White, Edwin W. Kemmerer, Andrew W. Mellon, all of whom supported the principle that paper money, to be safe, should be redeemable on demand in gold and silver? And do these present-day political leaders know more than our present-day economists—some 70 of whom are teaching economics throughout this nation, and who are agreed that the "value" of the dollar should be firmly anchored at $35 a fine ounce of gold, and made "redeemable" on demand at that fixed value? We follow the views of engineers on engineering problems; and why shouldn't we follow the views of economists on this important economic problem?

American Experience

To get back to our chronological summary of monetary opinion of the past—in 1861, with our government facing heavy expenditures for the Civil War, there were those who were fearful that our paper money might depreciate in value, and they started converting their currency into gold. To conserve the nation's gold supply in the interest of all the people, the government, quite properly, temporarily suspended gold payments; and this continued for the next 18 years, through what is known as the "greenback" era. But, in the early 1870's, with the war over, there were those who felt we should get back to the firm foundation of the gold standard principle of "redeemability"; and foremost in that movement was Senator John Sherman (appointed Secretary of the Treasury in 1877), chief promoter of the Resumption Act of 1875, which act was passed in that year, and called for becoming law as of Jan. 1, 1879. That has established a pattern that should be followed today—allowing one or two years, at least, for the country to become "conditioned" to the return of "redeemability" after passage of the legislation, but before actually putting it into effect.

Another man who gave great support to the movement aimed at getting back on the gold standard in the 1870's was Andrew D. White. Based upon a careful study as to what happens when nations tamper with the value of their currencies and adopt "irredeemable" paper money—his lesson being drawn from the unfortunate experience of France with that type of money in the 1790's—Dr. White developed those facts into an address, which he delivered in Albany, Washington, and New York, prior to passage of the Resumption Act of 1875. A well known passage from that address—which address later became the basic material for his book "Fiat Money Inflation in France"—sums up his view as to what is bound to happen when any nation resorts to tampering with the "value" of its currency. That passage reads: "Every other attempt of the same kind in human history, under whatever circumstances, has reached similar results in kind if not in degree; all of them show the existence of financial laws as real in their operation as those which hold the planets in their courses." In other words, since the dollar is a measure-of-value—once is has been established in its "orbit," it can no more be tampered with, properly, than one could disturb the planets in their "orbits."

Dr. White's book was successfully used as a piece of campaign literature in the political battle of 1896 when William Jennings Bryan undertook to overthrow the gold standard with his free silver monstrosity. Mr. White, therefore, deserves credit not only for helping to restore our currency to a true gold standard in the 1870's, but also for helping to preserve that standard in 1896.

During the first four decades of the present century the most outstanding monetary expert of this nation was the late Professor Edwin W. Kemmerer of Princeton University. He wrote and lectured extensively on the subject of sound money; and his last book, "Gold and the Gold Standard," published in 1944 just shortly before his death, is a masterpiece on the history and requirements for a sound, honest money. According to this high authority we need not have gone off the gold standard in 1933; we ought merely to have temporarily suspended gold payments, as was done in 1861, until economic conditions had settled down after the great stock market spree of the 1920's. But Professor Kemmerer also contended that, having devalued the dollar to 1/35 of an ounce of gold, we cannot now return to its earlier value—that we must stick to this new value. He said that as soon as World War II was over we should firmly fix the dollar at $35 an ounce and restore the privilege of "redeemability." Instead of following that wise advice our political leaders have continued to follow the policy of "playing by ear" in its handling of this important monetary problem.

In 1921, Andrew W. Mellon became Secretary of the Treasury under President Harding; and in the first three years of his Secretaryship he reduced the national debt from $26 billion to $17 billion, or, in more understandable terms, by $9,000 million. That was done by one who knew the science of finance, and he deserves great credit for such an accomplishment. In 1924, Mr. Mellon brought out his book, "Taxation: The People's Business." And in that book he gives support to the Gold Standard in these words: "In so far as this government is concerned, its policy has been to keep its own house in order, to maintain the gold standard unimpaired, to balance its budget and to carry out a reasonable program for the orderly funding and gradual liquidation of the war debt." It will be noted that Mr. Mellon placed "maintaining the gold standard" ahead of "balancing the budget"—he appears to have had the now seemingly strange idea that government finance can be handled in terms of "honest dollars," rather than in terms of "printing press dollars" such as we are currently using.

The Gold Standard Abandoned

But, in the face of all that background as to what the leaders of the past had to say on the subject of sound-money — such monetary authorities as Adam Smith; Alexander Hamilton; Daniel Webster; John Sherman; Andrew D. White; Edwin W. Kemmerer; and Andrew W. Mellon—what did the New Deal do in 1933? Why, they ignored all this expert opinion and foisted upon the American people an entirely new theory as to what constitutes "sound" money—they reverted to theories that were exploded by the experience of France at the time of the French Revolution; they not only "devaluated" the one currency that was then regarded as the best in the world, but they also withdrew, in so far as Americans are concerned, the privilege of redeemability on demand in gold. That resulted in giving us what Daniel Webster so truly defined as a "miserable, abominable, and fraudulent" type of currency; we have been burdened with it ever since; and we continue to be burdened with it, notwithstanding the fact that the present Administration, in its 1952 campaign platform, is pledged to restore our currency to "a dollar on a fully convertible gold basis." Let's examine the effects of this "debauchery" of the American Dollar:

The Battle for Fixity of Value

In 1933 our government owned about $4 billion in gold, based on the former price of $20.67 a fine ounce. But when the official price was raised to $35 an ounce, that store of gold came to represent a value of $7 billion. Therefore, by this questionable "expedient," the government made a profit of $3 billion. But there is another side to the coin: In 1933 the people owned upward of $125 billion of assets, all payable in definite numbers of dollars regardless of the "value" of the dollar, in the form of bank deposits, Government bonds, and life insurance benefits already paid for with dollars carrying a "value" of 1/20th of an ounce of gold per dollar. The dropping of the "value" of the dollar to 1/35th of an ounce of gold, a 41% "devaluation," thus robbed the people of more than $50 billion of the real value of their accumulated savings in the form of the three types of dollar-assets above mentioned. In other words, while the Treasury was making a profit of $3 billion for itself, it was, by the same act, robbing the people of 17-times that amount. If that can be called "honesty," I don't know the meaning of that word. It, of course, wasn't "honesty"—it was "repudiation" of obligations entitled to be consummated with absolute "honesty."

If there were to be a further "devaluation" of the Dollar, today, it would be far more costly than it was in 1933; for, today, the people of this nation own more than $500 billion of dollar-assets in the form of the three classifications above named; and as little as a 10% "devaluation" of the dollar would rob the people of more than $50 billion of their savings payable in "dollars." And, lest it be assumed that such further devaluation cannot happen, it is well to bear in mind that a lobby of gold-producers is active in Washington, trying to get the official-price of gold raised to as high as $70 an ounce—meaning the dropping of the "value" of the dollar, itself, from its present 1/35th to a new value of 1/70th of an ounce of gold, or a 50% "devaluation." Were those lobbyists to be successful it would cost the people a shrinkage of more than $250 billion in the real value of their accumulated dollar-assets. Incidentally, since about 90% of the world's output of gold is produced outside the United States, that "lobby of gold-producers" is fully 90% a foreign agency—a very questionable "agency" for determining policy for the U. S. Government.

Fortunately, there are other agencies that are striving by every reasonable means to prevent the accomplishment of the ill-advised purpose of the "lobby of gold-producers." Outstanding, is the "Economists' National Committee on Monetary Policy," made up of some 70 of the leading economists of this nation, including Yale's Professors Fairchild, Hastings and Saxon; and a second agency is the "Gold Standard League," headed, and largely financed, by Mr. Philip McKenna of Latrobe, Pa. These agencies are undertaking to get our political leaders to recognize the wisdom of anchoring the "value" of the Dollar at $35 a fine ounce of gold, and restoring the age-old privilege of "redeemability" on demand.

Now, in conclusion, I propound this question. What can Rotarians do to help promote the worthy cause of getting the United States back on the firm, honest foundation of the Gold Standard? The answer is very simple: The present Administration, by its 1952 Platform, is pledged to restore our currency to "a dollar on a fully convertible gold basis." Therefore, merely write a letter to Secretary of the Treasury Humphrey, demanding that his Party carry out its campaign pledge above quoted; and write similar letters to Senators Bush and Purtell, and your local Congressman. Failure to register your views with your representatives in Washington is to give tacit approval of the monetary setup foisted upon us by the New Deal, and under which we continue to operate.

The Recession—More of a Blessing Than a Curse for the Nation

By W. W. TOWNSEND*
President, Townsend-Skinner & Co., Inc.

Pointing out there is a definite distinction between a recession and a depression, Mr. Townsend contends if the current downward trend results in only a retreat from a high level of activity, it could prove to be the best thing which could possibly have happened from standpoint of our domestic economy. Says our economy has been in an unhealthy state of equilibrium and needs balancing out. Lists as danger spots requiring watching: (1) the adverse psychological effect of unemployment; (2) over-building; (3) decline in the demand for mortgage money. Forecasts, if nothing unforeseen develops, we could be out today's inventory recession by this fall.

At the outset of this discussion it should be made quite clear that there is a definite distinction between a recession and a depression, in spite the fact that, to most people, the two words are synonymous. The plain truth is that a recession is a return from an abnormally high level of activity to a normal level of activity and is healthy. A depression is a retreat from a normal level of activity to a subnormal level of activity and is unhealthy. It is rather difficult to keep a recession from running into a depression—and they look alike—but the distinction is vital and necessary, particularly to this discussion, as today's recession has not extended itself into any of the standard symptoms of a depression and from present indications this is not at all likely. If such proves to be the case, the experience through which we are passing today could very well prove to be the best thing which could possibly have happened to us, from the standpoint of our domestic economy.


W. W. Townsend

No one can doubt that for many years past we have been living at a rather hectic pace, producing both guns and butter during the period of the recent conflict and overproducing "butter" ever since. Our greatly expanded production facilities have been pushed to the limit, particularly in the field of consumer durable goods, and in the case of automobiles we wound up the year 1953 with about half a million unsold 1953 models at the time the 1954 models were being put on the market. The same situation existed in household appliances of all sorts. Coupled with this obvious inventory log-jam, we had witnessed a tremendous increase in consumer credit, particularly installment credit, during the years after World War II. A large segment of our population had been purchasing current satisfactions out of future income. The aggregate of consumer credit had increased from $5.6 billion to almost exactly $29 billion and installment credit had increased from $2 billion to nearly $24 billion. From the standpoint of its relationship to disposable income, this amount of consumer credit was not unduly alarming but while statistics can be "averaged" people can not.

Another very large segment of our population had been saving to such an extent that the thrift institutions were bulging with funds which were difficult to invest without exerting unwarranted pressures on the markets for high grade securities. Fortunately, the housing boom absorbed a very substantial part of these funds and as a result of this conspiracy of circumstance, it is possible to state that at present more than 50% of the homes in this country are owner-occupied.

An Uneasy State of Equilibrium

However, it is not healthy to have an economy in which an uneasy state of equilibrium has developed out of the existence of two distortions operating side by side and balancing each other out. Any sudden change in either distortion would be bound to bring about serious consequences and this is what the economists had in mind when they voiced so many admonitions regarding the possibility that a deflationary spiral might develop out of a decrease in production, with its attendant unemployment or out of a shift in the attitude of the public toward "borowing to spend."

If the trend toward the increase in installment debt were to be reversed and a substantial part of disposable income for 1954 were to be taken out of the stream of consumer spending and devoted to the repayment of old debt, the consequences also might be serious.

All of these possibilities were real. All of them have been found in a minor degree ever since the first of the year. No one of them—and no combination of them—has resulted in anything like the dire predictions which were so prevalent toward the end of 1953.

Nature has a peculiar way of adjusting herself if left to her own devices. She is often ruthless but she often offsets the consequences of some previous excess or error by a development completely unforeseen and almost unimagined by those who make it their business to appraise that elusive thing called mass psychology.

For instance, we all remember that during the '30s we were warned by practically every orthodox economist in the country that if we continued to increase our money supply by deficit financing, the decrease in the purchasing power of our dollar as a result of the static inflation of our money supply would lead us to certain ruin almost at once. We did increase our money supply, we did have a decrease in the purchasing power of our dollar amounting, on the average, to about 50% but the perverse individual known as John Q. Public, for reasons sufficient unto himself, saw to it that the consequences were no more grievous than that. He simply refused to indulge in the dynamic inflation which is "too much spending." We tripled our money supply over that which we had in 1929 but we slowed down its turnover to one-half the rate of that earlier period of stress and strain.

What Has Happened

That instance is cited simply as an example of the sort of thing which can happen and the sort of think which has happened so far in 1954. Production has been slowed down and is being brought much more nearly in balance with consumption, particularly in the field of consumer durables, with the possible exception of the automobile industry, in which dealer inventories are still quite high. Production in this case is going ahead almost at last year's pace and the sale of automobiles at reduced prices has kept the industry in a relative state of balance.

With respect to consumer debt, the figures are turning out to be almost exactly what the economists predicted might be the case. The excess of payments on old installment debt over new installment debt granted, for the first three months of 1954, has been over $900 million and the annual rate, quite obviously, is about $3.6 billion. Total consumer debt has decreased in the same time by about $1.75 billion, or at an annual rate of nearly $7 billion. Production schedules, generally, and the overall production index, itself, are down almost 12%. This much of a slowdown could easily engender a feeling of apprehension in the minds of a great many people and set in motion the "deflationary spiral" which everyone has been dreading; but again, and for his own mysterious reasons, John Public has operated to avert this particular consequence of yesterday's excesses and errors. Actual spending, as evidenced by checks drawn against deposits in the reporting centers where trade and not financial activity is the predominant cause of spending, is less than 4½% below the peak of its activity in July of 1953 and is running at a rate substantially higher than any previous year in all of our history, except 1953.

This means but one thing. Those individuals who are in a position to buy for cash or on open account for immediate payment have stepped up their buying enough to offset—or at least to mitigate—the consequences which might have developed out of today's reversal of trend in respect to consumer debt, generally, and installment debt, particularly. By way of comparison, installment debt during the first three months of 1953 was increasing at an annual rate of about $3 billion.

Danger Spots

So much for the national picture. There are always exceptions to prove the rule and there are danger spots today which we must watch very carefully. Unemployment, nationally, is running, for example, at perhaps 5% of the total work force but there are over 100 communities which have been listed by the Bureau of Employment Security as having unemployment substantially in excess of 6%, with no immediate prospects for additional work. Unemployment statistics of this sort can be viewed with academic interest by everyone except the unemployed. To them the percentage is 100%—the problem is acute—and their apprehension and discouragement can be communicated, quite easily, to friends and relatives in other communities. This is one possible element of danger which should be watched very closely indeed because business, after all, is largely a state of mind.

The outlook for the building industry is good, much better than had been estimated late in 1953. New households are being formed at a rate much lower than the 1.6 million of 1948. Today's new family formation is running at perhaps 850,000 and this, of course, harks back about twenty years, in both instances, to the optimism of 1928 and the pessimism of 1933-1934. But the other and a very important source of demand for new household construction, which is the demolition of old houses, has jumped in the last twelve months from an average of 50,000 to 100,000 demolitions to an actual 300,000 to 400,000 demolitions, largely as the result of the final abandonment of the post-World War II housing developments which were designed to last not more than four to five years, at the most, and which are now being destroyed. This situation could last another year.

Here, again, we must make a clear distinction between the over-all, or national, picture and the picture at the local level. Everyone engaged in the building industry will grant that the boom is probably over the hill. Some localities are already overbuilt, some are reaching the point of saturation and some still have a long way further to go—and to grow. Each lending institution will have to analyze the prospect for mortgages in its own locality, as well as the prospect for additional savings in the same locality. Here is another element of potential danger. The comfortable balance which has existed for nearly ten years all over the country, in which an increase in savings has been matched by an increase in the demand for mortgage money, is running its course and there will be any number of situations in the next year or more in which the mortgage demand will exceed the savings supply or vice versa.

On the whole, however, it is a safe conclusion that if nothing unforeseen develops, we could be well out of today's inventory recession by this fall. The extent to which business may pick up thereafter is a matter which is still obscured by the mists of uncertainty but, so far, the recession of 1954 has been much more of a blessing than a curse.

*Abstract of a talk by Mr. Townsend before the Georgia Savings and Loan League, Saint Simons Island, Ga., May 15, 1954.

Louis McClure Adds

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Henry B. Knabel has been added to the staff of Louis C. McClure & Co., 607 Madison Street.

From Washington Ahead of the News

By CARLISLE BARGERON

Early in the Roosevelt Administration this writer stood in the presence of Jim Farley and the late Huey Long while Huey proceeded to voice his opinion of the President in a most profane way. Farley finally halted him and said he would not permit any man to speak of the President in the language which Huey was using.

Carlisle Bargeron

It was not long after this that the Administration, in a high level decision, deliberately arrived at, decided to "get" Huey. They never succeeded in doing it because Huey's assassination intervened. However, it then became apparent just how the Administration was moving in on him—through income tax prosecutions, a favorite political vehicle of the Roosevelt Administration. Several of Huey's henchmen were sent to jail.

Roosevelt's determination to "get" Huey was based on the latter's growing power as a political opponent. His slogan of "Every Man a King" gained millions of adherents and they came from New Deal ranks. Unquestionably Huey's agitation had a lot to do with the New Deal social security program. There is no such justification for the Eisenhower Administration's going out after Joe McCarthy. No one in the Administration fears Joe's political power. Indeed, there is no reason to believe that the Administration could not have made a friend of him.

That the current Army-McCarthy fracas is the result of a deliberate design on the part of the Administration to crush the Senator is now clearly evident. It stemmed from a high level conference at which the Army's counsellor, John G. Adams, was directed to prepare a report of his fight with McCarthy and his staff on the subject of Private Schine. Then Administration emissaries went to see Senator Potter of Michigan, and got him to write a letter to Army Secretary Stevens saying, in effect, that he had been hearing a lot about the trouble Private Schine was causing and requesting the Army Secretary to report to him on the matter. This is an old political trick and the same procedure had once before been used by the present Administration against McCarthy.

This was when McCarthy engaged the noted expert on Communism, J. G. Matthews, to be his committee's chief investigator. McCarthy's opponents immediately produced an article Matthews had written for a magazine and charged it was an attack on the Protestant clergy. It was not. But the finaglers around the President inspired three well known clergymen, a Protestant, a Catholic and a Rabbi, to write him an indigant letter deploring this "attack on the Protestant church." The Catholic clergyman had difficulty in getting a clearance from higher authorities and there was such a delay in the White House getting the letter from these three eminences that the President scarcely had time to denounce McCarthy before McCarthy dismissed Matthews from his staff.

In this later instance, Senator Potter is suffering all sorts of mental anguish for permitting himself to be the tool. When the Army, in response to its solicited letter from him, prepared the report he asked for, they sent a copy not only to him but to the Democratic members of the so-called McCarthy committee. This seemed a strange thing for a Republican Army Secretary to do but it is now revealed that the whole thing was an Administration maneuver and in its zeal to get McCarthy it sent copies of the report to Democratic Senators to make sure it would become public.

Now the reason the Administration did this was not, in this writer's studied opinion, because McCarthy had become the intolerable man the Army portrays him to be. It was because almost from the inception of his Administration Mr. Eisenhower has been continually pounded by a group of "liberal" Eastern newspaper and magazine editors to "do something" to McCarthy. McCarthy, I am quite sure, has been nothing like the annoyance these editors must have been.

Underlying the issue of "McCarthyism" in this country, it must be understood, is a clash of ideological and racial hatreds, a clash between Eastern European immigrant stock which is so vocal and politically influential in the thickly populated centers of the East, on the one hand, and the older central and western European stock, of the South and Midwest, on the other. Overlaying these two fundamental schools, generally, are the "liberals, intellectuals, internationalists," et al., on the one hand and the conservatives and nationalists on the other. You will find any number of conservatives who are completely disgusted with McCarthy but you won't find a "liberal" anywhere who is not yelping at his heels.

In the campaign of 1952, Mr. Eisenhower was constantly counselled by his advisers of the Eastern or so-called New York background that catering to the heterogeneous make-up of the thickly populated Eastern centers was essential to success. And the same counsel has been constantly dinned into him since.

I am afraid that the Administration in this most recent heeding of these counsels has made a serious mistake. In the Senate I believe you will find sentiment shifting back to McCarthy and before the episode is over the Administration is likely to find its face plenty red.

SEC Proposes New "Stabilization" Rules

Plans three new rules relating to manipulative activity and price stabilization in the process of distributing securities issues

The Securities and Exchange Commission announced on May 18 that it has under consideration a proposal to adopt three rules under the Securities Exchange Act of 1934 with respect to certain activities by persons participating in a distribution of securities. Generally speaking, the SEC states, the proposed rules are a formulation of principles which historically have been applied in considering questions relating to manipulative activity and stabilization in connection with a distribution.

Proposed Rule X-10B-6 restricts trading activity by persons who are participating or expect to participate in a distribution. Proposed Rule X-10B-7 sets forth the principles to be followed in stabilizing to prevent or retard a price decline. Proposed Rule X-10B-8 deals with the peculiar problems arising out of the types of rights offerings which have generally come to be known as the Shields Plan and Columbia Gas Plan type offerings.

If proposed Rule X-10B-7 is adopted, it proposed to rescind Regulation X-9A6-1. This regulation deals with stabilization in connection with offerings "at the market" of securities registered on a national securities exchange and has apparently proved unworkable. It has generally been considered to be unlawful to engage in stabilizing in connection with an over-the-counter offering "at the market" (see Rule X-15C1-8, for instance), and proposed Rule X-10B-7 would make the prohibition expressly applicable to all types of offerings "at the market." It has been suggested that there is an inherent contradiction in representing that an offering is being made "at the market" when the price of the security is being artificially maintained.

The proposed rules, it is stated, do not purport to cover every possible type of manipulative or deceptive activity. The fact, therefore, that a particular activity is not specifically dealt with in the proposed rules would not necessarily mean that it is not unlawful under the Act or the Commission's other rules. No attempt has been made in proposed Rule X-10B-7 to deal with "upside" stabilizing to prevent or retard a price rise in connection with a distribution. The Commission, however, is studying the possibility of formulating rules with respect thereto. It is also studying possible changes in its Rule X-17A-2 in order to reduce the number of stabilizing reports required to be filed.

It is contemplated that it will be necessary or desirable for the issurer or the managing underwriter to provide by agreement, or by the imposition of appropriate conditions, for restriction of activities regulated by Rules X-10B-6, X-10B-7, and X-10B-8 by dealers participating in a distribution.

The proposed rules would be adopted under the provisions of Sections 10(b) and 23(a) of the Securities Exchange Act of 1934, and insofar as Rule X-10B-7 is applicable to any security registered on a national securities exchange it would also be adopted under the provisions of Section 9(a) (6) of the Act.

The text of the proposed rules is as follows:

Rule X-10B-6 — Prohibition Against Trading by Persons Interested in a Distribution

(a) It shall constitute a "manipulative or deceptive device or contrivance," as used in Section 10(b) of the Act, for any person who has reasonable cause to believe that he will participate, has agreed to participate, or is participating, in a particular distribution of a security, directly or indirectly, by the use of any means or instrumentality of interestate commerce, or of the mails, or of any facility of any national securities exchange, either alone or with one or more other persons, to bid for or purchase any security of the same class, or any right to purchase any such security, for any account in which he has an interest, or to attempt to induce any person to purchase any such security, until after such distribution is completed; *provided, however,* that this rule shall not prohibit (1) privately negotiated transactions, effected otherwise than on a securities exchange, with the person on whose behalf the distribution is being made, or among persons who have reasonable cause to believe they will participate, have agreed to participate, or are participating, in the distribution; or (2) odd-lot transactions (and the off-setting round-lot transactions hereinafter referred to) by a person registered as an odd-lot dealer in such security on a national securities exchange who offsets such odd-lot transactions in such security by round-lot transactions as promptly as possible; or (3) brokerage transactions not involving solicitation of the customer's order; or (4) the solicitation of orders to buy the securities being distributed at the public offering price; or (5) stabilizing transactions not in violation of Rule X-10B-7; or (6) transactions in connection with a rights offering, not in violation of Rule X-10-B8; or (7) transactions in rights not involving solicitation of the order to sell; or (8) purchases effected on a national securities exchange in accordance with the provisions of a plan filed by such exchange under Rule X-10B-2(d) and declared effective by the Commission.

(b) The distribution of a security (1) which is exchangeable for or convertible into another security, or (2) which entitles the holder thereof to acquire another security, shall be deemed to include a distribution of such other security within the meaning of this rule.

Rule X-10B-7—Stabilizing to Facilitate a Distribution

(a) *Scope of Rule:* It shall constitute a "manipulative or deceptive device or contrivance," as used in Section 10(b) of the Act, for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, to effect, either alone or with one or more other persons, any series of transactions in any security, for the purpose of stabilizing the price of such security to facilitate an offering of any security, if any transaction in such series of transactions is prohibited by this rule.

(b) *Definitions:* Unless the context clearly indicates otherwise, for the purposes of this rule the following terms shall have the meaning indicated:

(1) The term "offering at the market" shall be deemed to include an offering in which it is contemplated that the offering price will be changed more often than once in 24 hours; *provided, however,* that reduction of the offering price shall not in itself make any offering an "offering at the market."

(2) The term "transaction" shall include a bid, an offer, a purchase, or a sale.

(3) The terms "stabilize," "stabilizing," or "stabilized," shall include the placing of any bid, or the effecting of any purchase, for the purpose of pegging, fixing, or stabilizing the price of any security.

(c) *Transactions Must Be Necessary:* No stabilizing bid or purchase shall be made except for the purpose of preventing or retarding a decline in the open market price of such security.

(d) *Priority Must Be Granted:* Any person placing a stabilizing bid or effecting a stabilizing purchase shall grant priority to any independent bid at the same price irrespective of the size of such independent bid or the time when it is entered.

(e) *Control of Stabilizing:* Not more than one member of a syndicate or group interested in the distribution of a security shall control stabilizing at any one time; and neither such syndicate or group, nor any member or members thereof, shall maintain more than one bid in any market at the same price at the same time.

(f) *Stabilizing at Prices Resulting from Unlawful Activity:* No stabilizing shall be done at a price which the stabilizer knows or has reasonable grounds to believe is the result of activity which is fraudulent, manipulative, or deceptive under the Act or any rule or regulation thereunder.

(g) *Stabilizing Prohibited in Offerings at the Market:* No person shall effect any stabilizing transaction to facilitate any offering at the market.

(h) *Stabilizing Securities Traded in More Than One Market:* If a security is traded in more than one market, stabilizing shall not be initiated at any price which would be unlawful in the market which constitutes the principal market for such security in the United States; *provided, however,* that if the principal market for such security in the United States is a securities exchange and stabilizing is initiated when such exchange is not open for business, then stabilizing shall be initiated at a price which would be permissible in the market which, at such time, constitutes the principal market in the United States for such security.

(i) *Entering Stabilizing Bid on Exchange Prior to Opening:* No person shall place a stabilizing bid on a securities exchange prior to the time the opening quotations for the security on such exchange are available, unless he has been and is lawfully stabilizing such security at such price.

(j) *Stabilizing Levels:* (1) Except as provided in subparagraphs (2) and (3) of this paragraph (j), no person shall (A) begin to stabilize a security at a price higher than the highest current independent bid price for such security or (B) raise the price at which he is stabilizing. If no bona fide independent market for the security being distributed exists at the time stabilizing is initiated, stabilizing may be initiated at the public offering price.

(2) A stabilizing bid lawful when initiated may be continuously maintained or reduced irrespective of changes in the independent bid, asked, or sale price of such security. If stabilizing is discontinued it shall not be resumed in connection with the same distribution except at the lower of the two following prices: (A) the last lawful stabilizing price, or (B) the price at which stabilizing could then be initiated; *provided, however,* that if stabilizing has been discontinued for a period of more than 10 days it may be resumed at the price at which it could then be initiated.

(3) If the principal market for a security is a securities exchange and stabilizing is initiated on such exchange the initial stabilizing bid or purchase may be made at the last independent sale price on such exchange if (A) the security has been traded on such exchange on the day when stabilizing is begun or on either of the two pre-

Continued on page 41

THE MARKET . . . AND YOU

By WALLACE STREETE

Some periods of irregularity couldn't keep the blue chips from nudging the stock market to a new high posting in a quarter century this week, at least as far as industrial shares are concerned. The list finally reached into the 325 band, which is all that was predicted for it by those who favor the technical approach to the market. It remains to be seen if this achievement will be enough to bring on the long-overdue correction that many of the sold-out bulls have been expecting for some nine months.

* * *

There was little spectacular about the general market action during the week. Rails were somewhat laggard and had a bit of trouble with the 1954 high they posted a week and a half ago. And they are still some four points away from a test of the 1952 high of 112.53 which proved a tough enough barrier a year ago to keep them in the doldrums since.

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Utilities' New Peak

Utilities went about their work quietly and they, too, were able to post a new peak since 1930. Neither the 1930 reading nor the even higher one of 1929 are in any serious jeopardy at the moment; and there are some who argue that the figures are not comparable in any way since the components currently are mostly operating companies, while back in the hectic days they were largely the now-departed public utility holding companies.

* * *

Because of the lack of any worthwhile correction during the steep rise, the rail lag and — until very recently — the extreme selectivity, even brokers were asking each other why the market was able to go up so persistently. And inevitably the preponderance of institutional buying loomed large in the speculation over the reasons for it. Never before in the history of this country have there been so many dollars in mutual funds and pension accounts searching for yields among equities.

* * *

Construction the Bright Spot

All the heavy accent on how well the construction industry is doing as the brightest spot of the economy naturally turned the spotlight on issues in this category. And the added incentive in U. S. Gypsum of oil exploration on its southwestern properties made this something of a cinderella issue. It pushed to a new all-time high on a series of daily spurts that ran a handful of points at a time. Inevitably, its push across 150 brought the usual "split talk" particularly since the issue hasn't been stock dividend conscious since 1929. This is also something of a rarity on the list in that it didn't make its previous high in the magic year of 1929 but waited until 1937 to hit 137 that stood until this year. It did conform to the pattern in that its record low was reached in 1932 when the same stock sold at 27. By comparison, the issue hasn't sold under par since 1950.

* * *

For the aircrafts the week marked a return to popularity for the first time in some time. Boeing and Douglas, the favorites of the group this year, did well and were joined by Sperry Corp. which showed it, too, could sprint on moments of strength. Sperry's own private bull market swing has been underway since 1947 when it sold below 17. It crossed the 50 line this year for only the second time in its history and made its all-time high when it crossed 52, erasing the 1939 record.

* * *

Steels Awakening

Steels showed signs of a spring awakening now that production has leveled off and indications are that a pickup in orders is due. National Steel emerged as something of a leader after a rather protracted siesta. The issue, in fact, has had a history of declining tops since 1950 and last year's low of close to 40 was the low water mark for the period. This week's best, more than a dozen points above that mark, was a high since 1951 but it still comprises a narrower spread than the lofty level of the industrials would seem to call for in an issue included in the Dow average.

* * *

Woolworth for some time has been featuring the weak side and succeeded in posting the poorest price seen for the issue in a decade. But apparently the persistent liquidation that depressed it is either over or close to it because the stock has been able to show some fair recovery strength this week although there was nothing drastic about it. The important point is that it is a change in its former way of life.

* * *

Motors continue to turn in the poorest performance among the major groups, more a matter of widespread neglect than pronounced weakness, however. American Motors had a brief period of popularity for the first time since it was formed out of the Nash and Hudson merger. General Motors has fared better marketwise, up around 10 points on the year, than the others in the group. But the issue hasn't been completely immune from momentary pressure. Chrysler, in the face of the directors' decision to maintain the regular dividend despite earnings inadequate to cover it, remains virtually unchanged over its final 1953 posting. Some brokers are recommending the purchase of this stock at present levels.

* * *

The features of the week among the individual specialties included Food Fair Stores which had some erratic movements first in anticipation of a rather widely heralded stock split, and then some even wider swings on the downside in chagrin that the split turned out to be a 5-for-4 decision. The initial trim on the news came close to 10%.

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Some Rumor Denials

The few recent spells of popularity in Electric Auto-Lite, which occurred despite its report of a drastic reduction in earnings down to 25 cents against $1.88 a year ago, ended a bit abruptly when the company officially denied any knowledge of a merger with Chrysler. Another rumor that ran into the wall of official denial was that the uranium deposits of Lehigh Coal & Navigation in the east were sizable. The company was explicit about the lack of any deposits of commercial size but it failed to hurt the stock overly, probably because the issue has shown little market life since 1948 and has spent most of the intervening years in a three- to four-point range.

* * *

Among the casualties of the week were—for a change—a couple of preferreds, notably those of U. S. Hoffman Machinery and Spear & Co. on which dividends were deferred. Spear's senior issue was something of a novelty in that it never appeared on the tape the day the decision was announced, although it dropped somewhat sharply the following day on a few trades. The decision on U. S. Hoffman apparently had been rather widely expected and while the issue, too, was sold down a bit sharply it still traded at a better price than had been seen for it earlier in the year.

[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.]

Sustained Business Recovery Forecast

Allyn P. Evans, President of Lionel D. Edie & Co., investment counselors, tells St. Louis business leaders after a recovery from the current recession, no depression is probable over the remainder of the decade.

A resurgence in business activity in the United States by early fall was predicted by Allyn P. Evans, New York economic consultant, in an address at St. Louis on May 7. Mr. Evans also predicted that the business recovery he foresees will be sustained for a number of years. "No depression is probable over the remainder of the decade, at least," he said. Mr. Evans, who is President of the Lionel D. Edie & Co., Inc., New York City investment counselors and economic consultants, addressed some 500 St. Louis business leaders at the fourth annual Financial and Business Forum at the Sheraton Hotel. The conference was sponsored by the First National Bank in St. Louis. William A. McDonnell, President of First National Bank, presided.

Allyn P. Evans

The New York economist said the resurgence he forecasts will be stimulated by a step-up in new military contracts let, an increase in "take home" pay of consumers, an improvement in their position, and an upward pressure on the price structure incidental to an increase in the money supply growing out of the U. S. Treasury's need to borrow $10 billion to $12 billion. He characterized the present decline in business as an "adjustment" to a lower level of military expenditures and correction of excesses in some lines of production.

"It is not a 'bust,' following a 'boom on boom,' as some think," he said. "It will be temporary and should be completed within the next couple of months."

This "constructive stand," Mr. Evans asserted, rests on "our studies of the economic consequences of population trends and the peaceful uses of atomic energy, which we believe to be nearer than many think.

"These dynamic forces, under the encouragement of an Administration in Washington and a Federal Reserve Board dedicated to the philosophy of an expanding economy, lead us to anticipate a doubling of the power supply of the country in the next 10 years," Mr. Evans remarked in the course of his talk. He added that these forces also lead him and his associates to anticipate capital expenditures for plant and equipment of between $350 billion and $400 billion over the next decade, an average of one million new homes a year, and a national income of over $500 billion per annum as compared with 1953's national income of about $307 billion.

Charles Baucom With G. H. Walker & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Charles B. Baucom has become associated with G. H. Walker & Co., 503 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Baucom was formerly St. Louis representative for North American Securities Co. and prior thereto was manager of the trading department for A. G. Edwards & Sons.

Charles B. Baucom

Long Island Secs. Corp.

HEMPSTEAD, N. Y. — Long Island Securities Corporation has been formed with offices at 167 Fulton Avenue to engage in a securities business. Selig Dresner is a principal of the firm.

St. Louis Municipal Dealers Group

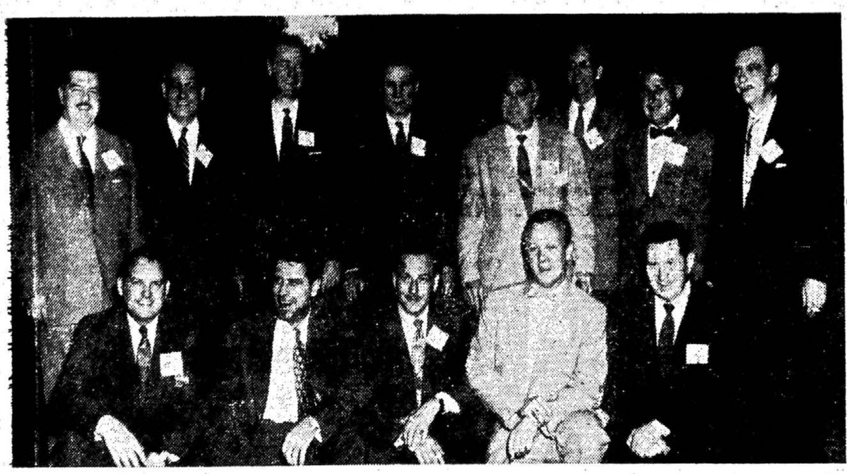
Party at the Hotel Park Plaza in St. Louis and at the Glen Echo Country Club in Normandy, Missouri, April 29th and 30th, 1954

P. Taylor Bryan, Jr., *Reinhohldt & Gardner*, St. Louis; George J. McLiney, *George K. Baum & Co.*, Kansas City, Mo.; Thomas L. Kevin, *Glore, Forgan & Co.*, Chicago; Carl Trauernicht, *Charles & Trauernicht*, St. Louis; Kelton E. White, St. Louis; M. Ames Saunders, *M. A. Saunders & Co., Inc.*, Memphis; Harrry Theis, *Albert Theis & Sons, Inc.*, St. Louis; F. Thomas Kemp, *Dempsey-Tegeler & Co.*, Los Angeles; Seward McKittrick, *Charles & Trauernicht*, St. Louis; Carl A. Meyer, *The Columbian Securities Corp.*, Topeka, Kansas

William S. Shanks, *The Bond Buyer*, New York; George R. Waldmann, *Mercantile Trust Co.*, New York; Harold W. Clark, *Clark, Landstreet & Kirkpatrick*, Nashville; Thomas L. Kevin, *Glore, Forgan & Co.*, Chicago; Roald A. Morton, *The Blue List*, New York; Blair A. Phillips, Jr., *The White-Phillips Co., Inc.*, Chicago; D. E. Walton, *The Ft. Worth National Bank*, Ft. Worth; Edward Hartnett, *C. J. Devine & Co.*, St. Louis; Richard J. Stern, *Stern Bros. & Co.*, Kansas City; Alfred J. Bianchetti, *Dean Witter & Co.*, New York

Front row: Richard N. Rand, *Rand and Company*, New York; James F. Quigg, *Paine, Webber, Jackson & Curtis*, New York; Frank L. Lucke, *Laidlaw & Company*, New York; Paul Stephens, *Paine, Webber, Jackson & Curtis*, Chicago; Sidney V. Duncan, *R. S. Dickson & Company*, Chicago; Charles P. Winters, *Dempsey-Tegeler & Co.*, Chicago. Second row: Paul A. Sellers, *The Illinois Co.*, Chicago; Howard Nordman, *Nordman & Co.*, St. Louis; Walter Ainsworth, *Metropolitan St. Louis Co.*, St. Louis; Sidney J. Mohr, Jr., *Thornton, Mohr & Farish*, Montgomery, Alabama; R. Morey, *A. G. Edwards & Co.*, St. Louis; Robert F. Bender, *Wachob-Bender Corp.*, Omaha; Gene A. Frantz, *William Blair & Co.*, Chicago; Gene Reese, *Newhard, Cook & Co.*, St. Louis

Floyd W. Sanders, *White, Weld & Co.*, Chicago; Harold E. Waeckerle, *Lucas, Eisen & Waeckerle, Inc.*, Kansas City, Mo.; Philip J. Rhoads, *First National Bank & Trust Co.*, Oklahoma City; Victor H. Zahner, *Zahner & Co.*, Kansas City, Mo.; Joseph A. Glynn, Jr., *Blewer, Heitner & Glynn*, St. Louis; Frank B. Hutchinson, *Weeden & Co.*, Chicago; A. C. Terrell, Jr., *Soden Investment Co.*, Kansas City, Mo.



Front row: Gene A. Frantz, *William Blair & Co.*, Chicago; Andrew S. Buchan, *Bacon, Whipple & Co.*, Chicago; Julian L. Meyer, *Salomon Bros. & Hutzler*, Chicago; Henry J. Jensen, *Eastman, Dillon & Co.*, Chicago; William H. Chamberlin, *Halsey, Stuart & Co.*, Chicago. Back row; Henry W. Michels, Jr., *Harris Trust & Savings Bank*, Chicago; Frank B. Hutchinson, *Weeden & Co.*, Chicago; Carl Ollman, *Lee Higginson Corporation*, Chicago; P. A. Bergquist, *The First National Bank of Chicago*, Chicago; William H. Hammond, *Braun, Bosworth & Co.*, Chicago; William A. Grigsby, *John Nuveen & Co.*, Chicago; Edwin A. Stephenson, *The Chase National Bank*, Chicago; Paul Stephens, *Paine, Webber, Jackson & Curtis*, Chicago

Front row: W. J. Riley, *Drexel & Co.*, New York; A. J. Bianchetti, *Dean Witter & Co.*, New York; R. N. Rand, *Rand & Co.*, New York; J. W. Reno, *Carl M. Loeb, Rhoades & Co.*, New York; Frank Lynch, *Blair, Rollins & Co., Incorporated*, New York; C. W. Evans, *Clark, Dodge & Co.*, New York; A. S. Friend, *Folger, Nolan-W. B. Hibbs & Co., Inc.*, Washington, D. C. Back row: C. C. Horton, *Wertheim & Co.*, New York; H. G. Wells, Jr., *Andrews & Wells, Inc.*, New York; H. P. Whitcomb, *Phelps, Fenn & Co.*, New York; DeWitt Hornor, *The National City Bank of New York;* G. R. Waldmann, *Mercantile Trust Company*, New York; F. L. Lucke, *Laidlaw & Co.*, New York; J. F. Quigg, *Paine, Webber, Jackson & Curtis*, New York; W. W. Hibberd, *C. J. Devine & Co., Inc.*, New York; Roald A. Norton, *The Blue List Publishing Co.*, New York

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The new Jay Street, Brooklyn, Branch of **The National City Bank of New York** at 370 Jay Street corner of Willoughby Street, opened on May 14 under the managership of Frank W. Sixt. Mr. Sixt was formerly Assistant Manager of the Bank's Bush Terminal Branch and has had 30 years banking experience in Brooklyn. The new branch, located in the Board of Transportation Building, brings the total of National City's New York branches to 71.

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After twenty years with the **Bowery Savings Bank, New York,** Donald Richart has resigned as Vice-President and Mortgage Officer to become President of the Morningside Heights Housing Corporation.

* * *

The Franklin National Bank of Franklin Square, New York, increased its common capital stock from $6,190,000 to $6,265,000 by a stock dividend effective May 1.

* * *

Lee Higginson Corporation announced on May 13 that all of the 37,592 shares of $10 par value capital stock of **The Meadow Brook National Bank of Freeport, New York,** which were offered for subscription have been taken up. The stock was priced at $31 per share. Approximately 10,090 of the shares represented newly issued stock and the balance constituted shares issued in connection with the mergers of **The Lawrence-Cedarhurst Bank, Merrick, New York and East Rockaway National Bank & Trust Company, East Rockaway, New York** into The Meadow Brook National Bank of Freeport.

By this sale the stock of the bank was increased from $3,015,064.90 to $3,116,000, effective May 6.

The merger of the Lawrence-Cedarhurst Bank appeared in the March 25 issue of the "Chronicle," page 1346 and the merger of the East Rockaway National Bank & Trust Company was given in the Feb. 11 issue of the "Chronicle," page 682.

* * *

The Bridgeville National Bank, Bridgeville, Penn., increased its common capital stock from $100,000 to $200,000 by a stock dividend and to $300,000 by sale of new stock effective May 7.

* * *

By a stock dividend effective April 27 **The First National Bank of Monaca, Pennsylvania,** increased its common capital stock from $100,000 to $200,000.

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By a stock dividend effective May 7 the common capital stock of **The Peoples National Bank of Steubenville, Ohio,** was increased from $300,000 to $500,000.

* * *

Barney J. Ghiglieri, President of the **Citizens National Bank, Toluca, Ill.,** and Chairman of the Organization Committee of the American Bankers Association, who died suddenly at his home on May 10, was nationally known as a leader in activities of organized banking. Mr. Ghiglieri was serving a second term as head of the ABA Organization Committee, which has the responsibility of maintaining membership in the national association.

Mr. Ghiglieri started his banking career with the **Toluca State Bank, Toluca, Ill.,** in 1916. He was Cashier of the **Granville State Bank, Granville, Ill.,** from 1918 to July, 1919, and later helped to organize the Citizens National Bank of Toluca. He became Cashier of that bank when it opened for business in July, 1919, and had been associated with it until his death. He became President of the bank in 1945.

In banking activities, Mr. Ghiglieri was ABA state Vice-President for Illinois from 1947 to 1949, and regional Vice-President from 1949 until 1952. He was a member of the Executive Council of the ABA from 1946 until 1949. He was appointed head of the ABA Organization Committee during the term of W. Harold Brenton, in recognition of his services to organized banking. In Illinois, Mr. Ghiglieri served as President of the Illinois Bankers Association in 1946-47. He had previously served two years as Vice-President of that Association.

* * *

Lanning Macfarland has retired as a Vice-President in the Banking Department of **The Northern Trust Company, Chicago, Illinois.**

His 33 years of service were interrupted only by three years as a Lieutenant Colonel in the Army, during World War II.

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The Michigan Avenue National Bank of Chicago, Illinois, increased its common capital stock from $500,000 to $600,000 by a stock dividend effective April 26.

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The Ramsey County National Bank of Devils Lake, Devils Lake, N. D., changed its title effective May 1 to **The Ramsey National Bank of Devils Lake, Devils Lake, N. D.** On the same day the common capital stock was increased from $100,000 to $150,000 by a stock dividend.

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The First National Bank of Lincoln, Nebraska increased its common capital stock effective April 30 from $1,650,000 to $2,000,000 by a stock dividend.

* * *

Alfred C. Pohle, 56, a Vice-President of **First National Bank in St. Louis, Mo.,** died suddenly at his home in that city on May 8, as a result of a heart attack suffered several hours earlier.

Mr. Pohle had been with the First National since 1916. He was made an Assistant Vice-President of the bank in 1937 and was promoted to Vice-President in 1945. In addition to serving as Loan Officer, Mr. Pohle represented First National's correspondent banking department in the Chicago territory.

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The board of directors of the **Empire State Bank of Dallas, Dallas, Texas,** announced the election of Mr. Milton E. Patterson as Vice-President, effective May 10, 1954.

* * *

The common capital stock of **The Casper National Bank, Casper, Wyo.,** was increased from $400,000 to $600,000 effective May 6, $50,000 of the increase was made by a stock dividend and $150,000 by sale of new stock.

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The new home of the Redding office of the **Anglo California National Bank, of San Francisco, Calif.,** at Yuba and Pine Streets, Redding, was opened for business on May 10, it was announced by Paul E. Hoover, President.

The new structure replaces the smaller building at Yuba and Market Streets occupied for many years by the bank.

The Redding office is at present the northernmost of Anglo's 35 offices in northern and central California. This distinction, however, may soon be lost by a slight margin to Eurkea, in view of the announcement made a few days ago that negotiations are in progress as a result of which the Bank of Eureka will become the Eureka office of the Anglo Bank, subject to stockholders' approval and the completion of other necessary formalities.

* * *

Clifford Tweter, formerly Vice-President, was elected Executive Vice-President of **California Bank, Los Angeles, Calif.,** at a meeting


C. C. De Pledge


Clifford Tweter


Hal Mendon

of the Board May 10, Frank L. King, President, announced. C. C. De Pledge and Hal Mendon, formerly Vice - Presidents, were elected Senior Vice-Presidents.

Mr. Tweter was associated with the **Continental Illinois National Bank and Trust Company, Chicago, Ill.,** for 15 years before joining the staff of California Bank in 1941. He was elected Assistant Vice-President in 1943 and Vice-President two years later.

Mr. De Pledge has been a member of California Bank's board of directors since 1940. He has been with the bank since 1926 following six years in banking in the State of Washington. He was elected Vice-President in 1929 and for a number of years has served on the bank's Executive Committee.

A former President of the California Bankers Association, Mr. Mendon has spent his entire banking career for 32 years with California Bank. He was elected Assistant Vice-President in 1934 and Vice-President in 1940.

* * *

William Pflueger has been elected Executive Vice-President of **Crocker First National Bank of San Francisco, Calif.,** it was announced on May 14.

Mr. Pflueger joined the bank in 1915, was elected a Vice-President in 1942, and was elected to the Board of Directors and appointed a member of the Executive Committee in 1951.

* * *

Stockmen of the Palo Verde Valley participated in a unique branding session May 15, when they burned their brands on the newly remodeled premises of the Blythe Office of **Citizens National Trust & Savings Bank of Riverside, Calif.**

The bank opened its newly remodeled quarters for public inspection at a "remodelin roundup" on May 15. Valley stockmen brought their branding irons and made their own mark on the etched redwood front of the new teller's section.

The $70,000 remodeling has more than doubled the space at the Blythe Office. New facilities include a community room, available to all organizations in the Palo Verde Valley for meetings.

* * *

United States National Bank of Portland, Oreg., has announced plans for a $1,000,000 expansion of its main banking quarters in downtown Portland. Drive-in banking facilities and off-street parking for approximately 150 cars will be major features of the project, E. C. Sammons, U. S. National President, announced.

Purchase of the quarter-block Wemme building adjoining the present head office will give the bank the entire block bounded by S. W. Broadway, Stark Street, 6th Avenue and Oak Street.

The bank will obtain possession of the Wemme quarter block Nov. 1 and will immediately start razing the old structure preparatory to constructing a five-story building on the site. Mr. Sammons announced that it was expected to have the new structure completed and ready for use by summer of next year.

* * *

Owen R. Maris, Vice-President at the **United States National Bank of Portland, Oreg.,** since 1948, died May 7 following a brief illness.

Mr. Maris joined the staff of the U. S. National in 1906. He was born in Newberg, Oreg., in November, 1884.

During his 48 years with the U. S. National, he had the positions of Assistant Cashier, Assistant Vice-President and Vice-President.

Opposes Extension of Treasury Financing By Sale of Bonds to Federal Reserve Banks

Prof. Walter E. Spahr tells Senate Subcommittee on Federal Reserve Matters, practice is only one step removed from issuance of fiat money.

Dr. Walter E. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy, on May 13 told a Senate Subcommittee on Monetary Policy that the proposed two years' extension of the Amendment of March 27, 1942 to the Banking Act, whereby the Treasury was permitted to sell up to $5 billion of its securities directly to the Federal Reserve banks at artificially low rates of interest, tends to weaken the soundness of our monetary system.


Walter E. Spahr

"The Treasury," Dr. Spahr pointed out, "as the result of an Amendment of March 27, 1942, has been able to finance itself legally up to $5 billion at any time by selling its securities directly to Federal Reserve banks at artificially low rates of interest thus avoiding the pressures of interest rates in the open market and obtaining Federal Reserve credit in exchange for its I.O.U.'s.

"It was by this process of direct monetization of government debt that the German mark was driven to a level of practically zero in value during and after World War I. The history of this procedure, when employed by the central banks, provides a sad commentary on the lack of intelligence of mankind in modern times in the use of credit. The lesson is clear that no central banking system should be permitted to finance a government by converting its I.O.U.'s into currency except when, as possibly in time of invasion by an enemy, a government cannot finance its needs by taxation or by borrowing the savings of its own or other people. In such an urgent and dangerous situation, a government may be forced to use fiat money or direct monetization of government debt as a means of national survival and to count the destruction in the value of its currency as one of the costs of war. But when a government is able to employ the proper means of financing its activities, there is no valid justification for employing fiat money or direct monetization of government debt.

"Besides the fact that the $5 billion Amendment should be required to expire on June 30, there is the further consideration that as the reports by the Board of Governors of the Federal Reserve System are made to Congress there is apparently no way in which members of Congress can determine from these reports what proportion of government securities held by Federal Reserve banks is a consequence of direct purchases.

"The bill, S. 3206," Dr. Spahr indicated, "proposes to extend the life of the Amendment for another two years."

Opposition was also expressed by Dr. Spahr to bill S. 3268 which proposes to remove the 10% tax in the Federal Reserve Act which was designed to prevent any Federal Reserve bank from paying out Federal Reserve notes issued by other Federal Reserve banks.

"The purpose of existing law is to provide, and properly so, one of the desirable features of a money originally designed to be responsive to the needs of business. This law, which it is proposed to repeal, tends to force Federal Reserve notes home to the issuing bank after they have been paid into Federal Reserve banks.

"Repeal of that provision of existing law would remove a correct and needed provision for the return of these notes to the issuing banks.

"It would convert what is in nature uncollected items into cash which each Reserve bank could then pay out as money.

"To the degree that this were done, each Federal Reserve bank would be able to expand the volume of Federal Reserve notes in circulation without being called upon to supply the reserve and collateral now required if it issues Federal Reserve notes.

"Proper pressure of reserve requirements against the issuance of Federal Reserve notes would be removed to the extent a Federal Reserve bank should pay out the notes issued by other Reserve banks.

"The bill is designed to remove pressure for the retirement of these notes while all the arrangements for their expansion are left intact.

"Both bills, S. 3206 and S. 3268," Dr. Spahr concluded, "weaken, rather than enhance, the soundness of our monetary system and consequently should not be passed."

Field With Johnston Bell

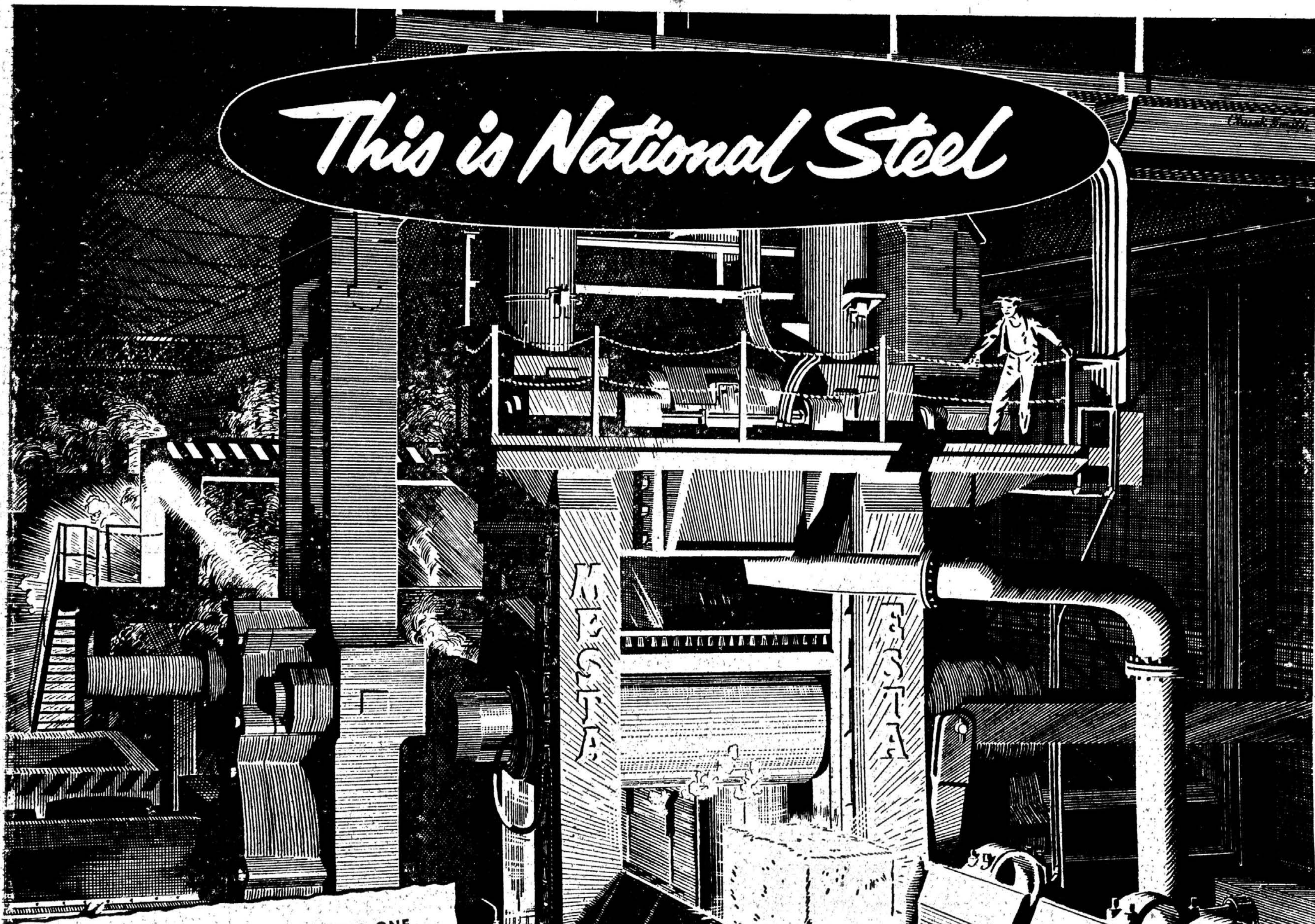
(Special to THE FINANCIAL CHRONICLE)

BRADENTON, Fla. — Louis B. Field has become associated with Johnston E. Bell & Co., 318 12th Street, West. Mr. Field formerly conducted his own investment business in Somerville, N. J.

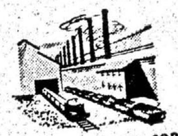
Pforzheimer to Admit

Robert H. Oliver will acquire a membership in the New York Stock Exchange; on May 27th will become a partner in Carl Pforzheimer & Co., 25 Broad Street, New York City, members of the New York Stock Exchange.

This is National Steel



SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE



GREAT LAKES STEEL CORP.
Detroit, Mich. A major supplier of standard and special carbon steel products for a wide range of applications in industry.

WEIRTON STEEL COMPANY
Weirton, W. Va. World's largest independent manufacturer of tin plate. Producer of many other important steel products.

THE HANNA FURNACE CORP.
Buffalo, New York. Blast furnace division for production of various types of pig iron.

HANNA IRON ORE COMPANY
Cleveland, Ohio. Producer of iron ore from extensive holdings in the Great Lakes area.

NATIONAL STEEL PRODUCTS CO.
Houston, Texas. Warehouse and distribution facilities for steel products in the Southwest.

NATIONAL MINES CORP.
Supplies high grade metallurgical coal for the tremendous needs of National Steel mills.

STRAN-STEEL DIVISION
Ecorse, Mich. and Terre Haute, Ind. Exclusive manufacturer of famous Quonset buildings and Stran-Steel nailable framing.

NATIONAL STEEL

Putting the squeeze on bigger ingots in this giant new slabbing mill

Another important milestone along National Steel's path of progress is this new slabbing mill—first in the world of this type—now in operation at the plant of its Great Lakes Steel division, at Detroit, Michigan. Seizing white-hot 20-ton ingots in its giant grip, the mill applies a mighty squeeze to form them into extra-large slabs for cold rolling into sheets.

End result of this new facility—automotive manufacturers and others who have use for wide sheets can now have the advantage of coils of steel in which the unwelded sections are several times longer than in coils made previously. In fact, coils weighing as much as eight tons, up to 77 inches wide, can now be obtained *without welds!* These wider, longer coils speed production and cut down material handling and scrap losses for the user.

Along with this improved, more efficient operation comes an increase in steel quality—an objective that has always been first with National Steel, and helped to make it famous as one of America's leading steel producers . . . completely independent, completely integrated.

New Color Film Now Available

"Achievement in Steel" . . . a new 16-mm color film telling the dramatic story of steel is now available to organized groups. To obtain it for your group, write "Achievement," National Steel Corporation, Pittsburgh, Pennsylvania.

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

SERVING AMERICA BY SERVING AMERICAN INDUSTRY

A Prescription for Economy Recovery

By HARRY S. TRUMAN*
Ex-President of the United States

After criticizing present Administration's economic policies, which he characterized as "creeping McKinleyism," former President offers following six point program: (1) an increase in annual rate of spending by $3 billion; (2) lifting personal income tax exemptions from $600 to $800; (3) abandonment of the Benson Farm Plan; (4) a clear-cut policy in favor of a rising level of wages; (5) expansion of unemployment insurance, and (6) an expanded housing program. Denounces slashing of defense budget, and says Administration is following idea the tree can be fertilized at the top.

I have come back East partly for the pleasure of seeing old friends and partly to help the Truman Library project — which, as you all know, is something I am interested in, not so much as a personal matter but as an institution that will belong to the nation and benefit the whole nation. I have been deeply touched by the generosity of the Sidney Hillman Fund in this cause, and I am most grateful to its board and its officers.

Harry S. Truman

On this trip I have been talking about some of our current problems — as I see them from the viewpoint of a citizen of Independence, Missouri. I have talked about the need for respecting the governmental separation of powers set up by our Constitution, and about the need for unity in matters of foreign policy. Both of these topics, in my opinion, ought to be above partisan politics. They are areas in which we will be successful only if we keep the party spirit in check.

Today, however, I want to talk about our domestic economy, and this is a field in which our country has always been affected by the results of political contests. This is because the two strongly contrasting economic philosophies in this country are represented by the Republican and the Democratic parties.

The Republican party believes that the best economic results are obtained by working from the top of the economic scale downwards. The Democratic party believes that the sturdy tree of American progress must be nourished at its roots, and not from the top down.

You know where I stand on that issue.

So you know that today I shall be talking as a firmly convinced supporter of the Democratic New Deal-Fair Deal philosophy of our economic life.

I've been watching, out there in Missouri, what's been happening to our economy. And I don't like what I see.

The Republican campaign orators told us, in 1952, that they were going to cure the world situation, and achieve peace, and slash defense. They said they were going to give us real peacetime prosperity.

Well, they haven't been very successful at it.

World Situation Critical

The world situation is just as critical and dangerous as it ever was, if not more so. Obviously, a change of administration here does not change the problems of Asia and Europe or the minds of the men in the Kremlin.

And instead of having peacetime prosperity, the Republicans have given us a recession.

For a while, Republican spokesmen tried to explain the recession as a transition period. They said that a little readjustment, a lot more unemployment, and a great deal less opportunity for the average American family were necessary and inevitable in shifting from a war economy to a peace economy.

This, of course, was nonsense. We made the shift after World War II from a real war economy to a real peacetime economy without a recession—on the contrary, we had boom times.

Furthermore, this is not a transition period between a wartime economy and a peacetime economy anyway. This is just a period in which the Republicans had the bad judgment to slash the defense budget when we still needed more defense. And now they are thinking of putting most of the cut back again.

But we still have this recession, in spite of the hollow excuses the Republican leaders are making about it.

I say to you that this economic recession has already been too big. It has already lasted too long. It has already inflicted too many cruel hardships upon too many people. And now it is time to do something about it.

Blame for Recession

This economic recession was caused, and it is being prolonged, by a shift in the whole philosophy of government. It reflects a reversion to the old idea that the tree can be fertilized at the top instead of at the bottom—the old trickle-down theory.

The first big economic step the new Administration took in early 1953 was to tighten up on the money supply. This was the so-called money policy. Making money harder to get for the average fellow, and paying higher interest rates to the banking fraternity, has always been the policy of the trickle-down theorists.

Andrew Jackson had to battle against the hard money policy of the bankers of his day. The Harding Administration tried the hard money policy after World War I, and by the middle of 1921 it had started American agriculture on the road to the poorhouse. The same idea was held by [Treasury] Secretary [Andrew W.] Mellon in the Coolidge and Hoover Administrations, and this helped to bring on the great depression.

When the present Republican Administration took over in 1953, it started down the same old road and tightened up the money supply. The elephant hadn't learned a thing. The management of our national debt was imperiled, and government bonds declined.

The squeals of pain and fear could be heard all the way from the farmers of the Far West to the bankers of Wall Street. And when the bankers commenced to squeal, the new Administration started to loosen up on the hard money policy. But a great deal of damage had already been done.

The trickle-down theory also colors the approach of this new Administration to the Federal budget. Of course, I believe in a balanced budget, but I do not believe that a balanced budget is more important than the welfare of the people of the United States or more necessary than adequate national defense. The only kind of Federal budget that makes sense is the kind that does most to promote the domestic prosperity and international security of the 162 million people of the United States.

If you have that kind of a budget, you can easily get it to balance. If you don't have that kind of budget, you can never get it to balance.

Let us look at a page of history on this subject.

In 1929, we plunged into a great depression. Our Federal Government kept trying to balance its books instead of vigorously meeting the needs of the American people. Factories closed, business failures mounted, to millions of persons lost their jobs. Idle men and idle machines meant production lost forever.

During the years of depression and the years required to recover from it, we suffered tremendous national economic deficits—deficits in food and clothing, housing and jobs; deficits in production and profits and business opportunity; deficits in human wellbeing. Our total national output between 1929 and 1940 was $635 billion less than if we had maintained full employment and full production. And yet, when the Roosevelt Administration between 1933 and 1940 ran a total Federal deficit of $27,000,000,000 to help restore production and employment, Republican economists screamed that we were spending our way into bankruptcy.

Now again in 1954, the Republicans, in their frantic desire to reduce the Federal deficit, are forgetting about the deficits in our national economy. But we are not going to forget them, and I think we ought to take a look at some of them right now.

Since the first quarter of 1953, unemployment has doubled. In addition, temporary layoffs and shortening of the work week have cut the income and the purchasing power of many people who are not counted as unemployed.

Industrial production is now down about 10% from the peak and steel production is down about 28%.

Production of textiles and apparel is down about 16%. Manufacturing sales are down more than 9%. Total department store sales are down more than 6%.

These are mighty big national economic deficits.

A Look at the Economy

Now, let's look at the economy as a whole.

When times are good, the total national output increases on the average at the rate of about 4% a year. Our national output should be about 4% more this year than last. But instead, it is actually 1.3% less than what it should be.

Then, the new Administration commenced its "efficiency" drive —Republican style. The idea was that big business was efficient just because it was big, and that smaller business was wasteful and foolish just because it was smaller.

So the Secretary of Defense, whose former business had $10 billion worth of sales last year, said that more of the defense contracts would be given to big business and less of them to small business. And then more of the small business men got into trouble, and more of them failed, and more people became unemployed.

If you put these percentages into dollars, you get a better picture of our situation.

We now need an annual rate of output of about $379 billion to maintain full employment and full production. Instead, we have a rate of $359 billion. This means we are now running a national economic deficit of about $20 billion.

Twenty billion dollars is a terrific loss. It is about twice as much as the cost of running the Federal Government exclusive of defense and veterans expenditures and the service of the national debt.

Twenty billion dollars is enough to replace more than two million slum units with decent housing. It is enough to build schools for millions of children, and pay the teachers also. It is enough to build roads and dams and hospitals to benefit the people of every state in our union.

The Administration is not telling us how to rub out this $20 billion national economic deficit. It is not telling us how to eliminate excessive unemployment. Instead, it seems to be merely hoping and praying that things will not get still worse.

The Secretary of the Treasury assures us that we are not going to have what he calls a real depression. The Secretary of Commerce says, why should we worry when the level of economic activity a year from now may be just as good as it is now.

These people just don't realize that our American economy cannot prosper by standing still. More and more young people will be looking for work. Productivity is still increasing. We need a growing national output for full employment and full production. Otherwise we will have increasing unemployment and a lower standard of living.

I do not predict that this is going to happen. But it could happen if we do too little or do it too late.

Administration's Tax Program

The Administration has disclosed that its principal remedy is its tax program. So let's take a look at this tax program.

You will all remember what the Republicans said about taxation in the 1952 campaign. They said that the average American family was being crushed by taxes. They went around holding up an egg, and explaining how even eggs were taxed to death. They seemed to be promising greater tax relief for the average American family.

In spite of this decline in wages and income, prices have not fallen. The new Administration set out to fight inflation, but the cost of living is higher than when they started.

Most of the things they promised to bring down have gone up and most of the things they promised to hold up have come down.

But I do not want you to think the situation is hopeless. Between now and the end of 1954, we can elect a new kind of Congress. Between now and the end of 1956, the President can get some new advisers, and toward the end of 1956—well, I won't talk about that just yet.

In the meantime, and immediately, we should have a program to stop this creeping McKinleyism, which is the cause of our troubles.

What must we do to restore full employment and full production?

We must strengthen our economy at its base. The great base of our economy is consumer buying, which reflects the standard of living of the whole American people.

We now need to raise the standard of living rapidly in order to keep up with our fast-growing productive power. To do this, we must increase consumer purchasing power and then the rest of the economy will automatically grow.

A Proposed Program

Let me tell you what I think is the right kind of program:

First—The Federal Government must take the leadership in promoting full economic recovery, by increasing the annual rate of Federal spending by about $3 billion above the current level.

Such an increase in Federal spending is needed to strengthen our defenses against aggression, and it is also required to meet our domestic needs — for power and resources development, public works and roads, education and health and housing.

This kind of speed-up would be one of the quickest and surest ways to spark the revival of employment and production. Even with such an increase, Federal outlays would still be $2 billion below the level of the middle of 1953.

Second—We can stimulate production and employment by the right kind of tax reduction. This can be in the form of lifting personal exemptions from $600 to $800, or through a combination of some increase in exemptions and equitable readjustments in tax rates.

In this way, we can quickly pump about $4½ billion of additional purchasing power into the hands of the people who need it most, and who will translate it into a demand for goods and services.

Even if these two steps enlarged the Federal deficit, it would be better to have a somewhat larger Federal deficit than an enormously larger national economic deficit. But experience shows that the best way to balance the Federal budget is to have full employment and full production.

During the period from 1947 to 1953 as a whole, the Government ran a net surplus despite the high cost of national defense, because we maintained a sound and growing economy. The new Administration is running up a budget deficit despite all its campaign promises; and, despite all their reckless budget-slashing, they are getting further away from the prospect of a balanced Federal budget all the time.

This is not a surprise to me. If the whole economy is permitted to run downhill, the Federal Government's tax receipts will run downhill, too. National economic deficits do not produce Federal surpluses.

But now it turns out that the big idea is to extend more preferential tax treatment to corporations, and to reduce the taxes on income from dividends. In the first quarter of this year, real wages were lower, personal incomes were lower, and farm income was lower, but dividend payments were higher — in fact, they reached an all-time peak. This, to my way of thinking, is just the place where we do not need tax relief.

Third — The so-called Benson farm program, designed further to reduce farm prices and farm incomes, should be tossed out of the nearest window. A program to support true parity of income for the American farmer can add at least one billion dollars to his purchasing power within a year. This would also stimulate business and industrial employment, because the farmer is a greater purchaser of city products when he has the money to buy them.

Fourth — We should have a clear-cut policy in favor of a rising level of wages. In our kind of economy, wages have to rise as productivity increases. If wages don't go up, we have more goods than people can buy, and that it one of the causes of depression.

The Federal Government should increase the minimum wage to bring the standard into line with present-day conditions. As to other wages, although the government should not set them, the government should make clear the wage policies which are in the nation's best interest.

The government should not try

*An address by Mr. Truman before the Convention of the Amalgamated Clothing Workers of America, CIO, Atlantic City, N. J., May 13, 1954.

to weaken collective bargaining by repressive labor legislation.

Democratic administrations have always been lambasted by reactionaries for favoring higher wages. But the record of our economic progress between the end of World War II and 1953, a progress in which business fully shared, provides the answer to these critics.

Fifth—Unemployment insurance should be expanded. Broader coverage, payments for a longer period, and larger benefits, can sustain the purchasing power of those who are employed.

This can never be done by the program of the current Administration, which consists mainly in exhorting the states to do what everybody knows they will not do without Federal action. Federal standards and funds must be used to strengthen the nation-wide system of unemployment insurance under state laws.

Expanded Public Housing Program

Sixth—A vastly expanded housing program is needed. The Administration goal of a million houses a year is about equal to the number of houses that we built in 1925. Meanwhile, our population has grown enormously. Slums have multiplied. The government should take the leadership in a comprehensive housing program, to double the annual rate of home building as rapidly as possible.

All these six policies would greatly increase buying power. If they were initiated promptly, these remedies would carry us far toward full employment within a year. The increase of employment to the full employment level would in itself add about $12 billion to purchasing power at an annual rate.

Such an increase, along with the six measures I have recommended, would raise the consumption of the products of our factories and our farms enough to give us a full economy.

The longer we delay in getting on this road, the more danger we run of a real depression. The quicker we get on this road, the quicker we will move forward toward realization of the full promise of America—an America without poverty, where every man can have a job: an America without fear, and fully confident of the future; an America registering year by year a higher standard of living for all the people; an America dedicated to the social justice which must accompany economic progress; an America stronger and better equipped, year by year, to withstand the Communist menace, and to join with the other free peoples of the world in the establishment of a lasting peace.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange on May 27th will consider the transfer of the Exchange membership of the late William H. Bade to Louis J. Dupre and of the late Arthur J. Vogel to Edwin R. Wallace.

Now E. S. Hope & Co.

(Special to The Financial Chronicle)

SAN DIEGO, Calif. — Hope & Co., 530 Broadway, has been succeeded by E. S. Hope & Co. Officers of the new corporation are Edward S. Hope, President; Herbert M. Bullock, Vice-President; Dorothy K. Van Norman, Secretary; and Alice R. Yensen, Treasurer.

With Hornblower & Weeks

(Special to The Financial Chronicle)

CHICAGO, Ill. — Emmett R. Holyfield has become affiliated with Hornblower & Weeks, 134 South La Salle Street.

Sterling Area Gold Reserve Exceeds One Billion Pounds

By PAUL EINZIG

Dr. Einzig points out there is no particular cause for enthusiasm in Britain because of the increase in the Sterling Gold reserve, since the increase is due to the influx of "hot money" attracted to London by high interest rates, along with the prospects of an upper limit to the sterling dollar rate. Warns "hot money," owned by non-residents, is exposed to sudden withdrawal.

LONDON, Eng. — Mr. Butler's announcement that the Sterling Area gold reserve exceeded the £1,000,000,000 mark during April was received with enthusiasm by the House of Commons and by the press. Yet there appears to be little cause for enthusiasm. For the increase is attributable, not to any large surplus on the trade of the Sterling Area with the Dollar Area, but to the influx of "hot money" attracted to London by the high interest rates, by the prospects of an increase of the upper limit of the sterling-dollar rate from its present figure of $2.82, and by the rising trend on the London Stock Exchange. Admittedly, as Mr. Butler rightly pointed out, the confidence in sterling displayed by overseas buyers is gratifying. But the resulting increase of the gold reserve is not a source of strength. It is a potential source of weakness.

Dr. Paul Einzig

The larger are the sterling balances owned by residents outside the Sterling Area and the recently unified Transferable Area, the more sterling is exposed to sudden shocks through the withdrawal of these balances. Such withdrawals may result from a wide variety of causes. The following are some of them:

(1) Deterioration of the international political situation.

(2) Prospects of a return of a Socialist Government.

(3) Unfavorable change in the balance of payments of Britain or the Sterling Area.

(4) Reduction of the bank rate.

(5) Sharp setback on the London Stock Exchange.

(6) In case of widening of the limits of sterling's fluctuations, appreciation of sterling to its new upper limit.

(7) Resumption of the inflationary rise in prices in Britain without a corresponding trend in the U. S. A. and other industrial countries.

Apart from the possibility of the withdrawal of "hot money," the gold reserve is liable to decline also for the following reasons:

(1) Deterioration of the balance of payments. In addition to its psychological effect in causing withdrawals of "hot money," the trade deficit would entail loss of gold.

(2) Evasion of exchange restrictions.

(3) Increase of foreign purchases of dollar commodities in British markets.

(4) Speculative pressure on sterling in anticipation of its depreciation.

(5) Restoration of sterling's convertibility without adequate resources to meet initial pressure.

From the foregoing it is evident that in spite of the recent influx of gold—and indeed partly because of it — sterling remains distinctly vulnerable. The extent to which it is exposed to adverse pressure leading to a fall in the gold reserve will increase if the influx of "hot money" is allowed to continue. It would increase very substantially if rumors of an alleged impending decision to which the limits of sterling's fluctuations from 1% to 10% on either side of its parity. It would mean that under the pressure of incoming "hot money" the sterling-dollar rate might rise to something like $3.08, in which case there would be a possibility of its depreciation by 20% to $2.52 when the buying pressure gives way to a selling pressure.

Another way through which a widening of the limits of fluctuation would lead to a loss of gold would be through its effect on the trade balance. An appreciation of sterling by 10%, or even less, would gravely handicap many British exporters in international competition. At the same time it would stimulate imports. It is true, the terms of trade would change in favor of Britain and the Sterling Area. This would have been very helpful from the point of view of the balance of payments so long as there was a sellers' market in most of the principal exports of Britain and the Sterling Area. During those years it might have been possible to maintain more or less the quantity of sterling exports in spite of the increase of their prices in terms of foreign currencies as a result of an appreciation of sterling. Today, however, there is a buyers' market in most lines. In order to maintain the volume of exports it would be necessary for British exporters to cut sterling prices by accepting smaller profits.

From the point of view of maintaining the gold reserve around its increased level, it would be, therefore, a fatal mistake to widen the limits of sterling's fluctuation.

In any case, even with a reserve of £1,000 million, Mr. Butler cannot afford to rest on his laurels. That figure would have to be doubled before the convertibility of sterling could be restored with a reasonable chance of success.

Baird Co. to Admit

Baird & Company, 65 Broadway, New York City, members of the New York Stock Exchange, will admit Earl S. Baird to general partnership and Mildred B. Baird to limited partnership on May 27th. Mr. Baird will become a member of the New York Stock Exchange.

Kellogg Vice-Chairman Of N.Y. Stock Exchange

James Crane Kellogg III, a member since 1936 and a Governor for the past four years, has been elected Vice-Chairman of the Board of Governors of the New York Stock Exchange.

He is a partner in the member firm of Spear & Leeds.

In October, 1935, Mr. Kellogg entered the securities business as a telephone clerk on the trading floor for the odd lot firm of Carlisle & Mellick. He purchased an Exchange membership in the following year and became an associate odd lot broker for that firm and its successor, Carlisle & Jacquelin. He was admitted to partnership in Spear & Leeds, his present firm. in 1945.

Mr. Kellogg has been one of the most active members of the financial community in promoting the interests of the Red Cross during recent years. In 1951, he organized and directed a mass blood donation program for the Red Cross among Stock Exchange and member firm personnel. In 1953, and again this year, Mr. Kellogg headed the Annual Red Cross Campaigns of the Stock Exchange Community.

With Waddell & Reed

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—Edwin E. Shauer has become affiliated with Waddell & Reed, Inc. Mr. Shauer was formerly with John M. Wilmans Company, Ltd.

The Problem of Union Security

By NEIL W. CHAMBERLAIN*
Professor of Economics, Yale University
Director, Labor Management Center, New Haven, Conn.

Without advocating a particular solution of the Union Security problem, Dr. Chamberlain suggests, among other things, the following ideas: (1) exclusive majority representative is necessary for workable collective bargaining; (2) that principle of exclusive majority representation is nullified by a strike; (3) that because of adoption of the principle of exclusive majority representation, the urgency for the closed shop has disappeared; (4) that by exclusive representation, the bargaining union has responsibility to protect and give equitable treatment to the minority groups and thus represent all employees. Advocates extending the strike phase of collective bargaining to majority representation and requiring all employees to contribute to support of bargaining agent.

I should like to spend the few minutes we have together this morning to analyze with you the problem of union security. This is the problem that most of us refer to under one of its several labels — the closed shop, the union shop, maintenance-of-membership. In all its forms it has one element in common — compulsory union membership. I hope that you will regard the ideas which I shall present not as settled convictions which I wish to argue but as propositions offered for your consideration. I am not advocating a particular solution but suggesting a few ideas as a basis for further reflection.

Neil W. Chamberlain

We can, I think, begin by assuming the acceptance in our society of collective bargaining, not only its legal acceptance in the Wagner and Taft-Hartley Acts but also its public acceptance, as evidenced by numerous public opinion polls. I assume that the philosophical basis for this acceptance lies in the principle, congenial to our society, that the governed shall participate in the government. The union gives workers a say in the representation that gives ethical ground for the state's protecting — in the words of the National Labor Relations Act, as amended by the Taft-Hartley law—"the exercise by workers of full freedom of association, self-organization, and designation of representatives of their own choosing, for the purpose of negotiating the terms and conditions of their employment."

Majority "Exclusive Representation"

This right of representation has been embodied in national legislation which has been interpreted by the National Labor Relations Board over a period of almost two decades. There are two provisions of the Act administered by the NLRB which are relevant to the problem we are discussing today. I should like to emphasize, however, that these two provisions owe their importance less to the fact that they are incorporated in legislation than to the fact that they are an almost inescapable accompaniment of collective bargaining itself.

Section 9 (a) of the Labor Act states: "Representatives designated or selected for the purposes of collective bargaining by the majority of employees in a unit appropriate for such purposes, shall be the exclusive representatives of all the employees in such a unit. . . ." The two aspects of this clause which I should like to stress are, first, the recognition of *exclusive* representation rights to the majority representative, and, second, the fact that the union so recognized becomes the representative of *all* the employees, whether or not any opposed it and even continue to oppose it. It is the possible implications of these two provisions that I should like to examine this morning.

The doctrine of exclusive majority representation was established only after painful experience with multiple and proportional representation in the pre-Wagner Act days. Employers made vigorous attack upon the doctrine of exclusive representation, charging that such a system conferred a "labor monopoly" and denied minority groups their own right of representation. Nevertheless, with some deviation and backtracking, fairly early in the administration of the NRA labor program the principle was laid down that minority representation would defeat collective bargaining, since it would prevent the negotiation of any *general* conditions of employment. It was apparent that two systems of seniority could not function simultaneously in the same unit; a minority union could not enjoy a system of plant-wide seniority at the same time that a majority union insisted upon departmental seniority. A system of promotion based on seniority, advanced by one union, could not function in the face of a system of promotion based on ability, advocated by a second union. Most fundamentally, two levels of wage rates could not exist side by side in the same unit; the stronger union would always be bound by the weaker union, just as a union which bargained for members only would be largely restricted to the terms which nonunion employees were willing to accept.

If multiple—that is, members only — representation was not feasible, this still left open the possibility of proportional representation, and the automobile industry became the guinea pig for this experiment, under a special NRA board. The idea was that if there were several unions claiming to represent some portion of the total employee group, then each union should be represented on the employees' committee pro rata to the number of employees it had as members. This presumably left it to the various union representatives to reach some agreement among themselves as to the terms of any proposal which they would jointly make to the company. As Louis Stark, labor reporter for the New York "Times," wrote of this decision, "This would bring in American Federation of Labor unions, company unions, rump unions, dissident factions of the AFL, and even left wing Communist unions." The possibility of such diverse groups resolving disagreements among themselves within some kind of works council, as was contemplated, so as to permit the negotiation of general conditions applying to all employees, was never actually put to the test, however. The AFL became sufficiently dissatisfied with the prospect to withdraw from the arrangement, which had been originally proposed by the President. Proportional representation has not seriously been tried since then.

On the basis of such experience, I think it is fair to conclude that there is substantial agreement among both students and practitioners that exclusive majority representation is necessary for workable collective bargaining. That principle was incorporated into the Wagner Act in 1935, and although challenged from time to time has not seriously been threatened. Indeed, its meaning and significance has been spelled out in a number of Board and Court decisions, of which one of the most important was the J. I. Case decision of 1944, in which Justice Jackson made these emphatic assertions:

". . . The very purpose of providing by statute for the collective agreement is to supersede the terms of separate agreements of employees with terms which reflect the strength and bargaining power and serve the welfare of the group. . . .

"But it is urged that some employees may lose by the collective agreement, that an individual workman may sometimes have, or be capable of getting, better terms than those obtainable by the group and that his freedom of contract must be respected on that account. . . . The practice and philosophy of collective bargaining looks with suspicion on such individual advantages. Of course, where there is a great variation in circumstances of employment or capacity of employees, it is possible for the collective bargain to prescribe only minimum rates or maximum hours or expressly to leave certain areas open to individual bargaining. But except as so provided, advantages to individuals may prove as disruptive of industrial peace as disadvantages. They are a fruitful way of interfering with organization and choice of representatives; increased compensation, if individually deserved, is often earned at the cost of breaking down some other standard thought to be for the welfare of the group, and always creates the suspicion of being paid at the long-range expense of the group as a whole. . . . The workman is free, if he values his own bargaining position more than that of the group, to vote against representation; but the majority rules, and if it collectivizes the employment bargain, individual advantages or favors will generally in practice go in as a contribution to the collective result."

It should be noted that this principle of exclusive majority representation does not rely on compulsory union membership. As long as a majority of workers in an appropriate bargaining unit designate the union as their representative, the union falls heir to the right of exclusive representation, even though a substantial minority of workers in the unit remain outside the union.

The Effect of Strikes on Exclusive Majority Representation

If we have thus tended to accept the principle of exclusive majority representation as necessary to collective bargaining, we should recognize that we have not pushed this principle to any logical conclusion but have, on the contrary, limited its application. It is not true that in all phases of the bargaining relationship the majority rules, and that minorities and individuals must accept its decision. The principle of exclusive representation ceases to be binding as soon as a union calls a strike. Prior to a strike, no individual employee is permitted to accept terms not approved by the union which represents the majority. This is the situation of which Justice Jackson wrote so eloquently, in which individual employees are precluded from making separate terms with the employer, however much such terms may be to their advantage. But when a strike is called, which in the absence of contrary proof we must assume to be an act of the majority, this majority decision is not binding on the individual employee. He may, if he chooses, cross the picket line of his fellows and accept employment on management's terms. That no collective agreement is then in force does not lessen the fact that in so doing he is acting contrary to the principle of exclusive majority representation; he is making his own bargain, on terms which the majority have rejected as unacceptable. In so doing he is denying the exclusive representation of the union and is assuming the right to act as an individual.

The common explanation for this state of affairs is that, with the strike, collective bargaining has broken down. But this is scarcely an accurate description of the situation, unless we are prepared to rule out the strike as an instrument of collective bargaining. Certainly, the NLRB has been consistent in its assertion that the employer's duty to bargain collectively with the majority representative continues as long as a strike is current. If collective bargaining can be said to have broken down at all, it is only because the principle of exclusive majority representation has broken down. If that principle were maintained, there could be no back-to-work movement, no trickling of employees back to their jobs on the employer's terms, contrary to the majority decision to remain on strike. If the principle of exclusive majority representation were held to, the employees would strike as a body and return to work as a body, in line with whatever decision was made through their exclusive representative agent. And the fact that certain individuals may be injured by the majority's action would be no more controlling than it is in the negotiation of a collective agreement, when the securing of any individual advantage is regarded as secondary to the serving of the welfare of the group. As in the negotiation of the agreement, so in the conduct of the strike as part of such negotiations would it be entirely feasible to apply the principle of exclusive majority representation.

Now the point to which I am leading is simply this: Historically, the main reason for which unions have sought the closed shop has been to enforce the principle of exclusive representation. If we look back over the 150 years or so of union history in this country, it becomes abundantly clear that the closed shop has been prime objective of unions not because of any desire to accumulate power for its own sake or to subject individual workers to some autocracy of union leadership. The closed shop has been the union's goal chiefly because it was the only available instrument for enforcing the principle of exclusive majority representation, without which collective bargaining was unworkable. If union membership could be made a condition of employment then any action by individuals which subverted the collective welfare could be made the basis for loss of union membership and along with it loss of employment. The individual's own advantage could thus be coercively subordinated to the welfare of the group.

Some of the Urgency for Closed Shop Has Disappeared

With the advent of the National Labor Relations Act, providing for employee elections to determine the bargaining agent which was then accorded exclusive representation rights in contract negotiations, some of the urgency for the closed shop disappeared. Another instrument had been provided by which the interests of the individual could be subordinated to the interests of the group, by introducing the practice of majority rule. Without this practice any union gains would have been at the mercy of the weakest members of the group. But as we have seen, the principle of exclusive majority representation was limited; it applied only up to the point of the strike. As soon as a majority called a strike, the individual was freed from its exclusive control and permitted to exercise his independent judgment as to whether or not to accept the employer's terms. In so doing he subjected group interest to personal interest. Exclusive majority representation went out the window.

Under the circumstances the unions might well have been expected to continue to press, as they have, for compulsory union membership, since they were thereby provided with disciplinary powers over those employees whose economic exigency or lack of sympathy might otherwise have led them to "scab," to use the vernacular, breaking the union's strength at its most critical moment, weakening its bargaining power when it was most in need of exerting it. With compulsory membership, the employee who ignored the picket line could later be subjected to fine and even dismissal from his job for his derogation of group authority. These penalties would not often need to be used; their existence would usually be sufficient to deter the individual from contesting the claims of the group over him.

Now the question I should like to raise, which I cannot answer but which it seems to me is worth discussing, is this: if a majority union were given some further grant of exclusive right of representation covering the period of a strike, corresponding to the right now granted through the National Labor Relations Act at all times other than a strike, would this be sufficient inducement to it to forego any further demands for compulsory membership? If compulsory union membership is distasteful to many Americans, cannot the objective which leads the unions to seek it be secured through other means, entailing no significant break with a principle —majority representation—which has already been accepted? I wonder, for example, what would be the feeling of unions and managements if a union-administered post-strike vote, which appears to be desired by the Administration as an amendment to the Taft-Hartley Act, were to be coupled with a provision that a *majority* vote would bind *all* employees, ruling out any back-to-work movement, until the authorized union officials declared the strike at an end. I do not advocate such a provision; I simply raise as an issue whether we should not consider something along this line as an alternative to the closed shop, which is now outlawed, and the union shop which is now severely restricted.

Protection of the Minority in Majority Group Bargaining

Although perhaps the major union incentive for seeking the closed or union shop is to secure its representation rights, there is another, but closely related, consideration. Let us go back to Section 9 (a) of the Labor Act, which specifies that the designated union shall be the exclusive representative of *all* the employees in the unit, whether or not they are members of the union. This requirement that it fairly represent even those who have voted against it follows almost of necessity from the fact that the majority agent has exclusive bargaining rights. If this sole bargaining agent acted

*An address by Dr. Chamberlain at the Spring Meeting of the Academy of Political Science, New York City, April 21, 1954.

on behalf of its members only, nonmembers in the unit would be deprived of representation. In the first clear expressions of the doctrine of exclusive representation, back in the days of the NRA and before the days of the Wagner Act, the Labor Board explicitly ruled that to accord a union the status of exclusive agent imposed on it the requirement of equitable treatment of the nonmember minority groups which it also represented.

The point has been upheld in our Federal courts. The Fifth Circuit Court has said, in one instance: "When the Steelworkers union accepted certification as the bargaining representative for the group, it accepted a trust. It became bound to represent equally and in good faith the interests of the whole group. It ought not to discriminate in the execution of its duties between its own members and employees who belong to another union or to no union."

And the Supreme Court, in another case, has asserted: "The duties of a bargaining agent selected under the terms of the Act extend beyond the mere representation of the interests of its own group members. By its selection as bargaining representative, it has become the agent of all the employees, charged with the responsibility of representing their interests fairly and impartially. Otherwise employees who are not members of a selected union at the time it is chosen by the majority would be left without adequate representation."

This responsibility on the majority representative is not always a simple burden to carry. It means that the organization and finances of the union must be placed at the service of all in the bargaining unit, whether or not they contribute to its functioning. This often means reimbursing, out of the union treasury, the union steward and committeemen who attend to grievances on behalf of people who have contributed not a penny to the union treasury. If the responsibility is adequately discharged, it may mean pressing to arbitration a case on behalf of a nonmember, including all the expenses attending arbitration. I can testify that such an eventuality is not merely a flight of imagination but at times a reality, since I once served as arbitrator in precisely such a circumstance, with a local of the Steelworkers' union going to considerable expense to try to secure what it believed to be equitable treatment for a discharged employee who had consistently refused to join the union.

Now it can reasonably be argued that if the right of exclusive representation carries with it the obligation of fairly representing all employees in a bargaining unit, then there is a reciprocal obligation on the part of all workers in the unit to contribute financially to the support of the organization which represents them. The payment by n o n m e m b e r s of the equivalent of the dues payment by members does not, however, necessitate joining the organization. Without embracing the principle of compulsory union membership, we can nevertheless recognize the legitimate right of the exclusive bargaining agent, voted in by a majority, to receive the support of all those to whom its benefits extend.

The "Non-Paying Member" Problem

This is the formula which was given wide currency by the arbitration award of Justice Rand of the Supreme Court of Canada, in the Ford-Canada decision of early 1946. Justice Rand refused to grant the union the power of compelling union membership, which it sought, but he recognized the merit of the so-called "free rider" argument. In his decision he wrote: "The employees as a whole become the beneficiaries of union action, and I doubt if any circumstance provokes more resentment in a plant than this sharing of the fruits of unionist work and courage by the nonmember. . . . It would not then, as a general proposition, be inequitable to require of all employees a contribution towards the expense of maintaining the administration of employee interests, of administering the law of their employment."

The n o n p a y i n g nonmember serves as a constant implicit taunt to the paying member of what a "sucker" he is; the situation confers a special advantage on the nonmember which—to use Justice Jackson's phrase—"may prove as disruptive of industrial peace as disadvantages." And this is a threat to the union's very survival, and hence to the collective bargaining relationship which a majority has favored.

Summary

Let me now pull together the remarks which I have made. I have suggested that it may be desirable, as an alternative to the closed shop, to consider the generalized types of amendments to our labor law: one would extend to the strike phase of collective bargaining, in some manner yet to be determined, the principle of exclusive majority representation, a principle which now characterizes only the pre-strike phase of collective bargaining. The other would recognize the obligation of nonmembers who are nevertheless represented by a bargaining agent to contribute to the financial support of their representative.

What would be gained by this arrangement over what the closed shop or union shop itself offers? First, it avoids any reliance on compulsory union membership, and thereby avoids the sacrifice of principle which I believe many people genuinely affirm. I know that unions have often held to the belief that such principle is only a convenient shield for economic interest, and that such principle will be readily enough sacrificed when it pays to do so. The unions may well be right in specific instances, but I feel sure that there are numbers of people who are sympathetic to unions who nevertheless oppose compulsory membership. Some, such as Justice Rank in Canada, have rejected it because it would deny to the individual "the right to seek work and to work independently of personal association with any organized group."

This objection becomes increasingly relevant as unions, which are part of a larger labor movement, spread their activities into the broader arena of national politics, where their activities are less closely related if not sometimes actually unrelated to the business of providing representation in a specific bargaining relationship, and where individual employees for that reason may object to forced association. But I do not choose to argue here the right and wrong of such a position: I am merely stating my own belief that principle, however enlightened or misguided, plays a substantial part in arousing opposition to the union or closed shop, and the unions may as well recognize that fact.

By the alternative route which I am suggesting that we consider, such a principle is respected. Membership is not compelled against any worker's will. But while thus recognizing the force of this objection to the closed shop, we may also recognize the "legitimate" objective of the union —to secure collective bargaining against the fatal weaknesses of multiple representation (whether through minority unions or rugged individualists) and of nonsupport. If we can reasonably satisfy the unions' understandable aspiration for security, through other devices than compulsory membership, it would seem desirable to talk about those other devices.

I suppose that one objection to such an approach may be that it would strengthen the unions too greatly, even though perhaps not to the extent that a closed or union shop would strengthen them. Admittedly the expected result of such an approach would be to strengthen the unions, to shift somewhat the relative bargaining powers between unions and management. But this is an issue which we are used to discussing and deciding, and whatever virtue inheres in the approach I have suggested lies precisely in posing the problem of union security as one of r e l a t i v e bargaining strengths rather than as one of principle. The unions have said that among those opposed to the closed shop, principle is only a cloak for expediency. While I think they overstate their position, it may be worth meeting their argument by removing whatever cloak is there and exposing the real issue more sharply, free of the obscuring shadows of the issue of forced association, compulsory membership.

Bankers Offer Public Service Electric & Gas Preferred Shares

An investment banking group headed jointly by Morgan Stanley & Co.; Drexel & Co. and Glore, Forgan & Co. on May 19 publicly offered 249,942 shares of Public Service Electric & Gas Co new 4.18% cumulative preferred stock of $100 par value. The stock was priced at $101.95 per share and accrued dividends to yields 4.10%.

Proceeds will be applied toward the redemption on June 30 of the 249,942 shares of the company's 4.70% cumulative preferred stock at the redemption price of $105 per share. The utility company plans to sell publicly next week $50,000,000 of new first and refunding mortgage bonds and use the proceeds to reimburse its treasury for, and payment of, a portion of the cost of its current construction program. At Dec. 31, 1953 this program amounted to approximately $116,435,000.

The new preferred stock is subject to redemption at $106 per share on or before June 30, 1959; at $105 per share thereafter but on or before June 30, 1964, and at $103 per share thereafter.

The company reports that the sale of additional securities will be necessary to finance construction, but there is no present intention of selling other new securities in 1954.

Public Service supplies electric or gas service or both in an area in New Jersey which accounts for about 80% of the State's population of over 4,800,000. The territory is one of the most heavily industrialized areas in the United States and includes most of the State's larger cities. The company's transport subsidiary operates the largest single fleet of buses in passenger service in the country.

The company's total operating revenues have increased from $171,547,297 in 1949 to $230,267,295 in 1953. For the 12 months ended March 31, 1954 revenues were $235,548,631 and net income was $25,206,773.

Walston Partners

SAN FRANCISCO, Calif. — Walston & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges, on June 1 will admit to limited partnership Max H. Block, Attilio Chiappari, Gertrude C. Mooney, and Ralph Sundquist.

Railroad Securities

Chicago & North Western

While investment grade rail stocks have continued to give a good account of themselves on fairly substantial volume, practically no interest has developed in the speculative group. Among the poorest performers in this category have been the preferred and common stocks of Chicago & North Western. Both continue to sell close to the lows of the past two years and well below the highs established early in 1953 when it had been fairly widely hoped and believed that more aggressive management policies might lead to a significant increase in earning power in a short time. While some progress has been made during the past year toward solving the road's many problems, traffic considerations have prevented this from being translated into higher earnings.

There are a number of reasons for the consistently poor results reported by North W e s t e r n throughout the postwar years. Despite strenuous efforts to abandon unprofitable mileage and services the road still operates a substantial amount of low density branch lines. It gets a relatively short average haul on its freight, and with respect to the division of through rates it is not compensated for the extensive terminal and yard operations it must perform in the Chicago area. These terminal operations cost as much for a car traveling 50 miles as for one moving 250 miles and producing five times as much revenue. Also, with mounting wage rates the cost of terminal and yard operations has climbed more rapidly postwar than have road haul costs and the rise has been more difficult to offset.

Another weakness in the North Western picture is the large passenger business it does. This is expensive and traditionally unprofitable, particularly in the commutation end of the business. Here again the management has pursued an aggressive program of revamping service and attempting to eliminate patently unprofitable runs. However, because of political considerations and civic pride it is generally a lengthy and difficult process to get permission to abandon specific passenger trains or routes regardless of what the figures may prove. Thus, despite the substantial progress that has been made over a period of years it is indicated that the passenger end of the business still imposes a serious drain on profits realized from the freight business.

Last year North Western started out relatively well, with indications that the long program of dieselization and other improvements, and changes in operating procedures, were paying off in a significant improvement in operating efficiency. This picture was changed in the second year, with the company fairly hard hit by the downturn in our general economy and the failure of grains to move in anticipated volume. It is true that for the full year the transportation ratio was cut 1.5 points from a year earlier but at 44.2% it was still one of the highest in the industry and well above the Class I average of 36.3%. Available earnings came to only $3.20 a share on the preferred, marking the third year in succession in which the full requirement was not earned. Had it not been for a net Federal income tax credit for the year these earnings would have been $0.66 a share lower.

In point of gross revenues North Western has done somewhat better than the industry so far this year with a decline of less than 9% for the opening quarter. The transportation ratio was up nearly two points and the net loss amounted to $3,420,000 compared with a loss of only $1,226,000 a year earlier. There was considerable relative improvement in March itself, with the rise in the transportation ratio held to 0.4 points, and comparisons should be considerably better in the seasonally more active months to come. Nevertheless, analysts generally feel that full year 1954 results are not likely to match the relatively unsatisfactory earnings of 1953.

Nat'l Analysts Ass'n Elects New Officers

M. D. Morehouse Shelby Cullom Davis

CHICAGO, Ill. — M. Dutton Morehouse was elected President of the National Federation of Financial Analysts Societies at the annual meeting of the Federation's board of directors.

Mr. Morehouse, a manager of Brown Brothers Harriman & Co. in Chicago and widely known as a financial economist and investment authority, is the first Chicagoan to head the National Federation. He succeeds Samuel B. Jones, Vice President of the Fire Association of Philadelphia.

Shelby Cullom Davis, head of Shelby Cullom Davis & Co., New York City, members of the New York Stock Exchange and specialists in insurance stocks, was elected Vice President of the National Federation, and George M. Hansen of Keystone Custodian Funds, Inc., Boston., was re-elected Secretary-Treasurer. Mr. Davis is a former first deputy superintendent of insurance of the State of New York.

The seventh annual convention of the National Federation of Financial Analysts Societies opened May 11th in the Palmer House and continues through Thursday, May 20. Membership is made up of analysts' societies in 15 large cities.

Mitchell Hutchins to Admit A. C. Harrison

CHICAGO, Ill. — Arthur C. Harrison on May 27th will become a partner in Mitchell, Hutchins & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Harrison has been with the firm for some time.

With Gerard Jobin

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Chas. F. Hohweiler is now affiliated with Gerard R. Jobin Investments Ltd., 242 Beach Drive, North.

With First Southern Inv.

(Special to THE FINANCIAL CHRONICLE)

BOYNTON BEACH, Fla.—Monroe Zipp has become affiliated with First Southern Investors Corporation, Southwest First Avenue.

Regulations Enforcing Compulsory Unionism

By T. R. ISERMAN*
Kelley, Drye, Newhall and Maginnes
Attorneys, New York City

Asserting power of unions to represent members and nonmembers alike as exclusive bargaining agent is a power that the law gives to no other kind of organization, Mr. Iserman contends this power is so great that most employees in ununionized industries are in far greater fear of the unions than they are of their employers. Holds intolerance in unions equals, if it does not exceed, the intolerance of the Spanish Inquisition. Concludes "compulsory unionism, in any form, does not have a logical, economic, moral or political justification."

When we think of compulsory unionism, we usually have in mind arrangements between unions and employers under which employees must join a union in order to get a job or to keep one.

T. R. Iserman

Under a closed-shop contract, an employer may hire only members of the union. Under a union-shop contract, he may hire whom he pleases, but employees must become members of the union within a stated period, usually a week or a month.

This is, indeed, compulsory unionism, but these are not the only arrangements that tend to force employees into unions against their will.

The National Labor Relations Act provides that when the majority of employees in an appropriate bargaining unit, which may be a department, a whole plant or a group of plants, selects a union as their bargaining agent, that union becomes the exclusive bargaining agent of all the employees in the unit. That union negotiates wages, hours and working conditions for all the employees. No individual employee may bargain for himself. If he has a complaint or grievance, under the law the union has the right to intervene in any discussions between the employee and his employer concerning the grievance.

An Unusual Power

The power to represent members and nonmembers alike as the exclusive bargaining agent is a power that the law gives to no other kind of organization. It is a power that gives to unions far greater control over working people than any other private organization has over citizens. It is a power that forces employees into unions. For it is only if an employee joins the union that he, even theoretically, has a voice in determining his own wages, hours and working conditions, and effective help in settling his complaints.

The right to act as the exclusive bargaining agent of employees is far more important to unions than any right to force employees to join unions under closed-shop or union-shop contracts, and if unions had to choose between these rights, I daresay they would choose the right to act as exclusive representatives.

Another widespread kind of arrangement that tends to compel union membership involves pension and welfare plans. In some instances the arrangements provide pension and welfare benefits to union members only. In industries that effect interstate commerce, these discriminatory arrangements are unlawful, but they nevertheless exist. Even when the arrangements are not discriminatory, they tend to immobilize workers, particularly those whose years of service give them a substantial stake in a pension plan, and, by the same token, tends to keep employees subject to control by the union that administers the pension plan.

Federal law purports to forbid unions to use force or threats of force or of economic reprisal to compel employees to become or remain members of the union. Nevertheless, force and threats are not uncommon among unions' organizing techniques, and neither Federal law nor state law is effective against them. Aside from force and threats, unions have other tools, such as ostracism and abuse, that they use to compel employees to join.

Effect of Great Power of Compulsory Unionism

The power that unions have under the law as exclusive bargaining agents is so great, their violence against nonmembers is so widespread, notwithstanding the law, and their ability to make life in the plants miserable for nonmembers in ways that no law governs is so well developed that most employees in unionized industries are in far greater fear of the unions than they are of their employers.

With all these things tending to force employees into unions, there seems to be no real justification for using still more stringent methods of forcing into the unions those few who are strong-minded enough or misguided enough still to resist joining.

But in America, at least, intolerance in unions equals if it does not exceed the intolerance of the Spanish Inquisition. To a union, existence of an unorganized minority, no matter how small, denies its right to live and is intolerable. Hence, unions insist that employers include in the contracts between themselves and the unions clauses that permit only members of the unions to work for the employers, denying employment to all others.

Under the Wagner Act, these clauses compelling union membership could require employees to become members in order to get jobs or in order to keep them. Once a man became a member of a union, the union could expel him and require his employer to fire him for any reason or for no reason. If a member criticized the union's policy, if he offended a union official, if he supported political candidates or political policies that the union's ruling clique opposed, the union could expel him and cost him his job.

Under the Taft-Hartley Act, an employer and a union may agree only that an employee must join the union within 30 days after the date of the contract or after he gets a job. The union still may deny membership to him or expel him from membership for almost any reason, thus denying him any voice in determining his wages, hours and working conditions. But it may require the employer to discharge him only if he fails to tender the union initiation fees and union dues.

The law also provides that a union may not make a contract requiring employees to join it if the majority of the employees voting in a National Labor Relations Board election vote to deprive it of authority to make such a contract.

For many years, the Railway Labor Act forbade employers and unions subject to it to contract to compel employees to join unions. In 1951, Congress included in that Act provisions like those of the Taft-Hartley Act, permitting limited forms of union shops.

A Controversial Clause of Taft-Hartley Act

The Taft-Hartley Act, in Section 14 (b), has another important and highly controversial clause. It provides that nothing in the Federal Act shall be construed to authorized contracts compelling union membership in any State or Territory whose law forbids such contracts. Sixteen states, mostly in the South and West, have enacted, either as statutes or as constitutional amendments, some form of "right to work" laws, forbidding contracts compelling union membership. Some other States forbid unions to use force and violence in recruiting members. Others forbid contracts compelling union membership unless a simple majority of the employees, in some cases, or a two-thirds or three-quarters majority in others, authorize such contracts.

Under the Taft-Hartley Act, these laws are valid. Unfortunately, in amending the Railway Labor Act, Congress failed to include a clause like Section 14 (b) of Taft-Hartley. The Santa Fe Railroad is litigating the effect of this omission.

The labor unions profess to see an inconsistence between the provisions of Taft-Hartley that permit a limited form of compulsory unionism and those that permit the States to forbid all forms of compulsion. There is no inconsistency.

The national labor policy, as set forth in the Norris-LaGuardia Act, the Wagner Act and the Taft-Hartley Act, always has been that individual employees should be free to join or not to join unions, just as they please. Both the Wagner Act and the Taft-Hartley Act have forbidden employers to discriminate against employees, either to encourage or discourage union membership. That is national policy. The provisions of these statutes permitting some measures of compulsory unionism were exceptions to the policy each of these laws laid down.

If we are to have a Federal policy regulating the matter, there is nothing inconsistent, illogical or inappropriate in Congress' prescribing what, if any, exceptions are permissible under Federal law, and providing, as Taft-Hartley now does, that the States may adhere more strictly to the policy by forbidding all forms of compulsory unionism than Federal law itself requires.

It does not seem to me that the right of a man to work ought to be subject to a deal, whether voluntary or coerced, between private parties. It does not seem to me that any kind of private organization ought to have the right to levy taxes or tribute on the right to work. It does not seem to me that any majority ought to have the right, by law, to exterminate a minority. It does not seem to me that compulsory unionism, in any form, has any logical, economic, moral or political justification.

*An address by Mr. Iserman at the Spring Meeting of the Academy of Political Science, New York City, April 2, 1954.

Public Utility Securities

By OWEN ELY

Citizens Utilities Company

Citizens Utilities Company continues its interesting growth record. During the postwar period, revenues have increased some 112%, which compares well with other growth companies. Under a previous management earning in the seven years 1939-45 increased only 13¢ a share to 20¢. In 1946 when Richard L. Rosenthal became President, earnings jumped to 42¢ and have increased in each later year, reaching $1 in 1953. Nineteen fifty-four earnings are forecast at $1.10 per present outstanding common share, a gain of about 10% over 1953. Revenues are expected to show a gain of about 8%. In 1944 the stock sold as low as 1 after adjustment for a later 3-for-1 split-up, and it is now quoted about 17½ Over-Counter.

During 1954 Mr. Rosenthal expects to give special attention to acquisition of additional properties, provided these can be purchased so as to improve share earnings. In order not to conflict with the Utility Holding Company Act, electric and gas properties must be purchased in fee and this will prevent acquisition of utility units located in states which do not permit "foreign" corporate owners. However, there would be no bar (so far as the Utility Act is concerned) from acquiring the stock control of telephone, water and ice companies.

Citizens Utilities' present operating income (before income taxes) is obtained from diversified sources both by services and territory, as follows:

	1953		1953
Electric	53.10%	New England	25.42%
Gas	15.12	Mountain States	19.55
Telephone	20.07	Southwest	24.94
Water	10.73	Pacific Coast	29.40
Ice & Cold Storage	0.98	Alaska	0.69
Total	100.00%	Total	100.00%

To illustrate the advantages of this diversification, President Rosenthal in his recent talk before the New York Society of Security Analysts, pointed out that in each year of the postwar period some of the 21 or 22 properties showed decreases in earnings, but a larger number showed gains in each year, so that the net result was the substantial increase in share earnings mentioned above.

He also compared the growth of Citizens major service divisions with general industry experience. He pointed out that in its electric division, between 1945 and 1953, Citizens' energy sales had increased 98%, and its electric revenues had risen 100%. F. P. C. statistics show an electric utility industry increase of 86% in kwh. sales, and a 94% gain in operating revenue over the same period. Citizens has experienced a 123% increase in telephones in service, and a 173% advance in telephone revenues, compared with a gain for the Bell Telephone System, in the same eight-year period, of 84% in telephones in service, and 129% in revenues. In the gas field, Citizens' customers were up 185%, the quantity of gas sold increased 673%, and revenues advanced approximately 368% since 1945, including its Bangor, Me., acquisition.

Mr. Rosenthal advised the Analysts' meeting that in 1953 industrial sales accounted for 11.4% of total electric revenues and 18.4% of total gas revenues. He stated that this was a markedly lower percentage than the average for these two segments of the utility industry on a national basis. In the electric utility industry, the average for the nation is 27.7% industrial revenues to total revenues, and in gas 27.9%.

A special policy of Citizens has been to conserve earnings for plowing back into plant account by a comparatively low cash dividend pay-out (the present cash rate is 48¢ compared with 40¢ last year), plus a regular annual stock dividend of 3%. The stock dividend is also of interest to stockholders from a tax angle. In his talk Mr. Rosenthal gave several examples of these tax benefits, particularly to the larger stockholders. He estimated that at a price of 18 a stockholder in the 50% bracket would enjoy a total net yield from cash and stock equivalent to an all-cash yield of 7.2%, while for the 60% bracket taxpayer the yield would be 8.3%. Based on various other assumptions which were detailed on sheets IV and V of the memorandum presented to the Analysts, the yields might work out as high as 8.6% and 10.1%, respectively, for the two tax brackets.

Citizens is in strong position to acquire new properties since the equity ratio has been increased to 38% which would permit increasing the senior securities if desirable. Moreover, additional common shares have been authorized. The present high equity ratio compares with 19% in 1945 and 7% in 1935. Mr. Rosenthal also told the Analysts' meeting that the company did not now contemplate the necessity for common stock financing in 1954, nor would it in 1955, except for a sizable new property acquisition. He stated that the company's current year, all-time record $2,152,000 construction program would be financed from internal sources and bank loans and that it was likely that a similar method would be utilized through most, if not all, of 1955. Thereafter the bank indebtedness incurred would be funded by the sale of long-term debt obligations.

Recession to Be Short-Lived!

Dean G. Rowland Collins, Director, and Dr. Marcus Nadler, Research Director of the Institute of International Finance of New York University, in bulletin entitled "The Coming Business Pattern," find economy basically sound and dynamic.

According to a bulletin entitled "The Coming Business Pattern," issued by Dean G. Rowland Collins, director, and Dr. Marcus Nadler, research director, of the

Marcus Nadler — G. Rowland Collins

Institute of International Finance of New York University, the current economic readjustment is likely to be relatively mild and short-lived and after it has run its course the economy should resume its upward trend. A return to the postwar pattern of business, as it existed from 1946 to 1953, is unlikely, however, the Institute's study points out.

After outlining the forces operating in the economy and the governmental policies adopted, or under consideration, for improving business conditions, the bulletin states:

"The greatest decline in business activity may already have taken place, and the drop in the near future should be smaller than that recorded since July 1953. Unemployment is thus not likely to assume dangerous proportions. Once inventories have been reduced business activity should level off, and after an interval of several months again begin to turn upward.

"This process will depend in large part on the attitudes of business and consumers. If business executives carry out their plans for capital expenditures, as recently estimated, these outlays will remain close to the large figure reached in 1953 and will contribute materially to the maintenance of a high level of business activity. There are also indications that many business executives are aware that buyers are more price- and quality-conscious and that recent months have demonstrated a readiness of consumers to absorb good-quality merchandise, attractively priced.

"Since the economy is basically sound and dynamic, and there has been no abuse of bank credit nor excessive speculation in any sphere of economic activity, there would appear to be no valid reason for a pessimistic outlook on the part of either business or ultimate consumers."

The period from 1946 to 1953, the bulletin points out, was characterized by a huge, war-created pent-up demand for all kinds of goods, by extremely large capital outlays by business concerns, a sellers' market for goods and labor, an unprecedented increase in consumer and mortgage debt, a vast defense program, and record peacetime taxes.

"These forces," the NYU study states, "are not likely to be in evidence in the period ahead, at least not in their former intensity. They were extraordinary in character and created extraordinary business conditions. The greater portion of the postwar period was marked by a boom of a magnitude rarely witnessed in peacetime. Since the pent-up demand for both consumer and producer goods has largely been met, the economy in the future will depend mainly on current demand. Moreover, unless the international situation should deteriorate, military expenditures are more likely to decline than to increase.

"Once the present readjustment is completed, the business pattern of the future may be marked by the following characteristics:

"(1) The economy should resume its upward trend, interrupted at times by downswings of moderate degree and duration. Sharp breaks in business activity, accompanied by large-scale unemployment such as prevailed during the early 1930's, are not to be expected. The expansion of the economy will be stimulated by the growing population, which by 1960 may reach 175,000,000 to 180,000,000. It may also be expected that the general standard of living will continue to rise, primarily because of increased productivity of industry and agriculture. At the same time, a larger proportion of the population will be non-productive, partly because of the sharp rise in the birth rate and increased longevity, partly because many more older people will be living on social security and pension benefits than ever before. This means that, to maintain and increase the standard of living, those working will have to show a steady increase in productivity.

"(2) The American economy will be highly dynamic, with new equipment, processes, and products constantly replacing the old. During 1953 the amounts spent on industrial and scientific research and development amounted to $4 billion, of which $2.5 billion was contributed by the government, $1.4 billion by industry, and the balance by nonprofit institutions. Research leads to new inventions and increases the rate of obsolescence of machinery and equipment. Moreover, since the economy will be highly competitive and producers and distributors will endeavor to reduce costs, it may be expected that capital expenditures by corporations will continue to be large. The dynamism of the economy also stems from the shift of population from the cities to suburbs and from one part of the country to another. These extensive migrations create new demands for housing, community facilities, and many other types of goods and services.

"(3) The economy will be highly competitive. The productive capacity of the country is geared to meet the growing civilian demand and at the same time to strengthen the defense needs not only of this country but of the rest of the free world. With defense expenditures decreasing, the economy will have to rely more and more on civilian consumption to absorb its products. The new equipment installed will be more efficient, while the new products constantly appearing in the market will also make for keener competition. The struggle for survival in business is bound to be severe, and the number of failures and liquidations, particularly of poorly financed and poorly managed companies, is likely to be larger.

"(4) Concentration of industry will be accelerated. In part, this trend will result from the need of companies to acquire the most modern machinery and equipment in order to strengthen their competitive position. In part, it will result from the desire to have more ready access to the capital market and to be in a position to cope with the powerful labor unions, many of which operate on a national scale. Laborsaving in distribution will grow, with self-service and 'do it yourself' becoming more and more the order of the day. This does not necessarily mean large-scale unemployment since servicing of the new machinery and equipment will require a new labor force; services in general are playing an increasing role in the economy. Chains will continue to grow, however, and the smaller retailers will have to readjust their thinking and operations in order to survive."

The writers conclude that "in all probability the economy of the country in the period ahead will have characteristics falling between those prevailing during the subnormal 1930's and those prevailing during the abovenormal postwar period. While in some respects economic conditions will resemble those of the 1920's, in many respects they will differ materially. The influence of the government over business today is far greater than it was before the war. The financial institutions are much stronger, bank failures have been eliminated, and existing legislation prevents the abuse of bank credit. The economic security of the people is greater than ever before, and government price support helps sustain farm income. Along with these favorable factors, however, there will be adverse forces operating in the economy. The economy will be much more rigid, as regards wages and prices of many commodities, than it was in the 1920's. The tax burden will be substantially higher, and government controls and regulation will play a much more important role."

Johnston, Lemon Group Offer State Loan and Finance Debentures

Johnston, Lemon & Co heads a syndicate offering $8,000,000 State Loan and Finance Corp. 12-year sinking fund 3¾% debentures, due May 1, 1966, at 100% and accrued interest.

Net proceeds from the sale of the debentures will be added to the company's general funds, and it is intended to use the funds substantially equivalent to the net proceeds to reduce outstanding bank loans.

The debentures will be subject to redemption at the option of the company, at prices beginning at 104%, and for sinking fund purposes beginning in 1956, at prices from 102%, plus accrued interest in each case.

State Loan and Finance Co., with its principal executive office in Washington, D. C., is a holding company, and through its wholly-owned subsidiaries, is primarily engaged in the business of making small loans to individual borrowers. At Feb. 28, 1954, the company operated 72 loan offices located in 14 States as follows: Arizona, Arkansas, Florida, Georgia, Illinois, Kansas, Louisiana, Maryland, Missouri, Ohio, Oklahoma, Tennessee, Texas and Virginia.

The company has contracted to purchase the loans receivable, furniture and fixtures of eight loan offices in the State of New Jersey, subject to obtaining licenses under the Small Loan Law. This will mark the entry of the company into New Jersey. It has also acquired an additional loan office in the Bethesda-Chevy Chase area of Maryland, adjacent to Washington, D. C. When these offices are taken into the chain, the company will be operating 81 loan offices.

Consolidated operating income of the company and its subsidiaries for the year 1953 aggregated $8,787,650 and net income amounted to $1,212,230. For 1952, consolidated operating income totaled $7,881,776, while net income was $1,045,013.

Securities Salesman's Corner

By JOHN DUTTON

Here's A Good One!

How would you like to bring 300 visitors to your office every week—some of them potential customers, some interested public citizens of your town, all of them good-will boosters for your firm? Down in St. Petersburg, Fla., where they say the folks are getting along in years and new things are not so prominent, the progressive firm of McCleary & Co. has been packing its offices every Tuesday evening with interested listeners who have come to hear about the new frontiers, the growth and the opportunities for investment in growing Florida. And the idea they are using is just as timely and interesting to people in their town as it could be to you folks in Denver, San Francisco, or Pittsburgh.

Know Florida Better

In a series of eight talks given at the firm's offices which began April 20, leading businessmen who are connected with Florida's top industries have cooperated with George McCleary and are giving their views regarding the investment opportunities that are developing in every part of the state—what they and their companies have contributed in the past—and what they are planning for tomorrow. Here's the McCleary lineup of top industrialists who are telling the Florida story:

P. W. Moore, President, First Research Corp. of Florida.
Carl D. Brorein, President, Peninsular Telephone Co.
William J. Clapp, President, Florida Power Corp.
McGregor Smith, President, Florida Power & Light Co.
A. D. Davis, President, Winn & Lovett.
W. C. MacInnis, President, Tampa Electric Co.
Paul Reinhold, Board Chairman, Foremost Dairies.
George T. Baker, President, National Airlines Inc.
Comer J. Kimball, President, Florida Bankers Association.

Promotion Advertising

The first advertisement announcing the series of talks was headed "Know Florida Better." Attention was directed to the zooming industrial development in the State of Florida and the fact that investors everywhere are being alerted to the great opportunities throughout the state. The list of speakers was noted and an invitation to attend these talks was offered to the public. Mention was made that the talks would be given at the firm's offices at 8 p.m. each Tuesday and that seating capacity was limited to 300.

Each week thereafter advertisements announced the speaker of the week and his subject. Here's a sample of the copy:

You Are Cordially Invited

HEAR

CARL D. BROREIN

President

Peninsular Telephone Company

In the second series of talks on "Florida's Economic Growth & Potentials." Hear the interesting story of Peninsular Telephone Company—its growth potentials and the major role this important company is playing in Florida's Central & West Coast Economy.

Tuesday Night—April 27th—8:00 P.M.

at our offices

(seating capacity 300)

McCLEARY & CO. INC.

Members New York Stock Exchange

556 Central Ave., St. Petersburg

Phone 7-5131

Mr. McCleary writes that his office has been playing to a capacity attendance every Tuesday night. I feel certain that if you are interested in setting up a series of talks on industry in your area that George McCleary will be pleased to give you an idea of the copy he used in promoting this excellent advertising idea, and any other assistance that might be helpful to you. Please don't all write at once—I understand he's a very cooperative and fine fellow but he's running quite a live and progressive investment firm, so he's a fairly busy man.

Financial Advertisers To Hear J. R. Caples

John R. Caples, Vice-President, Batten, Barton, Durstine & Osborn, will be the guest speaker at the May luncheon meeting of the New York Financial Advertisers, Wednesday, May 26, at the Lawyers Club, 115 Broadway, New York City. The subject of the talk by Mr. Caples will be "Copy That Pulls."

CORRECTION

In the Financial Chronicle of May 13th it was reported that Lewis T. Thorburn had become associated with Mann & Gould of Salem, Masasachusetts. Mr. Thorburn was formerly with Mann & Gould but is now associated with Minot, Kendall & Co., Inc., members of the Boston Stock Exchange.

Continued from page 13

The Government Bond Picture

Treasury security prices and yields to be wider than they need be.

First of all, I think we have to take into consideration the fact that the assets comprising bank liquidity have undergone considerable change since the 1920's which, more or less, was about the last occasion that the Reserve banks had an effective, restrictive credit policy — until after the Treasury-Federal Reserve accord of 1951.

During this earlier period the principal assets that made up the liquidity positions of the banks were Stock Exchange call loans, eligible paper, and Treasury securities. The first two did not involve recourse to a security market when a bank wished to make an adjustment in its money position. Basically, therefore, banks became accustomed to making money adjustments by borrowing from the Reserve banks, for which they pledged either eligible paper or government securities, and by repaying such borrowings.

During the bulk of this earlier experience of the Reserve, the demand for reserve credit fluctuated largely in accordance with changes in business activity. The sum and substance of all this was that expanding and contracting needs for bank credit, arising from changes in business activity, resulted in fluctuations in the amount of member bank borrowings from the Reserve banks. And, in most instances where an individual bank made a money adjustment, a corresponding change occurred in the reserve balances of the member banks as a whole.

Thus, the composition of banks' liquid assets during the earlier history of the System, and the practices of banks at the time, resulted in the establishment of a conduit such that fluctuations in the demand for bank credit, arising from changes in business activity, also had the effect of providing or absorbing bank reserves more or less automatically—subject, of course, to the changing policies of the Reserve banks.

Since that time, the composition of bank liquidity has undergone a radical change and, today, the principal measure is short-term Treasury securities. Also, bank practices have changed and, by and large, banks prefer to make necessary money adjustments by the purchase and sale of short-term Treasury securities. Borrowing is, more or less, a recourse of last resort. Stripped of all the complexities, the purchase and sale of Treasury securities by banks results in the sought-for increases or decreases in the reserve balances of the particular bank—but—not for the banking system as a whole, *except* under two conditions—

(1) when the Reserve banks are willing to extend repurchase agreements to dealers on short-term Treasury securities (then changes in dealer inventory result in changes in member bank reserve balances for the banking system as a whole) and

(2) when the Reserve is engaged in open market operations for the System Account.

Therefore, unless banks generally are discouraged from attempts to adjust their money positions by the purchase and sale of Treasury securities, which means they would be relying almost entirely on fluctuating their borrowings at the Reserve banks, we have only two circumstances wherein the conduit that I spoke of is in place, and, changes in the demand for private credit are reflected in changes in the reserve balances of the member banks as a whole.

This situation materially interferes with the proper functioning of the Treasury security and other security markets. I would like to say a few words about why this is the case.

When the Reserve is following a restrictive credit policy, it must force banks into wider use of the discount privilege. This is a time when an increasing number of banks will prefer to make money adjustments by the sale of short-term Treasury securities. But, such sales or such adjustments by individual banks will not produce any change in the reserve balances of the banking system as a whole. This is true, *generally speaking,* regardless of who buys the Treasury securities banks attempt to sell, and, it will continue to be true as long as a restrictive credit policy is in effect, *unless* the Reserve buys securities in the open market for the System Account, or permits dealers to enter into repurchase agreements.

For the Reserve to attempt to enforce a restraining credit objective with one hand, and to make offsetting purchases of Treasury securities in the market with the other hand, would make little sense from the point of view of credit policy. Nor can dealers be expected to buy securities and build their inventory simply because the Reserve banks suddenly become willing to extend repurchase agreements.

Consequently, the change that has occurred in bank liquidity, to one that is measured largely by their holdings of short-term Treasury securities, produces the following results when the Reserve aims to restrain bank credit expansion:

Banks will attempt to sell Treasury securities. This will accomplish the desired adjustments for the individual banks but no increase takes place in the reserve balances of the banks as a whole. The Reserve cannot be expected to purchase such securities in the market, and dealers generally find it difficult to determine, in such a situation, at what point during the rise in yields they should begin to let their inventory build up. Consequently, they hold their inventories down and yields skyrocket with no foreseeable ceiling. In fact, the market action engenders anticipations of a rise in the discount rate. Something like this occurred in May, 1953.

When dealers can figure out the proper timing, so can the banks. Therefore, dealers can function as such only toward the latter stage of an upward swing in market yields, just before yields start down and the market emergency has passed.

When the Reserve aims to create a situation of active ease in the money market, what happens? Banks should find recourse to the discount privilege almost unnecessary. This means that some free reserves must be kept with the banks. Free reserves, of course, are the difference between excess reserves and borrowing at the Reserve banks. When a condition of active ease is attained in the money market, a number of banks will try daily to invest their excess reserves in short-term Treasury securities—where will these come from? If they come from other banks, the ownership of the excess reserves changes but the total in the banking system as a whole, remains unchanged. If the dealers sell securities from their inventory, the same result is obtained. It is unlikely that non-banks will be net sellers, and that leaves the Reserve banks as the only remaining source of supply. If the Reserve banks were to sell to enable member banks to invest their excess reserves, the amount of such reserves would be decreased. It makes no sense for the Reserve to attempt to create a condition of active ease and to offset it by sales of Treasury securities from its portfolio. Therefore, practically all sectors of the market chase after bills and other short-term securities. As long as a policy of active ease continues, the chase continues, so that the gap between the yields on bills and the discount rate widens, with short-term yields moving lower and lower.

In other words, today, attempts by banks to adjust their individual money positions, by the purchase or sale of short-term Treasury securities, results — generally speaking — in no corresponding changes in the reserve balances of the banking system as a whole, but, the amount of fluctuation in the yields of short-term issues is widened unnecessarily. The same is true for the fluctuations in the prices of Treasury and other bonds, and for interest rates generally.

It seems to me that a better result should, and can be provided. I don't intend to go into the details. It amounts simply to this: The Reserve banks should permit dealers to enter into repurchase agreements throughout the entire range of flexible credit policies. The rate on these repurchase agreements should fluctuate around the discount rate.

When credit policy is aimed at restraint then, as a practical matter, I suspect the repurchase rate would vary from ¼% to ½% above the discount rate. The goal would be to keep the amount of dealer repurchases at a minimum commensurate with market requirements and credit policy, and, to force the member banks to make the bulk of their money adjustments through borrowings at the Reserve banks.

When credit policy is aimed at active ease, I suspect that the rate on repurchases would vary from ¼% to ½% below the discount rate. The Reserve would endeavor to keep member bank borrowings at a minimum and to keep the amount of repurchase agreements above market requirements. They would wish to encourage member banks to make the bulk of their money adjustments via market purchases and sales.

Such a remedy has not been provided, partly I believe, because of the misconception that it would amount to placing dealers in a privileged position compared with that of member banks. This isn't the case. Dealers simply would form the conduit that is desirable. The benefit would flow to all of those who benefit from a proper functioning of the Reserve System. Included among these would be the Treasury, the Reserve, the banks and all users and suppliers of funds who benefit from desirable changes in money and credit conditions.

Point three concerns the scope and techniques of Federal open market operations; the President of the Federal Reserve Bank of New York urges more banking and public scrutiny of these.

The matter of Federal open market operations, including the relationship of the Federal Reserve to the market, underwent a long extensive study about two years ago. Government security dealers of all types appeared before an ad hoc subcommittee of the Open Market Committee for a number of weeks. At these meetings all aspects of the relationship between the Reserve and the market were discussed — both from the point of view of the needs of the market and from the point of view of the needs of credit policy. A report was made by this ad hoc committee to the Open Market Committee.

I am sure everyone will agree with the view that more banking and public scrutiny should be cast on Federal open market operations. But, I think it should be recognized that the policy decisions of the Federal Open Market Committee were reached only after long consideration and study of all phases of these matters. It, therefore, seems that bankers and the public should have the benefit of the subcommittee's report; otherwise their conclusions may not be as helpful as they could be.

The present policy on open market operations is, as I have stated, to confine the Reserve's purchases and sales to short-term Treasury securities, in practice to Treasury bills, and that these shall be made solely to provide or to absorb bank reserves. This seems to conform with the requirements of a Treasury security market that will have maximum freedom.

The general question that was raised last week by the President of the Federal Reserve Bank of New York is whether the relatively narrow scope of open market operations will satisfy the requirements of Treasury debt management and reserve credit policies in the future. The question was raised, as I see it, from the following premises: That the present policy of confining operations to bills has invited the danger that such a practice will be viewed as a permanent rule of central banking, and that such a rule has been displayed as a permanent "norm" from which it may be difficult to depart if this were to become advisable.

Three additional types of open market operations were suggested.

(1) The Reserve might find it desirable to engage in swaps of Treasury securities that will alter the maturity pattern of its holdings;

(2) The Reserve might find that it should give a "desirable assist," on occasions, to any sluggish reactions to credit policies by making market purchases and sales of Treasury certificates, notes, and bonds anywhere in the maturity range of the market; and

(3) Under "appropriate" circumstances, the Federal Reserve might wish to assist "desirable" debt management operations of the Treasury by making purchases, and perhaps offsetting sales, of Treasury securities in the market.

It was not recommended that these become regular operations. It was contended only that the Reserve should feel free to engage in, and presumably the market should not be disturbed by the advent of, such operations. It futher was contended that any such widening in the scope of market operations would not mean constant intervention in and manipulation of the market, nor a return to the pegging of prices.

I plan to comment briefly on these suggestions but, frankly, the whole idea is reminiscent of the sort of operations that led to the famous Treasury-Federal Reserve differences. Temporarily, the problems of debt management and credit policy were tremendously multiplied at a crucial point in national and international affairs. I certainly would hate to see anything done in the way of expanding the Reserve's market operations that would invite any such repetition.

With respect to swaps: These, if approved by the Committee, might take, at least, four forms:

(1) Those designed to alter the maturity pattern of the System's holdings;

(2) To help the market adjust to any large, unusual market demand or supply for particular issues of Treasury securities;

(3) In connection with attempts to give "a desirable assist" to sluggish reactions to credit policies; and

(4) Those that might be held to be helpful in connection with "desirable" Treasury debt operations.

I haven't the time to cover these matters fully but I would like to point out one or two things.

Swaps used to be a regular phase of the Reserve's market operations, particularly during the 30's and later. But on most of these occasions, the Reserve's holdings of the various issues were relatively small, compared with the amount held by the general public. That is not the case today. The Federal holds from 20% to 25% of the 2⅝% certificates maturing Sept. 15, next. The Federal holds almost $7 billion of the 1⅞% notes maturing Dec. 15, next, whereas the general public holds less than $1¼ billion.

If the Reserve were to start to sell these 1⅞% notes, what would you do? I can tell you what I would do as a dealer—I'd become a broker in the issue because I would never know when the Federal might start selling the issue or when it would stop. I, therefore, would find running an inventory of these notes—long or short—an ill-advised venture.

Take a couple of other issues: In the case of the 1⅝% certificates maturing Feb. 15, 1955, the Federal holds about $3¼ billion, almost as many as the public holds. In the instance of the 1¾% notes of December, 1955, the Federal holds about $3¼ billion; the general public holds only a few more than that.

Consequently, it seems to me that once the Federal started to swap, for whatever reason, most dealers and others would be inclined to stand aside and more or less force the Federal to establish the prices and yields at which many issues would sell. Most of us would be spending more time trying to figure out when, and what the Federal was going to do, and less on our business — whether this be handling investments or attempting to promote the more broad, free market that is required for the effective functioning of general credit controls.

Since it was suggested that the Federal might engage in open market operations anywhere in the maturity range of the market, I suspect it might not be too long before the Federal would be swapping not only certificates and notes but bonds as well. It doesn't seem to me that this is a good way to reflect the transactions of the public into the prices and yields of Treasury securities.

Also, it seems plain from an examination of the Federal's holdings that it would take quite a long while to do much altering of its maturities via market operations. Most of us agree that the character and maturity of the Federal's holdings should be altered. It does not make any sense for the Federal to be wedded to $7 billion of an $8 billion maturity of marketable Treasury securities, either from the point of view of the Federal, the market, or the Treasury.

But, why shouldn't the Federal Reserve exchange its large holdings of maturing securities into additional amounts of the regular, weekly maturities of Treasury bills? If the Treasury were willing to permit this, and if the Reserve wished to accept such an exchange—the altering of its maturities could be effected in a relatively short space of time, and give the Federal the type of portfolio most central banks prefer.

Private arrangements between the Treasury and the Reserve of this kind would not be at all desirable; therefore, any such offerings of additional Treasury bills should be part of a publicly offered exchange to all holders of the maturing issues. And, don't let anyone tell you that such enlarged holdings of weekly bill maturities by the Reserve Banks would necessarily result in the Federal's dominating the average price of the weekly bill award. It could, but it also could be easily avoided. There is no point, however, in my taking up your time with that.

As you probably know, the

Federal engaged in a few swaps late last year. One of the purposes was to enable a large corporation to more readily meet its needs in a couple of short-term issues. It seems to me that if such sales (or purchases) became a practice, it would quickly lead us to a situation where the Reserve might find it impossible to refuse to engage in any operation that would facilitate the offering of new Treasury securities at rates that might not be justified by the market transactions of the general public.

On the matter of the Reserve making purchases or sales in the market to give "a desirable assist" to sluggish reactions to credit policy: The bond market has been a litle sluggish recently although credit policy aims at active ease—would this be one of such occasions?

One of the reasons that the Treasury bond market is sluggish is that the Treasury shrewdly, prudently and properly sold $12 billion of 7¾ year bonds only last January, and, it has just completed a note offering with a 4¾ year term, longer than the market had expected. The combination is enough to make the Treasury security market a bit sluggish, particularly with the large amount of long-term gains in bank and other portfolios.

In any event, I suspect that the more worrisome part of the sluggish reaction in the bond markets, to credit policy, should be attributed to the resistance of investors to a breaking of the 3% rate on top-grade corporate bonds, and to the weight on the entire market that comes from a prospectively large supply of state, municipal and revenue bonds. Certainly no one would advocate purchases by the Reserve of corporate and municipal securities, even if it were legal. Yet, any outright purchases at this time of Treasury notes and bonds to cure "sluggishness" would interfere with the ability of the Treasury security market to reflect the transactions of the public, that is, its reactions to prevailing business conditions, Treasury debt and Reserve credit operations.

Then there is another rather important consideration. The last time the Reserve engaged in regular open market operations in notes and bonds, they found that such operations usually ended up far larger in amount than they planned, or would have liked. It is my guess that if the Federal were to recommence such operations they might find the market just as much or more inclined to take advantage of their bids or offerings—would this return us to personalization of open market transactions?

There was a day last June when official bids for longer bonds were desirable. These were supplied by Treasury Accounts, a fact that was leaked to the market by informed sources one or two days later. In my view, the Treasury rather than the Reserve should be the source of such orders on the infrequent occasions these might be necessary.

On the matter of the Reserve assisting desirable Treasury debt-management operations, under appropriate circumstances: Who would define "appropriate"? And, "desirable"?

Do not most of these sources of possible enlargement of the open market operations lead us back to the sort of situation from which the Treasury, the Reserve and everyone else was only recently released?

In the final analysis, is it likely that enlargement of the scope and techniques of the Federal's open market operation—

(1) Will reduce or add to the problems of effectuating flexible debt and credit policies?

(2) Will they be apt to contribute to or to take away from the ability of the Treasury security market to reflect the judgments, reactions and transactions of the general public?

(3) Will they serve to enhance our chances of realizing the full potential from general credit controls?

(4) Or, will they be more apt to invite the introduction of an enlarged number of selective controls?

Situation of the Government Bond Market

As to the Market Situation: The Treasury security market is tired, for very good reasons. First, prices have undergone an unprecedented rise. Second, the Treasury has thrown into the market or investors have grabbed from the Treasury, as you prefer, from $15 billion to $17 billion of securities with a term of roughly five to eight years. Due to this and other Treasury debt operations, the publicly-held one-year debt has been reduced, temporarily, by about $18 billion to $19 billion. Another reduction will take place in June. This impact on bank liquidity stops some banks from going ahead with additional purchases of notes and bonds they would like to make—if their liquidity position had not been so sharply reduced.

In time, this will be remedied with or without a reduction in reserve requirements.

I don't know as much as you do about the business outlook. But, I think that we have been in a down-turn long enough to produce a surplus of investable funds that is large enough to leave us with a continuing surplus for the balance of this year—even if business has hit bottom and levels off, or turns up. Of course, business may level off and then go down again.

Therefore, my attitude toward commercial bank portfolios is about this, at this time: I would take profits, by making swaps, even if you have no reason or desire to change your maturity distribution.

At some point, and depending upon the particular situation in your bank, I would be inclined to take profits in bonds with a term longer than five years, particularly the optional issues, and reinvest the proceeds in the two to five year range. Good timing is required to make this a good operation but I wouldn't wait to see business turn up. I'd be more inclined to await only a reduction in reserve requirements or the Treasury's July financing.

At the same time there seems to be no great need to rush because Reserve officials have strongly intimated, if they have not actually said, that the present policy of active ease will be continued until a business upturn is clearly established. This, so far, is not the case.

Edw. C. Marsh Joins Union Service Corp.

Edward C. Marsh has joined the staff of Union Service Corporation, 65 Broadway, New York City, as a senior investment analyst, according to Francis F. Randolph, Chairman of the Board and President of that organization. Union Service furnishes investment research and administrative services to Tri-Continental Corporation, Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc.

Mr. Marsh will specialize in a number of industries, including apparel, automobile, miscellaneous metals, retail trade and food. A veteran analyst with 19 years experience in the investment field, he came to Union Service from Argus Research Corporation where he has been responsible for research in a wide variety of industries. Prior to his association with Argus, Mr. March was for six years an investment analyst with Bankers Trust Company.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A Government security market which was not in exactly a favorable technical position and was due for some kind of a reaction after the sharp uptrend gave way to a combination of forces, not the least of which was the professional element. It was evident that quotations had reached levels where investors were not inclined to go ahead and make large scale commitments, while on the other hand a not unimportant amount of profit-taking was also going on. The new money financing by the Treasury seems to have been the straw that broke the camel's back and, accordingly, prices of Government obligations had to give ground. The so-called "free riding" group was well shaken out in the price decline that took place in the new 1⅞% note.

The spring financial operation of the Treasury was a very successful one, with attrition fairly well under what is generally considered to be a normal percentage. The price decline in the new 1⅞% note from the initial highs did not in any way detract from the favorable reception given the new money raising venture of the Treasury.

High Allotment Adverse Factor

The indigestion which hit the Government market in the form of profit taking—speculative sales of new and old issues—in order to maintain selective positions, as well as a lackadaisical attitude toward the intermediate and longer term obligations on the part of investors brought prices of most Treasury issues down rather sharply. To be sure, competition from tax free obligations was also a contributing factor to the shake out which took place in the Government market. There is no denying the fact either that the 22% allotment which was made on subscriptions to the 1⅞% due Feb. 15, 1959, was larger than some buyers of this obligation had anticipated. This made it necessary in certain spots to find additional funds in order to pay for the new note.

Cut in Reserve Requirements Deemed Inevitable

The uncertain feeling which some investors have toward the Government market is due largely to the absence of action by the monetary authorities on reserve requirements of the commercial banks. It has been believed in some quarters that changes would be made in reserve requirements at the time of the current financing. The commercial banks, according to some money market specialists, are in need of excess reserves in order to properly digest the new note and, in addition, to give these institutions funds to make purchases of tax exempt bonds that are attractive to these banks.

Although a change in reserve requirements is a major development which carries with it a great deal of rigidity; because the action is not generally reversed within a short space of time, it is believed by not a few money market specialists that a lowering of required reserves of the deposit banks is purely a matter of the not too distant future. It is being pointed out that the Treasury will have to obtain large sums of new money in the last half of 1954, probably somewhere in the vicinity of $10 billions and it will take plenty of commercial bank reserves to meet such a borrowing program. Assuming that the Treasury should obtain $5 billions of this money through the sale of tax anticipation obligations, there would still be another $5 billions to be raised. Despite all the talk about a long-term Government bond, it is quite likely that most of this money will be obtained through the sale of securities to the deposit institutions.

It is believed that the Treasury will continue to tailor the bulk of its new money raising operations to the needs of the commercial banks and leave the private industry sector and tax free financing to non-bank investors. If this turns out to be the case, the commercial banks will have to have considerable help from the monetary authorities in the form of excess reserves. This could be brought about by lowering reserve requirements not only against demand deposits but also against time deposits.

Sproul's Views Arouse Interest

The remarks of President Sproul of the Federal Reserve Bank of New York at the recent New Jersey State Bankers Convention about whether open market operations should be confined to short-term Government securities has created a considerable amount of interest in money market circles. Whether there will be a departure from what has been the standard method of procedure in open market operations will be answered only with the passing of time. However, when the President of the Federal Reserve Bank of New York thinks it important enough to discuss such a matter before a major banking group as he did at Atlantic City, N. J., during the early part of May, future "open market" operations must be watched closely for developments. The purchase of other than short-term Government securities by the Federal authorities in "open market" operations could have far-reaching effects upon the Government bond market.

British Bank Rate Reduced

The decrease in the English bank rate from 3½% to 3%, the second within eight months, appears to be another confirmation of the world-wide trend toward interest rates. This action in England could presage easier money rates in the United States.

With Ball, Burge & Kraus

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Norman B. Roos has become associated with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges. He was previously with Fulton, Reid & Co.

Two With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Gilbert J. Bouley and John D. Dawson have become associated with Investors Planning Corporation of New England, Inc., 68 Devonshire St. Mr. Bouley was previously with Edward E. Mathews Co.

Baker Managing Partner of Reynolds

John D. Baker, Jr.

Thomas F. Staley, senior partner of Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announced today that John D. Baker Jr. has been appointed managing partner of the firm, effective immediately. Mr. Baker, who became a general partner in 1951, has been a member of the firm's Managing Group since 1952. He will have charge of the overall operations of the firm, which has 33 branch offices.

Phila. Inv. Women Elect New Officers

PHILADELPHIA, Pa. — Helen A. Schnetke, of Raffel & Co., was elected President of the Investment Women's Club of Philadelphia at the Annual Election Dinner meeting May 17 in the Sylvania Hotel.

Sara M. Grabill, of Stroud & Company, Incorporated, was elected Vice President; Daisy M. Larson, National Association of Securities Dealers, Treasurer; and Margaret J. Devine, of Harrison & Co., Secretary.

Elected Directors were: Membership, Helen H. Holzmann, Associated Advisors Management Corp.; Publicity, Dolores Dougherty, Paul & Lynch; Entertainment, J. Lucille Farrell, Harry J. Kuch & Co.; Education, Mary Lu Wanner, Robert Morris Associates.

With Green, Erb & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Emma J. Wise has joined the staff of Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

Continued from first page

As We See It

ing than such aspects of the matter as these is the underlying political situation which is now daily being laid bare for the edification of the people of the country. He would be naive indeed who did not understand that what is taking place in the present hearings embraces many more considerations than the behavior of Senator McCarthy, and his chief counsel and other aides, or of the Army and certain of its officials—as important and at times as disquieting as some of these things certainly are. It may or may not be true as some political commentators are suggesting that we are now witnessing or likely shortly to witness a "showdown" between the two wings of the Republican party—one long led by Governor Dewey and the other by the late Senator Taft. There can be no question, though, that there are substantial and influential elements in the Republican party in whose breasts an almost dominating passion of distaste—we had almost said hatred—exists toward the present Administration and all of its original supporters.

These are determined men who are not ready to yield control of the party to any "eastern wing." One wonders sometimes just how far they would go in asserting themselves. One wonders more than ever, now that the McCarthy hearings have been under way for weeks on end. We have no desire or intention of enlisting ourselves on either of these sides or elements of the Republican party. There are important differences of opinion on some matters which divide these elements, but even more influential in the controversy now raging are purely personal and political factors. What disturbs us about all this is the danger that such internecine warfare may lead to a restoration to power of those elements in the Democratic party which represent the New Deal elements throughout the country and which have entrenched themselves so thoroughly in local political organizations.

Let no one suppose that we view the Eisenhower Administration as free of New Dealish notions and plans. We do not. There is all too much evidence to the contrary. We should like nothing better than to see much of the Eisenhower program purged of this kind of nonsense—and certainly should applaud the so-called Taft wing of the Republican party if it undertook to do the pruning. But there are good things in that program. The Administration does not, moreover, appear to be animated by a sadistic desire to strike down any vigorous, successful business enterprise which it may discern on the landscape. At times, the New Dealers and the Fair Dealers do seem to have just such a purpose in life. A return to power of the cliques which controlled the Roosevelt or the Truman regimes would be not much short of tragedy. We hope it will not occur.

Nor does there seem to be a great deal of hope in the so-called Taft wing of the Republican party. Even the Senator himself was not always free of the marks of New Dealism. His legatees for the most part are likewise by no means uncompromising advocates of real Americanism. With Senator Taft gone, they, moreover, lack real leadership. They often show more interest in purely political matters than in the development of broad statesmanlike programs of action to save the country from the consequences of loose and foolish policies of the past two or three decades. As things now stand they seem to be afflicted with general ineffectiveness.

Too Much Politics

It is this discouraging state of affairs in the Republican party which is being brought so forcefully to the attention of the public each passing day by the McCarthy hearings circus. Not only is it bringing this situation dramatically to the attention of the electorate, but it is likewise baring a ready willingness of the Democratic members of the subcommittee to make political capital of the mess. They, too, have their grudges; they, too, have their political hopes; they, too, appear at least as interested in these issues as they do in turning the proceedings to some constructive use. One could hardly expect them to worry too much about who would rule the roost if their party were to return to power.

The Democratic party is split, too, of course, but it is not of such great political consequence to them, thanks to the so-called solid south which despite its defection in 1952 is still probably to be regarded as "safely" Democratic this year in any event. This party, like the Republican party, has men of real ability and real respect for American traditions. The tragedy of it is that there seems to be no practicable way in which the sounder elements in the two parties can be welded into effective political organizations which could cast off the alien elements in both parties and line up the weaklings in both for constructive purposes. Current events, including the McCarthy hearings, far from promoting such a possibility, appear to be making it more than ever difficult of practical achievement.

Continued from page 4

Will Government Anti-Recession Aid Be Another Maginot Line?

way sreet toward uninterrupted growth and that need treatment of one sort or the other before the economy can hope to resume its upward march.

Last year, before this group, we first enumerated the vulnerabilities that had been developing under a seemingly solid economic structure since the war and which, by early 1953, seemed about ready to break through to the surface. By mid-1953, some of these vulnerabilities had indeed become open sores and their treatment was on in form of a slow but rather protracted business decline.

III
Cure or Quack Treatment?

To recapitulate — and now we are getting into the practicalities of our business analysis—as early as at the start of 1953 five major vulnerabilities were recognizable for those who cared to look. They were:

(1) The threat of excessive inventories;

(2) The threat of excessive plant capacity;

(3) The threat of excessive private debt expansion;

(4) The threat of declining farm incomes; and

(5) The threat of a temporary saturation of the markets for durable consumer goods.

(1) **Inventories:** Inventories — the same as in 1948—were the first economic problem to hit the headlines. Inventory accumulation had switched to liquidation by mid-1953. Once again, we were in the midst of an inventory recession. But thinking back to 1948-1949, nearly everybody felt rather good about the whole thing because inventory recessions though they may be quite abrupt, usually don't last very long.

Actually, a number of economists of rank are now pointing out that in their opinion inventory liquidation is about over. This despite the fact that the inventory total is down only $2 billion from its 1953 peak of $82 billion.

It is true, of course, that the true significance of the inventory factor lies in the "swing" from a $6 billion annual rate of inventory accumulation to a $4 billion annual rate of inventory liquidation. That means a swing of $10 billion in the gross national product.

But far from striking us as a bullish near-term factor, this observation bothers us considerably because it shows up in clear perspective how important a role inventory accumulation played in the first half of 1953.

If the 1953 tail-end of the postwar boom was supported only by producing for inventory — and these inventories finally led to a cutback in production because they were considered excessive— then it seems to follow that only resumption of production for inventory could pull us out of the current decline in a hurry.

However, short of a substantial deterioration in the international outlook, it is difficult to see any early resumption of inventory accumulation—now that the full impact of our transition from sellers' to buyers' markets is making itself felt in changed buying patterns—based on lower stocks and shorter commitment periods.

Hence it would seem highly unrealistic to expect any immediate or even early business stimulation from any change in inventory policy. We are just kidding ourselves if we assume that the inventory problem has been solved.

(2) **Plant Capacity:** Up through 1953 one of the most dynamic factors behind the boom was the year-to-year increase in plant and equipment expenditures by industry.

Since many of the big post-Korean expansion programs are now either complete or nearing completion, the best that can be expected from this sector of the economy is a sustaining influence; but no new stimulation.

Current estimates of 1954 plant and equipment expenditures indicate only a small decline from the 1953 peak rate.

Since these estimates are based on industry "intentions"—and not on something definite like contract awards or equipment orders placed—there is an element of indefiniteness in them. While 1954 now is far enough advanced so that no major changes in the plans of the big companies appear likely, the same is not necessarily true of smaller companies which can alter their investment plans far more readily and frequently do so.

Despite the current statistical evidence, chances are that the rate of plant and equipment spending in the second half of 1954 and throughout 1955 will continue to sag—unless an entirely new element, such as a drastic change in defense goals and programs, enters the picture.

It is true, of course, that the return of competition puts a premium on plant modernization. Where companies get ready to "slug it out" competitively, the factor of cost cutting takes on added importance.

And yet, it is difficult to visualize that the factor of increased competition will offset the impact of dragging demand on plant and equipment spending. The fear of at least temporary excess capacity is quite real in many lines.

Hence, no early boost is likely from this sector of the economy.

(3) **Private Debt Expansion:** All major private debt categories have expanded at a terrific pace since the end of the war: bank credit, mortgage credit and consumer credit.

At the moment, mortgage credit still is going strong; consumer credit is stationary, and bank credit has been dropping moderately because of the decline in business.

Money is almost as easy as it was during the war. Capital is seeking investment. But as far as money and credit is concerned, it is strictly a case of "you can lead the horse to water, but you can't make it drink."

Debt expansion is the most powerful single stimulus an economy can enjoy. But the fact that money is cheap, by itself, is not enough.

Debt expansion is something like the second gear in an automobile. One has to shift into first gear first. Something must happen first to make demand for money effective. That certain something is the conviction on the part of potential borrowers that the money must be "gainfully employed."

That is why this most powerful stimulus, with the exception of the mortgage field, is kind of stalled at the moment.

(4) **Farm Incomes:** Farm income has been declining for three successive years, despite the existence of high farm price props.

As far as this year's potential farm income is concerned, there are now conflicting influences at work.

However, the mere fact that— under one name or another—some $7 billion of surplus farm stocks are hanging over the markets makes it extremely unlikely that the economy this year will receive a boost from any spectacular increase in farm buying power.

(5) **Consumer Buying:** Many observers are pinning their hopes for an early business up-turn on consumer buying.

Sufficient buying power is available to boost consumer buying. The impact of unemployment on disposable income has just about been offset—for the nation as a whole—by tax cuts.

The trouble is that those now out of work individually do not profit from the tax cuts. And those in jobs are showing a growing desire to save a bit extra for the proverbial rainy day.

It is difficult to overcome that sort of sales resistance, particularly in view of the fact, that in the face of a rather protracted decline in production, consumer buying has held up quite well, as a whole.

Weak spots have developed in consumer durables, particularly in the automobile field. The situation in consumer durables is clearly one of temporary saturation of demand.

It is not clear how much additional buying could be induced by price reductions. But it seems certain that, where markets remain sticky, there will be more price cutting later this year.

The automobile industry would probably settle right now for 1,000,000 cars less than last year and three-quarters of last year's truck production. Actually, current manufacture of trucks is not even running that high.

The auto industry is one of those seemingly determined to move this year's production, even if it takes lower prices during the latter part of the year.

At any rate, looking at prospects for consumer demand, it is difficult to visualize any substantial lift for some time as consumers are extremely well stocked with most kinds of durable and non-durable consumer goods. It does not even seem prudent to pin too high hopes on a renewed pick-up in installment buying.

(6) **Adding Up:** Thus, a quick run-down of last year's vulnerabilities shows that they still remain just that.

Actually nothing has occurred in any of the vulnerable sectors of the economy that would seem to indicate the imminence of any real crisis.

But likewise nothing warrants the conclusion that the weak spots have been eliminated. They are still a drag—and indications are today that, short of another Korea in Indo-China, it will take considerable time before these sectors of the economy will regain their full driving power.

IV
Sustaining Forces

In viewing these vulnerabilities —which remain just that: no more, no less — one must guard against exaggerating their potential danger.

Thus far, the postwar boom has not bred excessive speculation in any of the chief sectors of the economy. The stock market has been advancing spectacularly—but without the buildup of excessive brokers' loans as in the late '20s. Mortgage credit has been climbing rapidly but a safety valve now exists in the fact that most mortgages now carry long amortization privileges. Consumer credit is large—but hardly excessively so in face of the current level of disposable income. Inventory liquidation has been orderly because prices have remained surprisingly steady throughout last year and banks have not been pushing for repayment of inventory credits.

Hence while there are vulnerabilities, they do not seem to be anywhere near a point—individually or collectively—where they are likely to erupt with the painful result of setting a downward spiral in motion.

Nevertheless, there is one risk in the present situation that should not be overlooked.

We have been fortunate indeed that, thus far, the decline in business since mid-1953 has not brought about a "confidence-crisis." Neither businessmen nor the public have been panicked into pulling in their horns despite the fact that the "prophets of doom"—led by the British economist Colin Clark—have done their darndest to convince us that a catastrophe is impending.

We have been lucky thus far—but we are not out of the woods yet.

There will be another fairly sharp rise in unemployment figures in the summer after this year's school graduates hit the labor market. Should this by any chance coincide with a fairly sharp setback in the stock market—which many observers believe overdue—and should the Democrats decide that that would be the logical moment to launch their "Party-of-hard-times-and-unemployment" attack against the Republicans, confidence could indeed be put to a severe test.

It is for this reason that it is unwise to lose sight of the fact that fundamentally there are still weak spots in the economy.

Fundamentals may be ignored for a while, they may be tampered with, they may even be legislated out of existence for a while as in the case of farm supplies—yet, at least thus far they have had the uncooperative and stubborn attitude of popping up every once in a while—and particularly when their presence was really embarrassing.

It is true, of course, that—to offset the vulnerabilities—strong sustaining forces are operative in the economy as well.

(1) The defense program is the most important one, despite the recent moderate reductions in military expenditures.

(2) Even if 1954 brings a decline in plant and equipment expenditures, investment spending will remain high.

(3) Consumers have record liquid assets and that bolsters their buying potential.

(4) Construction is confounding the experts by merrily setting new records even this year though there may be a let-down during the latter part of the year.

All these factors are currently operative. They are the cushion under the economy. In addition, there are a number of long-range factors of recognizable strength which are highly potent. To mention only some of them there are:

(1) The continuing growth in population;

(2) The pressure for greater productivity through technological progress;

(3) The migration from the big cities into the suburbs with all this implies in the way of home building, relocation stores, creation of new shopping centers, shifts in transportation facilities, etc.

All of these factors are active now, too, but they give promise of even greater potentiality a few years hence.

The long-range growth factors for this country have always been terrific. However, at present we seem to realize them more vividly than we did during the early '30s when most of us were hypnotized by the fear that the United States had reached economic "maturity," or spelled differently, stagnation.

This factor makes all the difference in the world between the early '50s and the early '30s.

And yet, aren't we rather glib in assuming that we are now secure against painful interludes just because our growth potential remains tremendous and our last three Administrations have promised they will and can take care of all difficulties that we may run into on the road toward this bigger and better future?

V

Forces of Stimulation

There is no reason to doubt the long-range growth potential of the country. But let's take a closer look at the serenity of those—economists and business people alike—who feel certain that the Government can bail out the economy any time this becomes necessary and who believe this can be done without causing harmful inflation which, in the end, will destroy the very thing it is supposed to save: our economic strength.

Are we really justified in assuming that the Government can throw the economic switch from deflation to inflation and vice versa at will?

Unfortunately, the fact that we have had no serious recession since 1937-1938 is no proof of the economic omnipotence of Government.

To be sure, the stimulating effects of such measures as the payment of huge veterans' bonuses, tax cuts, the lifting of consumer credit restrictions and various measures to boost home construction can be traced quite easily.

But isn't it true that all of these measures taken since the '30s put together would have meant nothing had they not been undertaken against the background of two costly wars and an unparalleled period of accumulated postwar demand for consumer goods of all descriptions between the two of them?

What are we to do then if we must equal the terrific boost the economy received from these three factors in order to keep growth going at the same pace?

Colin Clark at least has the courage of his conviction. He says the United States should be operating on the basis of an annual deficit of $20 billion by mid-1954. And that deadline is almost here.

We are being told that we may securely rely on three facets of Government action in case of trouble: public works, tax cuts, and an easy money policy.

The argument runs that if we only apply these three policies in large enough quantities, it is in our hand to check any decline and reverse it.

That may well be. But the rub lies in that one little phrase: "in large enough quantities." It we want to equal the stimulating effect of two wars and a period of unparalleled postwar demand for everything from A to Z, we'll have to operate in such astronomical terms that a plunge into real inflation can only be a question of time.

Take public works, for instance. To be sure, they can be extremely valuable in smoothing out moderate business fluctuations. But how many highways can we build in a year? How many schools? How many hospitals? How many dams or what have you?

There are physical limitations to what can be done. At any rate, a policy of boosting public works from year to year—merely to fill the gap created because defense expenditures do not rise any more and may even get smaller—would certainly mean bigger and better deficits. We would have to run faster and faster, merely to stand still.

And even then, it is a good bet that we shall be running out of projects—faster, anyway, than we are likely to run out of money.

Tax incentives, likewise, will probably prove not nearly the blessing as is widely believed. This is where psychology enters the picture. Tax cuts can stimulate buying to a point. The trouble is that, under certain circumstances, they can over-stimulate buying. If tax cuts are big enough to cause big deficits, they may create the fear of inflation and set in motion a flight from money into goods. That is the hallmark of real inflation. It's something entirely different from a temporary rise in the price of coffee which has shocked many of our legislators so profoundly.

If these two medicines—public works and tax cuts—are used in large enough quantities to continue the growth rate we have been witnessing since 1940, they are bound to create evils far greater than the ones they are called upon to cure. Then the cure will indeed be worse than the disease.

There is only one answer to this dilemma: we will be committing economic suicide if we attempt to keep our rate of growth up by these means of artificial stimulation in utter disregard of economic forces and the evils of progressive inflation. Let nobody say it can't happen here because we are too rich and strong a country. We can fritter this strength away.

It is not because we can't rely on such means that we should shy away from too much of them—but rather because there is danger in their very effectiveness if used in sufficiently large quantities. That is the danger of inflation.

The only safe course for our economy to expand is by reliance on the natural forces of growth. The twin brothers of such a pattern of progress are population growth and higher productivity. Together the two add up to higher living standards. Such growth includes a steady expansion of public works and it may well be possible to stagger these expenditures in such a way that they can be useful in smoothing out peaks and valleys in private investment spending which are bound to occur because of errors in judgment that are inherent in a free enterprise system.

If we permit ourselves to be maneuvered into any form of planned economy, there will be errors too, and they will be whoppers. But the taxpayers, rather than private investors, will have to pay for them. Since taxpayers have votes, the politicians will make sure to keep within reasonably safe bounds—and that means stagnation; the end of our dynamic economy.

VI

Summary

No, the millenium has not yet arrived. We have learned a lot during the past 20 years; but not nearly enough to be sure of the safe scope and the limitations of Government interference in business.

We are still in the midst of experimentation to find ou what Government can do — and even more significantly are not even clear in our minds what Government ought to do.

The inflexible theory held by the leading New Deal and Fair Deal economists that each year must bring the continuation of the rate of growth we have become accustomed to as the result of two wars and the unparalleled postwar buying boom between the two—that the return to a "second best year" is fatal—is economic dynamite.

But as long as we are not even sure about the goal, there remains an element of risk for business planning.

Under such circumstances, it may prove wise not to rely blindly on the Government and trust that it will be able to bale out the economy at any time but rather not to lose sight completely of economic fundamentals. These still have to mesh properly if a free enterprise system is to prosper and not to be led into some form of planned economy—well meaning though those at the helm of the economy may be.

All this does not imply any concern on our part about the near-term business prospects. We believe that, spared another dose of over-stimulation in the near future, the economy has a good chance of holding its current high plateau with only minor, mostly seasonal, fluctuations, for perhaps the next year or two and thereby digest the far too rich food of the past 15 years without a real upset. We will require from time to time some intervention; more sometimes, less at others; often perhaps none at all.

But we must realize that only such intervention is sound that keeps us out of progressive inflation — and in this connection it should be remembered that temporary deficits—even quite sizable ones—won't necessarily spell immediate inflationary danger when incurred while a good part of the private production facilities and manpower of the country are idle.

The one and only thing to guard against is the assumption that the Government can guarantee the indefinite continuation of the war-induced pace of stimulation and growth we have witnessed since the '40s . . . without an ultimate pay-off in the form of more inflation than we bargained for. Long-range growth—and it can be just as great—is sound only when it emanates from natural economic forces.

Therefore, to repeat: no, the millenium is not here as yet. We are still living in the age of economic experimentation — complicated by the fact that we are also living in an era of political experimentation.

John T. Blair With Eastman, Dillon Co.

PHILADELPHIA, Pa. — Eastman, Dillon & Co., members of the New York Stock Exchange, announce that John T. Blair is now associated with them in the Municipal Department of their Philadelphia office, 225 South 15th Street.

Prior to joining Eastman, Dillon & Co., Mr. Blair was associated with the Philadelphia National Bank for the past 18 years with the exception of four years in the U. S. Army during World War II. During the past seven years. Mr. Blair was in the bank's municipal bond department.

He is a member of the Municipal Bond Club of Philadelphia.

Curran Co. Formed

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — O. W. Curran is engaging in a securities business from offices at 5336 Fourth Avenue, under the name of The Curran Company.

Kindley in Sioux Falls

SIOUX FALLS, S. Dak.—Wendell E. Kindley has opened offices in the National Bank of South Dakota Building to engage in a securities business.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Sidney Platto has been added to the staff of Bache & Co., 1 Lincoln Road Building.

Municipal Bond Club 21st Annual Field Day

The Municipal Bond Club of New York will hold their 21st annual field day at the Westchester Country Club and Beach Club, Rye, N. Y., on Friday, June 11. Reservations should be made by June 1.

Planned for the day is a golf tournament under the direction of Thomas Cafone with prizes for the first three low gross scores (members); first three low net scores (members); low gross and runner-up (guests) and low net and runner-up (guests). Also prizes for longest drive and nearest-the-pin. There will also be a "pay-off" competition operating under the IBA handicap system.

Round-Robin doubles tournament in Tennis will start at 10 a.m. with prizes for winners and runners-up, under the direction of Charles Horton.

A horseshoe pitching contest will be conducted by James Gilbert with prizes for teams finishing 1st and 2nd.

The traditional softball game will be played at 3 p.m., with John Byram organizing the game "Dealers vs. Bankers," with prizes for stars of both teams.

A duplicate bridge tournament will be run by Raymond Heiskell from 10:30 a.m. to 12:30 p.m. at the main club. Pool and Sound bathing available all day.

Luncheon will be served either at the Main Club or the Beach Club at any time from 11:30 a.m. to 3 p.m. Cocktail party at the Beach Club from 5:30 to 7 p.m., with dinner following directly after the cocktail party at the Beach Club.

The annual meeting and election of officers will take place at the Main Club at 2 p.m. The Club's publication "The Bond Crier" will also go on sale at the outing, price $1.

Members of the Field Day Committee are:

Chairman: Myles G. Walsh, Blyth & Co. Inc.

Sub-Chairmen:

George B. Gibbons, Jr., Geo. B. Gibbons & Company, Inc.; Robert M. Goodwin, National City Bank of New York; Robert R. Krumm, W. H. Morton & Co., Incorporated; James M. Ransom, Harris Trust & Savings Bank; Grady Wells, Jr., Andrews & Wells; Douglas D. Ballin, Hannahs, Ballin & Lee; Donald Breen, Glore, Forgan & Co.; Rollin C. Bush, National City Bank of New York; John P. Byram, Northern Trust Company; Thomas C. Cafone, W. E. Hutton & Co.; David H. Callaway, Jr., First of Michigan Corporation; William G. Carrington, Jr., Ira Haupt & Co.; L. Walter Dempsey, B. J. Van Ingen & Co. Inc.; William F. Dore, Halsey, Stuart & Co.; James F. Gilbert, Hornblower & Weeks; William T. Hall, Daily Bond Buyer; Raymond H. Heiskell, C. F. Childs & Co.; Philip M. Hiss, First National Bank of Chicago; Charles C. Horton, Wertheim & Co.; Robert V. McCarthy, First Boston Corp.; William P. McKay, Blue List; William H. Mears, Chemical Bank & Trust Co.; Albert J. Milloy, First Boston Corporation; Henry Milner, R. S. Dickson & Co.; Richard N. Rand, Rand & Co.; John W. Reno, Schoellkopf, Hutton & Pomeroy, Inc.; William J. Riley, Drexel & Co.; Warren A. Ruxton, First Boston Corporation; E. Joseph Scherer, B. J. Van Ingen & Co.; Kenneth J. Sickler, Chase National Bank of New York; Donald C. Stroud, Union Securities Corporation; Joseph F. Vandernoot, R. W. Pressprich & Co.; Chester W. Viale, L. F. Rothschild & Co.; Gilbert White, R. D. White & Co.; Joseph B. Wise, Weeden & Co.; and Harold Young, Equitable Securities Corporation.

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Business Prospects: 1954-55

Thailand would probably become the major U. S. bastion for the defense of Southeast Asia.

This alternative too would also stop the decline and start the U. S. back toward the output peaks of 1953. Businessmen would stop contracting inventories, start expanding them. Demand and prices would firm in almost all areas, including consumer goods.

So far, Congress is *not* acting on this assumption. Defense appropriations are being cut as scheduled, even a bit more than scheduled.

In my book, alternative No. 2—more defense without more war—is definitely more probable than alternative No. 1—hotter war.

(3) Alternative No. 3 is *colder peace*. A slow drift toward cold peace seems to have begun with Stalin's death over a year ago. It was probably sparked by factional strife and internal economic troubles within the Soviet orbit. There are no definite signs that the strife and the troubles behind the Iron Curtain have been resolved. Desertions in the Russian Secret Service continue — more than are being publicized. Continuing diplomatic maneuvers and speeches by Soviet officials indicate that Russia and China are still anxious for more East-West trade. France, Britain and the rest of Europe are also extremely eager to come to terms with Russia and China. The universal wish for peace—even a "phony" peace—is overwhelming in the age of the hydrogen bomb.

The Geneva Conference will probably decide whether this alternative of a colder peace is a likely one. A tolerable Indo-China cease-fire would be the test.

Right now, this alternative seems somewhat less probable than alternative number two—more defense without more war. However, if the colder peace becomes a reality, U. S. arms spending might decline somewhat more than now scheduled. To fill the gap, the Administration would probably step up spending for needed public works — notably schools and roads—and for greater decentralization of U. S. industry. It would also cut taxes to liberate more purchasing power.

(4) Alternative number four is the *political and international status quo*—the current state of semi-peace, semi-war. It's just possible that international developments will permit the original Eisenhower budget and blueprint for the next fiscal year to proceed as scheduled. Not too much attention is being paid to this possibility, but it's a real one nonetheless.

As if these four alternative possibilities aren't confusing enough, there's the additional uncertainty of how the Congressional elections this November will go. The political dopesters now see a shift to a Democratic House of Representatives. That could mean more support from Congress for more defense spending or for more active anti-recession measures by the government. Or, on the other hand, the Democrats might decide not to let President Eisenhower build up a record on which the GOP might be elected in 1956. Take your pick!

I guess you see now why business forecasters—and businessmen who pay attention to their forecasts—so often get gray hair. But if you know of a better way of doing it, please see me later.

In terms of the four alternative possibilities on the international and diplomatic front I have just sketched, what can be said about the business outlook? Here are the main conclusions that can, I think, soberly be reached:

Conclusions on the Business Outlook

(1) With the monsoon rain started in Indo-China and the Big Power Conference going on at Geneva, no decisive shift in the political and international *status quo* is likely until June or July—probably even later.

(2) Little than a seasonal rise in activity is likely in the next few months, pending a reshaping of our military and international policy. Until than, total business activity is more likely to bump along the present plateau than to rebound sharply.

(3) Under *any* of the four alternative possibilities in the political and international sphere, we're very probably *near the bottom* of the recession right now. (I'll give you my reasons for this view in a moment.) The exact time and shape of our recovery from the bottom will depend on which of the four alternative possibilities is actually realized.

(a) If the U. S. gets involved in another shooting war in Asia, the business recovery will be very rapid. The cycle bottom will be *V-shaped.*

(b) If a stepped-up arms program is launched by fall, but without actual large-scale U. S. involvement in the Indo-Chinese war, the recovery will be more gradual but still fairly fast. The recession bottom would than be *U-shaped like a coffee cup.*

(c) If the military and international *status quo* is maintained into 1955, we're apt to continue on the current plateau for some time. The shape of the business cycle recovery would then be like a long low *saucer.*

(d) That would also be the probable pattern if the world moved gradually toward peace and partial demobilization. Curtailed defense spending would be at least partially replaced by more public works and stepped-up foreign trade and investment; and lower taxes.

Why am I so sure that—regardless of international developments—the 1953-54 recession is pretty close to bottom? Why do I believe, in opposition to some European and all Soviet economists who are still alive, that there will be no chain reaction spiralling the U. S. economy from recession into depression?

The answer to these questions is that U. S.—business, consumers and government combined — has both the will and the means to prevent that dire eventuality.

Here are 11—that's an economist's dozen—of the many clues which suggest that total business volume can be maintained at close to present levels without too much trouble:

(1) This is the first recession in history in which government spending for national security will total more than $45 billion a year—no matter what happens at Geneva. No deep recession is possible as long as Federal spending for defense is maintained at or near these astronomical levels.

(2) **Government's easy money policy** is stimulating housing and commercial construction. The new housing bill, with its 30-year mortgages and low down payments, will—once the FHA scandals are cleared up—make buying a house cheaper than renting for millions of additional families. That could substantially offset the continuing dip in net household formation.

(3) **More state and local public works,** particularly badly needed schools and roads, will help maintain construction activity.

(4) **Increased Federal spending for protection against atomic attacks** will also stimulate the construction, electronics and guided missile industries.

(5) **Fast amortization and other business tax incentives,** now in the works, will spur investment in new plant and equipment and in new product and new process research. Even before the new tax law has been passed, competition is forcing business to keep investment high.

(6) **Expanded social security,** due this year, will boost purchasing power of millions of retired workers — a steadily increasing percentage of the nation.

(7) **Business** is bolstering the economy through harder selling, more intensive promotions, tighter pricing, clearance sales, better quality, and new products, styles and packaging.

(8) **Incomes of the majority of the people** haven't yet been affected by the recession. While farm income is off slightly from a year ago, and factory payrolls are down about 10%, *total spendable income* remains at about year-ago levels. *This means that millions of customers have more money to spend now than they had at the peak of the boom.*

(9) The consumer is bolstering the economy by not responding to recession scares and by buying at a fairly normal pace. While retail sales are down moderately, they would be down much more sharply if millions of consumers were convinced a deep depression were imminent. Their expectations would help produce the result they fear.

(10) Our young people are still getting married at near record rates, and our families are having children in record volume. More children were born in February than in any February in U. S. history. In 1954, the U. S. market for goods and services will increase in size by the equivalent of the cities of Denver, San Francisco, Milwaukee, Houston and Phoenix. Merchants and manufacturers alike well know that the "urge to merge" is the most potent stimulant for the "urge to splurge."

(11) Last but far from least, the Federal government—Republican or Democratic — is committed to maintaining business activity and employment at a high level. In 1954, unemployment is likely to continue to rise above four million. That will be not so much because production and other business activity is declining, but rather because our civilian labor force is growing, several hundred thousand additional men will be let out of the armed services under present schedules, and rapidly growing industrial productivity is raising output per manhour at the rate of 4-6% per year. In this kind of situation, the Administration will be under the strongest kind of political pressure to do something about it. No government can long stay in office with unemployment remaining at these levels.

Impact of Possible International Developments

In a nutshell, then, here's the overall business outlook in terms of possible international developments:

If the government does nothing more on the military and economic fronts than is now already scheduled, probabilities point to an economic plateau at close to current levels well into 1955.

If Geneva confirms the very shaky trend toward peace, more tax cuts, more government spending on public works, or both, will probably be needed to revive business toward 1953 peaks.

If Geneva confirms the trend toward crises in Asia, tax cuts are out of the question, and increased military and defense spending will be the catalyst that will spark some business revival later this year.

If Geneva precipitates open warfare—you know the outcome.

I know some of you may be saying to yourselves—"If everything is so good, why is everything so bad" in my industry? The answer to that puzzler lies, I think, in the special characteristics and problems of the textile and apparel trades, which I shall now consider briefly.

Textiles the "Wallflower"

Textiles — the so-called "wallflower of Wall Street"—are now in the final throes of their third postwar cyclical recession. The first one ran from May 1948 to May 1949, and showed a decline of roughly 26%. The second ran from December 1950 to October 1951, and showed a decline of 19%. The current textile recession started in May 1953 and in the past 10 months has shown an overall output decline of 20%.

The apparel trades have shown similar cyclical patterns, usually starting a few months before the textile end of the business, and typically dropping a little less sharply than the raw material and fabric declines.

Judging both by these past cycle experiences and by latest developments in the industry, the trend in textiles and apparel is likely to turn up by late summer. Cotton, rayon and acetate producers are probably even now in the last gasp of their current decline. Taking account of the seasonal patterns, May should probably prove to be the low month of the current cycle for many lines. Fairly satisfactory Easter sales of clothing have helped speed up the necessary inventory trimming job. In general, inventory corrections in the apparel trade should be completed by the end of this summer. The increased clothing needs of a growing population will then be felt more quickly at manufacturers' and suppliers' levels.

Furthermore, the 1948-53 trend by consumers toward alloting a smaller proportion of their spendable income for clothing and textiles now seems about over. With automobile output largely on a replacement basis, with most consumers well stocked on appliances and home furnishings, a more normal percentage of income can now be spent for clothing. *The business is there.* The apparel and textile industries may have to dig a little harder to go out and get it.

While I thus see better days ahead for most segments of the textile and apparel industries, competition will be intense, prices will be low, margins will be tight and frequently non-existent. The basic reason is, of course, overcapacity.

Expansion of capacity for the so-called "miracle" fibers is accentuating this problem of excess capacity in the textile industry. Production of these miracle fibers was more than 300 million pounds last year—compared to less than 150 million in 1950 and only 73 million in 1948. By the middle of this year, capacity for the new non-cellulosis fibers is expected to top 500 million pounds, by the end of 1955, capacity is slated to rise to more than 600 million pounds.

Civilian consumption of textiles is just not keeping up with this rapid pace of expansion. In 1953, per capita consumption of major textile fibers (cotton, wool, rayon and the other synthetics) averaged 36 pounds, compared to an average of 34.5 pounds per capita for the past 10 years. Even if you assume that steadily improving living standards will raise the basic per capita rate of textile fabric consumption by a half a pound per year, over-capacity will continue to plague the industry in the next few years.

These figures suggest that the typical cyclical pattern for textiles and apparel shown in the past will continue in the future and will extend even to the new miracle fibers.

As you men in this room well know, operating in that kind of environment isn't easy. For many younger businessmen, it may be a brand new experience. Competition will be very rough, failures will be many. The "Bigs" will usually do better than the "smalls." As a result, mergers among smaller firms or between a bigger and a smaller firm will flourish.

The knitted outerwear trades will succeed in the future, as in the recent past, to the degree they can capture the consumers' fancy with new styles and new fabrics. Completely washable, fast-drying, mothproof and non-allergic sweaters, swim wear and other knitted outerwear garments should continue to sell well, given the right type of advertising and sales promotion.

Midwest Exchange Gets Nominations

CHICAGO, Ill.—Reuben Thorson, resident managing partner of Paine, Webber, Jackson & Curtis, has been re-nominated to serve a second term as Chairman of the Board of Governors of the Midwest Stock Exchange for the ensuing year, it was announced by Frank E. Rogers, Chairman of the Nominating Committee.

Bert H. Horning, of Stifel, Nicolaus & Co., Inc., St. Louis, was nominated for Vice-Chairman of the Board, succeeding Lloyd O. Birchard of Prescott & Co., Cleveland.

It was also announced that the Constitution of the Exchange has been amended to provide for three additional Governors in Chicago and three Governors from cities not now represented on the Board. The three new cities and the Governor nominated from each are as follows:

Detroit, Michigan — William C. Roney, partner of Wm. C. Roney & Co.

Kansas City, Missouri—Frederic P. Barnes, partner of H. O. Peet & Co.

Milwaukee, Wisconsin — G. Edward Slezak of Loewi & Co.

Other Governors nominated to serve are:

From Chicago: Walter J. Buhler, Floor Member; William E. Ferguson, Thomson & McKinnon; August I. Jablonski, Floor Member; Thomas S. Koehler, Floor Member; Robert A. Podesta, Cruttenden & Co.; Myron T. Ratcliffe, Bache & Co.

From Cleveland: W. Yost Fulton, Fulton, Reid & Co.

From Minneapolis: Edward J. McKendrick, Johnson-McKendrick Co.

From St. Louis: Arthur A. Christophel, Reinholdt & Gardner.

Members selected for the 1955 Nominating Committee:

From Chicago: John R. Burdick, Floor Member—Chairman, Emmet G. Barker, Francis I. duPont & Co.; George E. Hatchmann, Floor Member; William M. Martin, Floor Member; Sampson Rogers, Jr., McMaster Hutchinson & Co.

From Cleveland: Leslie J. Fahey, Fahey, Clark & Co.

From Minneapolis: Rollin G. Andrews, J. M. Dain & Co.

From St. Louis: Walter W. Ainsworth, Metropolitan St. Louis Co.

Members of this year's Nominating Committee, in addition to Mr. Rogers, are: Clyde H. Bidgood, Chicago; Paul R. Doelz, Kalman & Co., Inc., Minneapolis; Fred W. Fairman, Jr., Sills, Fairman & Harris, William F. Rowley, Daniel F. Rice & Co. and Fred D. Sadler of Chicago; Albert M. Schmelzle, Fusz-Schmelzle & Co., St. Louis and Elbridge S. Warner, Hayden, Miller & Co., Cleveland.

The annual election will be held Monday, June 7, 1954.

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The State of Trade and Industry

and Packard will return to production this week, Nash's daily construction rate was reduced by 20% and Dodge and DeSoto pared their operations to four days last week.

A strike, which hit Plymouth for a period of three days two weeks ago and carried over to Monday of last week was another drawback. However, the loss was offset by continued Saturday work at Ford, Buick and Chevrolet plus overtime at Cadillac and Oldsmobile.

"Ward's" said the past week's car building started the 10th month of the industry's 1954 model year production and brought to 2,872,155 the number of 1954 model cars produced thus far. The volume included 667,785 units completed in 1953 and marks down the 3,000,000th 1954 model for May 24.

To date in the industry's 1954 model year Chevrolet is No. 1 with an estimated 660,780 units, Ford second was 573,572 and Plymouth No. 3 with 329,931. Industry car output in the entire 1953 model year totaled 6,093,000 units.

Steel Output This Week Set at 70% of Capacity

Positive signs of recovery are seen in the steel industry, says "Steel," the weekly magazine of metalworking.

Three steelmaking districts, Wheeling, Chicago and Cleveland, which felt a decline in ingot production a few weeks ago have climbed to around 80% of capacity and it looks as if the "rolling adjustment" that economists have been talking about is sweeping through the steel industry, this trade journal adds.

In the week ended May 16, ingot production rose in five districts, declined in three, and remained unchanged in five. Net result was a rise of 1 point in the national ingot rate to 68% of capacity, states this trade weekly.

Continuing, "Steel" states that if the "rolling adjustment" that appears to have swept through the Wheeling, Chicago and Cleveland districts is symbolic of what can be expected in the other districts, the national ingot production rate should show an uptrend as the summer moves along.

The reduced rate of ingot production this year has been attributed to a move on the part of steel consumers and steelmakers to reduce their inventories of materials. If all of this inventory reduction can go on without lowering the national ingot production rate below the high 60's it's reasonable to expect that the national rate will be higher after the inventory liquidation is completed, points out this trade magazine.

Buyers show little worry about a steelworkers' strike this coming summer, it notes. Actually there's more concern now about the possibility of expansion of military needs in view of the critical situation in Indo-China.

Long regarded as a good barometer of activity in the steel industry, scrap prices continued their advance in the latest week, "Steel" reports.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 70.0% of capacity for the week beginning May 17, 1954, equivalent to 1,668,000 tons of ingots and steel for castings, as gainst 1,690,000 tons and 70.9% (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 68.6% and production 1,636,000 tons. A year ago the actual weekly production was placed as 2,250,000 tons or 99.8%. 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 Shows Slight Recession the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 15, 1954, was estimated at 8,380,000,000 kwh., according to the Edison Electric Institute.

The current figure represents an decrease of 58,000,000 kwh. below the preceding week, but an increase of 421,000,000 kwh.. or 5.3% over the comparable 1953 week and 1,270,000,000 kwh. over the like week in 1952.

Car Loadings Show Slight Change From Week Ago

Loadings of revenue freight for the week ended May 8, 1954, increased 29 cars above the preceding week, according to the Association of American Railroads.

Loadings totaled 647,954 cars, a decrease of 117,457 cars or 15.3% below the corresponding 1953 week, and a decrease of 71,905 cars or 10% below the corresponding week in 1952.

U. S. Auto Output Last Week Adversely Affected by Shutdowns at Hudson, Packard and Studebaker

The automotive industry for the latest week, ended May 14, according to "Ward's Automotive Reports," assembled an estimated 120,104 cars, compared with 122,572 (revised) in the previous week. The past week's production total of cars and trucks amounted to 142,179 units and was only 4% below the eight-month weekly high of 148,239 units reached at the close of April.

Last week, the agency reported there was 22,075 trucks made in this country, as against 21,861 (revised) in the previous week and 23,706 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 8,209 cars and 1,709 trucks last week, against 8,145 cars and 1,962 trucks in the preceding week and 8,455 cars and 3,239 trucks in the comparable 1953 week.

Business Failures Rise to Highest Level in Six-Week Period

Commercial and industrial failures increased to 248 in the week ended May 13 from 206 in the preceding week, Dun & Bradstreet, Inc., reports. At the highest level in six weeks, casualties exceeded the 198 which occurred in the comparable week a year ago and the 1952 toll of 154. However, mortality remained 23% below the prewar level of 321 in 1939.

Failures with liabilities of $5,000 or more climbed to 208 from 177 last week and were considerably higher than the 168 of a year ago. Small casualties with liabilities under $5,000, rose to 40 from 29 in the previous week and 30 in the similar week of 1953. Twenty concerns had liabilities in excess of $100,000 as compared with 14 a week ago.

Food Price Index Strikes Lowest Level in Eight Weeks

Down for the third successive week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., fell to $7.31 on May 11, from $7.38 a week earlier. This marked the lowest level in eight weeks, or since March 16, when it stood at $7.27. The current number compares with $6.42 a year ago, or a rise of 13.9%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Holds to Narrow Range

The general price level showed little change last week as the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., continued to move in a narrow range. The index closed at 273.96 on May 11, the same as a week previous, comparing with 278.24 on the corresponding date last year.

Leading grain markets continued to be unsettled. Following a weak start, most grains turned higher and finished with small net advances for the week. Wheat rose sharply at mid-week on a private crop estimate which placed production below what the trade had expected. However, the Government crop report, issued after the close of trading on Monday, estimated the Winter wheat yield at 707,000,000 bushels, up 29,000,000 bushels from the forecast of a month ago.

Bookings of Spring wheat bakery flours as well as hard Winter wheat varieties continued in small volume last week. Coffee turned easier and showed a net drop of about two cents a pound for the week.

The lower trend reflected a slowing up in demand from roasters and indications of a decline in sales of roasted coffee. Another depressing factor was the estimate by the Brazilian Coffee Institute of a 1953-54 Brazilian Coffee crop of 18,940,817 bags, somewhat higher than had been expected.

Spot cotton prices held quite steady throughout the past week. The market attracted support from reports of greatly improved demand for print cloths and broadcloths as substantial quantities were booked into the third and fourth quarters of 1954.

Also helping to sustain prices were increased trade and export price-fixing and nervousness over the Far East situation.

Trading was moderately active and sales in the ten spot markets totaled 77,600 bales for the week, against 94,000 a week earlier and 50,100 a year ago. Exports of cotton continued to gain over last year's volume. Shipments for the season through May 4, according to the New York Cotton Exchange, were 2,740,-460 bales, against 2,475,074 in the same period last season. CCC loans outstanding on 1953-crop cotton as of April 30 were reported at 5,862,541 bales.

Trade Volume Higher for Week but Under Level of Year Ago

Cool and rainy weather in many parts of the country adversely affected consumer buying in the period ended on Wednesday of last week, but trade was greater than in the previous week. Sales continued below the level of the corresponding six-day period of 1953.

Promotions and relaxed credit terms were used by many retailers to boost volume, with outlying shopping centers reporting a greater weekly gain in business than did large urban department stores.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be unchanged to 4% below the level of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: Pacific Coast —6 to —10; East —2 to —6; New England, South, and Midwest 0 to —4; Northwest —3 to +1 and Southwest +1 to +5.

Poultry and egg volume was larger than a week ago.

Furniture and hardware led in sales of household items during the week, and the buying of television sets remained steady. Inquiries concerning air conditioners led many merchants to prepare for substantially improved sales in months ahead.

Buying of household textiles was spotty, in spite of the fact that May White sales were near the mid-point of their duration.

Wholesale trade in the period ended on Wednesday of last week increased substantially as compared with the preceding week and marked a welcome contrast to 1954's general decline from last year's large volume of wholesale transactions.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended May 8, 1954 decreased 4% under the level of the preceding week. In the previous week, May 1, 1954, a decrease of 2% was reported from that of the similar week in 1953. For the four weeks ended May 8, 1954, an increase of 1% was reported. For the period *Jan. 1 to May 8, 1954, department store sales registered a decrease of 3% below the corresponding period of 1953.

Retail trade volume in New York the past week, according to trade observers, declined about 5 to 10% below the like week of 1953, due to cold and rainy weather.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended May 8, 1954, registered no change from the like period of last year. In the preceding week, May 1, 1954, a decrease of 2% was reported from that of the similar week in 1953, while for the four weeks ended May 8, 1954, an increase of 1% was reported. For the period *Jan. 1 to May 8, 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.

Blyth Group Offers Pac. Gas & El. Bonds

An investment banking group headed by Blyth & Co., Inc. publicly offered yesterday (May 19) a new issue of $65,000,000 Pacific Gas & Electric Co. 3⅛% first and refunding mortgage bonds, series X, due June 1, 1984. Awarded to the group at competitive sale on May 18, the bonds were priced at 100.875, to yield 3.03% to maturity.

Giving effect to the sale of the series X bonds and the application of proceeds, the West Coast utility will have outstanding 15 issues of bonds of an aggregate principal amount of $775,011,000 out of an authorized debt of $1,000,000,000. The company's remaining capitalization consists of 11,810,893 shares of $25 par value preferred stock, in six series, and 15,905,162 shares of $25 par value common stock.

The company will use the proceeds from the current sale together with other funds, to redeem on July 1 next $63,040,000 principal amount of its series V, 4% bonds, due June 1, 1984.

The new bonds will be subject to redemption at prices scaling downward from 104 if called on or prior to June 1, 1959 to 100 after June 1, 1983.

Pacific Gas and Electric supplies electric and gas service in 46 counties of northern and central California with sales from its electric operations accounting for approximately 70% of 1953 gross revenues and the company's gas business contributing the balance. Total operating revenues for the year ended Dec. 31, 1953, amounted to $364,105,000 and income before interest deductions amounted to $77,476,000. Annual interest charges on the company's funded debt will aggregate approximately $23,500,000 on the completion of the present financing.

The company owns 95% of the outstanding stock of Pacific Public Service Company and 98% of the latter's subsidiary, Coast Counties Gas & Electric Co. both of which are to be merged into the parent.

Uranium-Petroleum Stock at 10 Cents

Hunter Securities Corp., New York City, is offering 2,900,000 shares of common stock (par five cents) of Uranium-Petroleum Co. at 10 cents per share "as a speculation."

The net proceeds are to be used to pay costs of development of the company's properties, and for acquistion and maintenance of oil, gas and mining leases or claims, and for other general corporate purposes.

Uranium-Petroleum Co. was incorporated Feb. 8, 1954 in Nevada, principally for the purposes of exploring and developing uranium, petroleum and other properties of a similar nature.

The properties of the company are in the Colorado Plateau Province of Southeastern Utah.

Dawson, Hannford, Inc. To Be Formed in N. Y. C.

Dawson, Hannaford, Inc. with offices at 25 Broad Street, New York City, is being formed to conduct a securities business. The new firm is an affiliate of the Montreal firms of Dawson, Hannaford Limited, and Dawson, Hannaford & Co., members of the Montreal and Canadian Stock Exchanges.

Leroy Smith

Leroy Smith, general partner in Reynolds & Co., New York City, passed away May 17.

Mutual Funds

By ROBERT R. RICH

Axe Securities Announces Insured Investment Plan

Axe Securities Corporation has announced the launching of its Axe Insured Investment Plan which combines the periodic investment in the shares of Axe-Houghton Stock Fund together with compulsory group creditors (term) life insurance underwritten by Prudential Insurance Co. of America. Axe-Houghton Stock Fund shares cannot be accumulated on a periodic investment plan basis without the insurance coverage. The insured investment plan at present is only cleared in New York State.

Although no medical examination or application form is necessary in securing the insurance under this plan, the coverage is limited to persons between the ages of 21 and 55 who are actively engaged on a "full-time basis" in earning wages, professional fees or other compensation or who operate a business for profit.

Prospective investors, eligible under the above requirements may choose one of five plans—all of which run 10 years—or 120 payments of equal amounts. The plans and "gross" payments are:

$10,000	120 payments of	$83.33
9,000	120 payments of	75.00
6,000	120 payments of	50.00
5,000	120 payments of	41.66
3,000	120 payments of	25.00

These individual payments are "gross payments" from which the sales "load," bank's service charge and insurance premiums are deducted.

Under an agreement with the Irving Trust Company, One Wall Street, New York City, which will administer the plan for investors, there will be a service charge of $1.00 per payment. An investor may make prepaid and combined investments, still being charged only $1.00 per transaction. Insurance premiums amount to $1.00 per month per $1,000 of reducing term insurance. The sales charge is 8.5%.

Thus, under the "$3,000-120 payment plan," the investor would pay a "gross" of $3,000 from which would be deducted $120 for bank service charges, $255 in sales charges, and $180 for insurance premiums, totaling $555 in charges, and leaving a "net" $2,445 of the original $3,000 to be invested in the shares of Axe Stock Fund.

The costs, in this instance, amounted to 18.5% of gross payments. Prudential Insurance Company may either increase or decrease the insurance costs upon 30 days' notice to the investor, but the cost cannot be changed more than once a year. Any dividends received by Axe Securities Corp., which pays the premiums, on the group insurance policy will be applied in reduction of insurance charges to plan investors.

If an investor fails to make scheduled payments, Axe Securities Corp. will pre-pay the insurance premiums in order to maintain insurance coverage for three calendar months after the due date of the last payment. If the plan is terminated after three months, the bank will redeem on sufficient shares to reimburse Axe Securities for such advances.

Maximum insurance coverage is $10,000 and 10 years, with the insurance company obliged, upon the death of the investor, to pay to the bank an amount equal to the total unpaid balance of all payments to be made under the plan. The bank, subtracting its charges, will invest the net amount in shares of Axe Stock Fund. The insured investment plans are not available to minors.

All payments must be received by the bank by the 10th of the month, on which date all investments are made by the bank in the fund's shares.

If an investor has previously had an Axe insured investment plan which he has terminated or let lapse, or if the investor has a plan in effect and has passed his 45 birthday, then he is not eligible for a new plan in any amount under the first condition, or an additional new plan to bring his monthly payments to the maximum possible under the second condition, unless the insurance company receives evidence of his insurability.

Portfolio Comment

In commenting on Natural Resources of Canada Fund's investment portfolio, Mr. Valenta said: "Realizing that oil and natural gas are two of Canada's most valuable natural resources products and two which will be in increasing demand in the future, your management has invested 25.31% of the assets in the securities of oil and natural gas companies. The growth in Canada's petroleum production, although increasing, is still equal to only 46% of the country's own requirements."

Turning to mining, Mr. Valenta emphasized that according to preliminary reports, last year was one of the greatest in Canada's history with respect to staking mining claims, considered one of the most reliable forecasts of Canada's future economic welfare. Mr. Valenta also described pulp and paper as one of the leading industries of Canada and said that 18.81% of the Fund's assets was invested in securities of companies operating there.

Broad Street Sales Down 29% in April

Broad Street Investing Corporation's sales in April, amounting to $902,000, were down 29% from March Sales of $1,274,000.

However, the company reported, sales were higher than last April's $588,000, and total sales for the first four months of this year, amounting to $4,320,000, were higher than last year's volume in the first four months, then amounting to $2,580,000.

At the end of April, net assets were about $45 million. Net assets per share on April 30, 1954 were $24.64. Total net assets on April 30, 1953 amounted to $32 million, and net asset value per share at that time was $21.71. A distribution of 46 cents per share was paid from realized gain on investments on Dec. 31, 1953.

Canada Fund Files; Several New Features

Scudder Fund of Canada Ltd., an investment company newly organized in Canada and one of the first to obtain permission to sell its shares in the United States under the new policy of the Securities and Exchange Commission permitting registration of Canadian Investment companies, has filed with the Securities and Exchange Commission a registration statement covering a proposed public offering of 800,000 common shares. The shares, it is expected, will be priced to provide the company with initial investment funds of approximately $24,000,000.

Lehman Brothers heads a group of investment banking firms which will underwrite the offering. Scudder Fund of Canada Ltd. was organized by Scudder, Stevens & Clark, a leading American firm of investment counsel. A Canadian subsidiary of the firm, Scudder, Stevens & Clark Ltd., will act as investment adviser to the Fund.

The investment policy of Scudder Fund of Canada Ltd. is designed to provide a diversified portfolio of stocks and bonds which may be expected to reflect the development of Canadian industries and resources. Portfolio securities will be selected on the basis of their long-term investment performance. Thus, a vehicle is to be provided for diversified investment by the general public in the future of Canada under a type of investment management familiar to American investors.

The Fund at the outset will be closed-end investment company but upon completion of the offering will become an open-end investment company. As such, its shares will be redeemable at the option of the holder at asset value. The Fund does not propose, however, to make a continuing offering of its shares as do most open-end companies.

A majority of the Board of Directors and officers of the Fund will be United States citizens, a rule of the SEC in this matter. The Board of Directors will include Robert Lehman, of Lehman Brothers and President of The Lehman Corporation; General Robert E. Wood, recently retired Chairman of the Board, and presently a Director and member of the Finance Committee, of Sears, Roebuck & Co.; Francis Goelet, who is engaged in real estate and investment management; Bertie C. Gardner, Chairman of the Board of the Bank of Montreal; R. G. Ivey, Q.C., Director of the Bank of Montreal and of the Container Corp. of America; Brian N. Barrett, Managing Director of Dominion Scottish Investments, Ltd. and Economic Investment Trust, Ltd.; Fred W. P. Jones, President of Hobbs Glass, Inc., Vice-President and Director of Canadian Pittsburgh Industries, and Dean (Designate) of the School of Business Administration of the University of Western Ontario; and James N. White, F. Vinton Lawrence, Jr., Hardwick Stires, Robert G. Weise, Hamilton M. Chase, Robert Strange and C. Herbert Rauch, all of Scudder, Stevens & Clark.

As a Canadian corporation not resident in the United States, the fund expects to operate so as to incur no United States income taxes.

Depending upon elections which the Fund makes under Canadian statutes, either interest and dividends received by it will be taxable at a maximum rate of 15% or interest will be taxed at Canadian corporate rates and (with unimportant exceptions) dividends from other Canadian corporations not at all. If gains are realized from a sale of portfolio securities held for investment, they are not subject to either Canadian capital gains or income tax.

The Fund intends to accumulate and reinvest its income and profits. Shareholders would not receive current dividends but would if the occasion arose, be able to realize upon an enhancement in the value of their shares by selling them or surrendering them to the company for redemption and would expect to pay United States taxes at capital gain rates on the profit.

Affiliated Fund Gains $20 Million

A new high record for the six months ended April 30, 1954 in net asets is reported by Affiliated Fund, Inc., second largest of the common stock funds. Net assets on April 30 were $268,643,221 compared with $248,744,204 on Oct. 31, 1953, end of the company's last fiscal year. Net asset value per share on April 30 was $5.21 compared with $4.81 six months earlier, an increase of 40c per share.

H. I. Prankard II points out in the semi-annual report that a shareholder owning 1,000 shares of stock 10½ years ago would own today 1,765 shares if he had reinvested all capital gain distributions paid by the company during the period. The company today has 121,000 shareholders.

Issues added to and eliminated from the portfolio in the six months ended April 30. 1954 were:

Additions: Allis-Chalmers Manufacturing Company; Bristol-Myers Company; Brown Shoe Company, Inc.; Endicott Johnson Corporation; General Shoe Corporation; International Harvester Company; Kerr-Addison Gold Mines, Ltd.; P. Lorillard Company; McIntyre Porcupine Mines, Ltd.; Noranda Mines, Limited; Pepsi-Cola Company; Chas. Pfizer & Company, Inc.; Radio Corporation of America.

Eliminations: Burlington Mills Corporation; Humble Oil & Refining Company; Lone Star Gas Co. 4.76% cum. con. pfd.; Louisiana Land & Exploration Company; Monsanto Chemical Company; Montana Power Company; Norfolk & Western Railway Company; Philadelphia Electric Company; Pittsburgh Consolidation Coal Company; Square D Company; Wisconsin Electric Power Company.

Mutual Fund Notes

I. S. A. Assets Up

Net assets of Investors Syndicate of America, Inc., wholly-owned subsidiary of Investors Diversified Services, Inc., increased $45,004,499 in 1953, and sales of I. S. A. face-amount investment certificates climbed more than 10% over 1952, the company's 240,636 certificateholders were told in the annual report.

At the year-end, net assets of I. S. A. were $271,077,125, a record high. Net 1953 income of $1,705,882 was added to the earned surplus, which amounted to $6,714,806 at Dec. 31. Total certificate reserves increased $43,170,820 in 1953.

National Sales Total $47 Million; Increase 14% at Fiscal Year-End

Sales of the National Securities Series of mutual funds totaled $47,600,000 for the fiscal year ended April 30, a new record high and 14% more than the previous year's volume, according to E. Waln Hare, Vice-President of National Securities and Research Corporation—sponsors and managers of the Series.

The number of shareowners increased from 65,800 on April 30, 1953, to 84,300 on April 30, 1954. The number of shares outstanding at the close of the latest fiscal year stood at 31,500,000.

Total net assets of the National Securities Series reached a new year-end high of $162,000,000, up 32% from a year earlier.

Delaware Begins Monthly Check Plan

A "check-a-month plan" for payment of distributions to shareholders of Delaware Fund was announced by W. Linton Nelson, President.

Under the plan, holders of 300 or more shares of Delaware Fund may elect to receive a check a month in payment of each regularly declared quarterly distribution. Previously, each regularly declared quarterly distribution was paid in one check.

"Many investment dealers," Mr. Nelson said in the announcement to shareholders, "have used such a plan in connection with several different investments. Delaware Fund," he pointed out, "becomes the first mutual fund to make such a program available to investors through its regular distributions without the necessity of purchasing shares of other companies."

The plan is optional and simple in operation. Those shareholders of Delaware Fund who desire to take advantage of the check-a-month sign an authorization form instructing the Fund to divide each quarterly distribution into three payments. The first is payable on the regular distribution date and the others 30 and 60 days thereafter.

Delaware Fund instituted the check-a-month plan, Mr. Nelson stated, to more conveniently gear its distributions to the needs of those investors, especially retired individuals, who budget their living expenses from month-to-month. He added that there will be no additional cost to shareholders for the new service.

KEYSTONE Custodian Funds, Inc., Trustee, has issued its Semi-Annual Report to shareholders of Discount Bond Fund "B-4" covering operations for the first six months of the current fiscal year ending Sept. 30, 1954. The Fund, whose 62 discount bonds held on March 31 were chosen for their generous return as well as for their potential capital growth, reported a 4½% gain in per share net asset value during the first half of the current fiscal year. These are the results:

	Mar. 31,'53	Mar. 31,'54
Total net assets	$41.868,032	$46,368,126
Shares outstanding	3,679,006	4,323,516
No. of shareholders	18,147	19,822
Inc. divs. per share	30c	28c
Value per share	$11.38	$10.72
*Adj. divs. per sh.	30c	29.4c
*Adj. value per sh.	$11.38	$11.26

*Adjusted to reflect the special distribution of 54c per share which was paid from security profits realized in fiscal 1953 and which represented an approximate 5% reduction in per share income earning assets.

Portfolio changes for the first six months of the current fiscal year were as follows:

ADDITIONS

Central of Georgia Ry. Co. gen. inc. "B" 4½s, 2020.

Chicago & Eastern Ill. R.R. Co. conv. N. C. inc. 5s, 1997.

Cincinnati Enquirer, Inc. deb. 5s, 1967.

Clev., Cinc., Chic. & St. L. Ry. Co. ref. & imp. "E" 4½s, 1977.

Maine Central RR. Co. 1st & coll. 5⅛s, 1978.

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Dealers Acclaim Hugh W. Long Ad

Letters and telegrams from mutual fund retailers and other mutual fund sponsors have been received by Hugh W. Long & Company, congratulating the organization on its boldness in opening a new era in general public education on mutual funds by its publication of a two-and-one-quarter advertisement on Fundamental Investors in the Sunday financial section of one of the metropolitan New York newspapers. Fundamental Investors, the nation's fifth largest mutual fund, has assets in excess of $190 million.

Requests from dealers for reprinted copies of the advertisement have been very substantial, a spokesman for Hugh W. Long & Company stated, and, already, many tens of thousands of reprints have been sent to dealers. The reprints are designed to be folded down to a size which will fit into a standard business envelope.

This was the largest amount of advertising space ever purchased from the New York newspaper for a financial advertisement other than redemption notices. The unusually large size of the advertisement—covering 18 consecutive newspaper columns—was due to the inclusion of the fund's full prospectus, which contains all pertinent facts about it. Under the Federal Securities Act of 1933 no mutual fund advertising other than so-called "tombstones" is permitted—unless accompanied by the complete prospectus as filed with the Securities and Exchange Commission.

Until now mutual fund sponsors have limited their advertising to "tombstone ads" which merely identify the fund advertised and offer a copy of the prospectus.

Public education on the advantages of mutual funds up to now has been carried on largely by local securities firms. The Fundamental Investors advertisement represents an entirely new means of providing public information about these investments.

Commenting on the advertisement Hugh W. Long, President of the sponsoring firm said, "This step is another concrete expression of our conviction that mutual funds are a practical solution to the need and desire of millions of Americans to invest in American industry for income and growth of capital. Our advertisement exemplifies the principle of full disclosure which is embodied in the Securities Act, and gives us an opportunity similar to that enjoyed by national distributors of other types of goods and services to inform the public about the valuable services offered by Fundamental Investors."

The text of the advertisement discussed principles of investing in common stocks through a mutual fund offering diversification and continuous professional supervision. Fundamental's dividend and profits records are shown. Also explained was the Fundamental Systematic Investing Plan for "investing-as-you-earn." The story on the fund was told in simple, non-technical language that the average person could relate to his personal financial situation. The advertisement invited the reader to send for information on how the fund may fit into various personal investment plans.

GUARDIAN MUTUAL Fund on April 30, 1954, reported total net assets amounted to $1,873,000 compared with $1,630,000 on April 30, 1953.

The net asset value per share on April 30, 1954 amounted to $12.79, compared with $11.90 one year earlier.

Continued from page 2

The Security I Like Best

and now that results may come close to doubling beginning this year, a more realistic appraisal of the company's reserves and earnings' potential should enable the stock to sell somewhat higher on the basis of its historical market performance. Considering the favorable earnings outlook and the leverage for the common stock now present and later to be increased, the stock of Chicago Corp. appears to offer unusually attractive possibilities for future capital gains.

JAMES H. YOUNG

President, J. H. Young & Co., Inc., New York City

Kentucky Utilities Common Stock

My selection of The Security I Like Best at this time is the common stock of Kentucky Utilities. This is based upon a number of important factors effecting this utility as outlined below:

James H. Young

(a) The company serves 491 communities. The area includes a large part of Kentucky, such important cities as Lexington and Paducah and a small part of Virginia and Tennessee. Consumer demand is well balanced and diversified and the territory served has shown an imposing growth since 1946.

(b) Electric production expansion, sales and earnings of the company since 1946 have been impressive.

(c) Company has investments in Ohio Valley Electric Corporation and Electric Energy, Inc., more fully outlined below. These investments should prove profitable to Kentucky Utilities Company.

This company serves one of the most interesting parts of the country from the point of view of expanding industry and increasing standards of living. To the South of it lies the territory of the TVA whose activities have transformed the area served by it and to the North is the Ohio Valley where the operations of the Atomic Energy Commission are bringing new life and industrial growth. The area served provides a well balanced demand for power from all types of users and the company is participating in the large increase brought about by the activities of the AEC. Through its investment in the Ohio Valley Electric Corporation and Electric Energy, Inc., K. U. will share in the huge electric output of these properties as they are completed and in operation.

In 1952 the company joined with a number of utility companies in a plan to supply power requirements for a gaseous diffusion plant to be built by the Atomic Energy Commission near Portsmouth, Ohio. Ohio Valley Electric Corporation was organized for this purpose and a 25 year power agreement was entered into with the AEC. Kentucky Utilities and certain unaffiliates have agreed to supply Ohio Valley Electric Corporation equity capital not exceeding $20,000,000. Total capital requirements may reach $400,000,000 for the whole project and it is planned to have an ultimate capacity of about 3,175,000 kilowatts, an indication of the formidable size of this proposed development.

Kilowatt sales, gross operating revenue and net income (with the exception of a small decrease of about $7,000 in 1951) of Kentucky Utilities have shown a consistent increase each year since 1946 to the first quarter of this year or an increase of over 55% in net income. Net available for the common was $1.84 a share for the 12 months ending March 31, 1954 to pay the present annual rate of $1.12 a share which was increased on Jan. 1, from a $1 annual rate.

On April 6 of this year the Green River unit of Kentucky Utilities was placed in operation. This, with other additional generating capacity installed since 1946 amounts to about 315,000 kilowatts. New construction for 1954 is estimated to be about $8,700,000 to be provided by securities sold in 1953 and depreciation, amortization and retained earnings during the year amounting to about $4,800,000. On May 6, the company made application to the Kentucky Public Service Commission for a certificate of convenience and necessity to construct a 100,000 kilowatt hydro station near Dix Dam to be known as the E. W. Brown Generating Station. This unit is the first of four such units and is scheduled to be placed in service during the fall of 1956, at which time it is expected they will have approximately a 15% reserve capacity.

The first quarter kilowatt output figures in 1954 which were 23.6% higher than the corresponding period of last year included substantial amounts of power delivered to the Atomic Energy Commission for the account of Electric Energy, Inc. and other sponsoring companies of EEI. After eliminating the effect of this sale the increase in kilowatt hour sales would be 8.3%.

For the week ending May 1, electric output was 45.1% higher than the same week last year and was at the top of a list of 39 major utilities in percentage gains for the period.

For investors interested in market stability with a good prospect of capital appreciation and possible higher income through dividend increases over a period the common stock of this company appears attractive at the present price at this writing of 22 to return over 5% on the present annual dividend rate of $1.12 a share.

Kentucky Utilities common stock is traded in the Over-the-Counter market.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

The annual Fire Index published by "The Spectator" of Philadelphia, Pa., one of the leading insurance authorities since 1868, provides a considerable amount of useful information to analysts of insurance shares.

The 1954 issue of the Fire Index was recently released covering operations of all the important stock companies as well as the mutual and reciprocal organizations. Presentation of the figures and material are from the point of view of the insurance underwriter but because of its nature much of the material is of interest to financial people or the stockholder.

One of the significant features of the Index is the tabulation presented with respect to premiums and losses according to the different lines for the last two years. This table is interesting because it shows the division of business and loss experience according to insurance line for the industry as a whole. By correlating this information with the concentration of business in different lines by the various companies, it can be determined why some institutions did better last year than others. Of course the trends within the different lines are evident during the course of the year but the overall experience is not determined until the final figures are compiled as has been done by "The Spectator."

In the tabulation below we have selected the six major lines accounting for over 90% of the premium volume written by 404 stock insurance companies as shown in the 1954 Fire Index. In addition to the net premium writings, for 1953 and 1952, the table also shows the losses paid, excluding loss adjustment expenses and the loss ratio is computed.

	1953			1952		
	Net Premium Written $	Losses Paid (Excl. Adj. Exp.) $	Loss Ratio %	Net Premium Written $	Losses Paid (Excl. Adj. Exp.) $	Loss Ratio %
Fire	1,243,083,333	546,919,201	44.0	1,227,265,825	518,221,238	42.2
Extend. coverage	351,394,477	176,345,203	50.2	326,285,685	108,980,347	33.4
Ocean marine	147,171,036	92,259,608	62.7	154,409,330	92,456,190	59.9
Inland marine	267,253,916	115,048,882	43.0	249,099,004	114,678,514	46.1
Auto liability	129,064,899	46,260,368	35.8	108,233,620	21,805,739	20.1
Auto phys. damage	945,333,987	425,066,815	45.0	882,179,173	407,085,368	46.1
Other	305,636,910	124,692,470	40.8	265,810,180	90,908,032	34.2
Total	3,388,938,558	1,526,592,547	45.0	3,213,282,817	1,354,135,428	42.1

The statutory underwriting profit for the above companies for 1953 was $152,495,280, down from $160,040,307 in 1952. The lower profits were largely a reflection of the increase in losses in relation to the volume of business handled. Thus even though the volume of business increased, losses gained by a larger percentage causing the loss ratio to increase by almost three percentage points.

There was considerable variation among the different underwriting lines, however. For example the largest line, fire, showed a modest increase in both volume and losses. The loss ratio was slightly higher. The second largest line, automobile physical damage showed a sizable gain in volume and losses were only fractionally higher. The loss ratio improved slightly. Inland marine writings showed a somewhat similar experience although the loss ratio showed substantial improvement.

All of the other large insurance lines experienced larger losses so that the ratio was significantly higher in most instances. Among the smaller lines there was considerable variation although the general trend was toward increased volume and higher losses.

In view of the above figures it is apparent why some of the large multiple line companies showed little if any improvement in statutory underwriting earnings last year. Some of the firms concentrated heavily in straight fire, following the trend of the industry, reported lower earnings.

The one bright spot was in the automobile physical damage phase of business and the companies with a sizable participation in this line showed a much better underwriting experience.

Much the same trends that were evident last year have continued to prevail so far in 1954. In making investments in the industry at this point it should seem prudent to give such factors consideration.

Joins Butler, Wick Co.

(Special to THE FINANCIAL CHRONICLE)

YOUNGSTOWN, Ohio—Robert H. Bowman has become affiliated with Butler, Wick & Co. Union National Bank Building, members of the New York and Midwest Stock Exchanges.

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Bernard Baumgartner and Edward S. Williams, Jr. have become connected with King Merritt & Co., Inc.

Herbert Angres Opens

Herbert Angres is engaging in a securities business from offices at 283 West 234th Street., New York City.

Arneth & Arneth Opens

Marguerite and George Vincent Arneth have formed Arneth & Arneth with offices at 45 John Street, New York City, to engage in a securities business.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Nathan M. Concoff is now connected with Shearson, Hammill & Co., 520 South Grand Avenue.

Forms K. N. Rink Co.

NEW ROCHELLE, N. Y.—K. N. Rigterink is engaging in a securities business from offices at 38 Locust Avenue under the firm name of K. N. Rink Company.

With David G. Means

(Special to THE FINANCIAL CHRONICLE)

BANGOR, Maine — Richard C. Lindahl has become connected with David G. Means, 6 State Street.

Harris, Upham Branch

EVANSTON, Ill.—Harris, Upham & Co. has opened a branch office at 1718 Orrington Avenue, under the management of John F. Murray.

Continued from first page

Problems in Building a Life Company Portfolio

by far the greatest portion of the savings fund that life insurance portfolio managers are called upon to invest.

Another important characteristic of life insurance company operations is that an increasing proportion of benefits payable upon death are not withdrawn. Instead, these proceeds are retained by the company under supplementary contracts. The fact that it is not unusual for 50% of insurance proceeds to be so retained indicates how significantly this trend is adding to long-term liabilities.

Of course, life insurance companies enter into contracts that are not long-term and others that do not result in the accumulation of large reserve funds. Group-term insurance contracts, group and individual accident, sickness and hospitalization contracts are of these types, as most of the premium received from them during the year is disbursed for losses and expenses, leaving proportionately very little for investment. Hence, these operations, though of great social significance, do not add greatly to the savings fund. The fact that these liabilities are short-term does mean, however, that they create different investment problems for the portion they represent of the company's liabilities.

In the interest of safety, it is a widespread practice for life insurance companies to set premium rates higher than probably will be necessary and then each year to refund the excess of the amount needed to set up reserves and to meet losses and expenses. These premium refunds have been misnamed "dividends" which, of course, they are not, for as stated the premiums are purposely set to provide a margin under typical conditions and thus the return is merely a refund of excess payments. Investment-wise, however, they are significant because under insurance contracts dividends may be left with the company to earn interest, and significant amounts are left each year. These amounts may be withdrawn at any time or used to pay future premiums.

From these analyses, it can be seen that insureds enter into contracts with life insurance companies to accumulate savings, and that by far the greatest portion of these savings are the result of contracts that are relatively long-term.

Another very important factor affecting life insurance investment policies also results from these contracts. The flow of funds for reserves is very steady and vary dependable. An analysis prepared by our staff of the 20 largest life insurance companies in the United States shows that cash income from insurance premiums and investment earnings increased every year since 1928 except for the years 1932 and 1933 when declines of about 3% occurred. Certainly such declines are very moderate if you recall the economic situation of those days. Further, in no year did the increase exceed 8%, which points up the remarkable stability of the cash income of life insurance companies. Cash disbursements which take the form of expenses and payments to policyholders, including policy loans, however, did vary considerably. Even so, there has never been a year, even 1932 or 1933, when life insurance companies did not have net income available for investment. Let's examine what happened to this net income of the 20 largest companies during the depression, the only time that it varied greatly. In 1928 it was $1,050,000,000; by 1930 it had declined to $810,000,000; by 1932 it was $241,000,000; up to $485,000,000 in 1933; and back to $1,050,000,000 by 1934. Since then it has steadily increased except for a small decline in 1938, and today is over $3,000,000,000. In addition to this net income available for new investments, life insurance companies had the funds from the maturity and redemption of existing ones. Very few savings funds have such a record of regularity and stability.

At this point, it would be very timely to discuss the liquidity needs of typical life insurance companies. The analysis just given shows that in no year have the cash needs of life insurance companies exceeded cash income. Also, the contractural nature of savings coming to life insurance companies assures a regular and uninterrupted flow of income. Thus, the key for any need to liquidate assets must lie in an unexpected national disaster (a possibility in an age of nuclear weapons and biological warfare) or in the possibility that the current composition of insurance companies' liabilities differs greatly from that of previous years. To evaluate the possibility of a national disaster is largely impossible, and if such a disaster could be met at all it would probably be met by overall social and economic measures. Of course, changes have occurred in the actual composition of liabilities, but there is little evidence that any significant one has occurred to affect the fundamental nature of them. For example, more insurance proceeds are left at interest subject to withdrawal, more premiums are paid in advance which could be withdrawn and as stated before a high percentage of proceeds payable to beneficiaries are voluntarily left with the companies to be paid out periodically under supplementary contracts. However, very unprecedented changes in these factors would have to occur to cause any need for asset liquidation. Also, a development has occurred in the last 20 years which is not fully appreciated, even by insurance company managements. This is the effect that the amortized mortgage has on the cash income of companies. Prior to 1930, the level payment amortized mortgage was rare, but today any other is rare, especially in mortgages on residential property. The fact that these mortgage contracts require regular reductions in the principal indebtedness provides a "built in" liquidity in insurance company portfolios.

Because general reasoning, such as I have been doing, about the need for liquidity fails to show the existence of such need, my associates and I, a number of years ago, examined various combinations of assumptions that would make it necessary for life insurance companies to liquidate assets. Under these we estimated cash needs, assuming insurance income and investment income were sharply reduced. Also we assumed severe defaults in the amortization of mortgages and securities, and that the demand for policy loans and for the surrender value of insurance contracts would greatly increase. This type of analysis is rather complex and time does not permit it being related here. It did show, however, that demands far greater than those existing in the depression of the early 1930's would have to occur in order to require a liquidation of 10% of assets.

Naturally, it is not given to us to see the future. Hence, even though careful analysis reveals that life insurance companies have little need for liquidity, it would be a brave insurance management indeed which failed to hold some portion of a company's assets in securities that could be readily liquidated. I am convinced, though, that such holdings for an unforeseen emergency need not be great, probably not over 5% or 10% of liabilities.

All of you must know that life insurance companies are closely regulated by the states in which they operate, and that in most cases the regulations prescribe fairly definitely the investments that life insurance companies may make. Probably many of you are even familiar with the details of statutory and regulatory requirements in the states in which you have important operations. Because of this, I am not going to comment on the techniques used, but instead to tell you what I believe is the social philosophy behind the regulation of insurance company investments. It is well known that insurance is bought to avert the full effects of catastrophe or to secure a benefit at an average cost. An example of the former is death or permanent disability affecting a family, and of the latter is a corporation insuring its employees' health and retirement plans. As we have seen, these insurance contracts require the building up of reserves that must be invested, and as investment income is an important factor in the ultimate insurance costs there is a competitive pressure for insurance managements to seek high investment returns.

Recognizing that speculative investing might result, most states have statutes which provide for maximum debt ratios, earnings tests based on regularity as well as amount of earnings, requirements as to the minimum length of operations as well as limitations on amounts that can be invested in any one company and in certain classes of securities. Furthermore, state regulations discourage any speculative investments because insurance companies are prevented from accumulating the sizable surpluses essential to high risk undertakings. In my opinion, therefore, these regulations and laws can mean but one thing, i.e., society does not intend that the savings accumulated for life insurance and for pensions be risked in speculative ventures. In effect, society has said that it is much more important that insurance companies be sound over the long run than that investment earnings be high over any short period.

An integral part of regulation in many states is the authority to prescribe the basis on which the assets of life insurance companies will be valued for statement purposes. In order to have uniformity among the states this has become an undertaking of the National Association of Insurance Commissioners. Essentially, rules promulgated by this group permit the evaluation of bonds on an amortized cost basis if they are well secured and not in default. Bonds not well secured or in default, and preferred and common stocks must be carried in the statement at values set by this regulatory body. Usually these are the market values at the year-end. It can readily be appreciated that these rules have a very definite influence upon investment decisions, especially on the ownership of preferred and common stock. The latter must be valued at the market at the close of the year. Thus, sizable holdings of such stock could in a low market adversely affect the published balance sheet of the company. Keep in mind that some states, including New York, limit surpluses of life insurance companies, and when this fact is combined with valuation rules requiring recognition of market fluctuations, the ownership of significant amounts of preferred and common stock is not too attractive. This even serves to make ineffective the enabling legislation in the states that permit the ownership of stocks. Obviously, this is the case, for no financial institution can afford to render a statement indicating it might have inadequate surplus even though its management may well know its assets are basically sound. The mere rendering of such a statement might bring about the necessity for some liquidation.

Adequate diversification in insurance company portfolios is a factor importantly affecting investment policies. Such diversification takes three forms — geographic, by industry, and by companies within each industry. Maturity diversification might be considered a fourth type, but it can be seen that this is principally a mechanical process. Skilled investors endeavor to avoid concentration of investment in areas. This is especially important if the economic background of the area is itself not well diversified. For example, mortgage lenders avoid a concentration of loans in a city which is largely dependent for its welfare upon a single industry. Likewise, investors avoid investing disproportionate amounts in one industry, especially if that industry has a record of pronounced flucuation in earnings. Also, because most companies' earnings vary some and because managements change from time to time, investors prefer to spread their holdings among the various companies in any industry whose records are generally satisfactory. This problem of proper diversification is not a difficult one for most insurance companies. Actually, most insurance companies are under constant pressure from the public and from political groups to spread their investments more widely than is justifiable. Especially is this the case in real estate mortgage lending, where it presents a real problem to the portfolio manager, for extensive diversification means either operating with inadequate analysis and investigation, or at an unjustifiable cost. Probably it could be said that the optimum diversification sought by most investment administrators is one that avoids an undue concentration of risk without introduced inefficiencies from excessive administration costs.

There are a few factors of lesser importance that affect policy decisions that I might call to your attention. Federal income taxes put a premium upon tax exempt securities for investors in high tax brackets. Insurance companies, though paying a large total tax, do not pay a high rate. Hence, tax exempt securities, such as municipal bonds and certain stocks, do not result in as relatively high net income for them as for other investors whose income taxes result from high rates.

State income taxes and graduated premium taxes may affect the situs of investment operations. For example, under the Montana income tax law affecting life insurance companies, a high total tax might be paid to the state if investments there were proportionately higher than other insurance operations, whereas under the graduated premium tax in Texas the lowest tax is paid if investments in the state are proportionately higher than in other states. It would seem that such laws are inimical to the long run interest of the respective states, but they exist and often affect local investment operations of the life insurance companies.

In this discussion of basic factors affecting life insurance investment policies, I am putting in last position a very significant factor which is seldom discussed and frequently misunderstood. This is the fact that life insurance companies virtually at all times keep fully invested. They do not withhold funds in anticipation of rate increases or borrow or otherwise over-commit themselves in expectation of rate declines. True, much talk occurs as to the future of interest rates by life insurance investment officers; in fact, guessing interest rates is frequently an "avocation." However, investments are not made on the basis of expectation as to future rates. Rather, an insurance company at all times strives to keep fully invested at current rates or committed to deliver funds in the future at current rates. The cost of holding money idle is very real, and in a business where funds flow regularly and uninterruptedly it is better to put faith in dollar averaging and the powerful effect of compound interest than to speculate on a rate rise or fall. Possibly there are exceptions to this, but it would have to be among smaller companies for certainly the larger companies have little alternative but to push out the funds as they are received.

In a paper on "Institutional Savings" prepared by Dr. James J. O'Leary, Director of Investment Research of the L. I. A. A., he showed that the changes that occur in the holdings of cash and short-term securities by life insurance companies were so small that it is the stability that is surprising, not the change. In this paper Dr. O'Leary stated, "The individual monthly figures on cash holdings of the life insurance business during the period 1949 through 1953, for example, show that the monthly range was a low of 1.1% of assets in several months of 1953 and a high of 1.7% in April, 1951. If monthly figures combining cash and governments with a maturity of one year and under are studied, the range during the same period was 1.4% of assets in July, 1949, and 3.5% of assets in April, 1951. Although the percentage changes are substantial, the proportion of assets is so small that cash and short government changes do not have much importance. If anything, one must be impressed with their stability."

He then pointed out that the buildup to the high in April, 1951 was not in anticipation of higher rates but was to cover the heavy future commitments which had become a very common operating practice under pegged Government bond prices, and had increased even more in the Fall of 1950 from the manner in which Regulation X was instituted.

This analysis is based upon recent years, but a look at the period 1936-1953 shows that cash was highest when investments were scarce, and lowest when they were abundant, but again it is the stability, not the change, in the cash position of insurance companies that is most notable. In this period, cash was never more than 5% of assets and changes that occurred were gradual. Certainly this does not indicate withholding funds from the market. Likewise, borrowing by life insurance companies is practically non-existent, and the small amount that does occur is to smooth over the inevitable peaking of commitments. There is, however, a characteristic about life insurance investment operations which can be misinterpreted as withholding of funds. Life insurance companies purchase most of the major forms of investments and operate extensively in many of the fields. Consequently, they possess considerable mobility or shiftability in the selection of investments at any time. In this selection process the differentials in interest rates between various types of investments exert considerable influence. At times, available rates may make mortgages more attractive than bonds, or high grade bonds preferable to lower grade ones, or Government bonds more attractive than prime corporate bonds. As insurance companies can and do shift the emphasis of their investment operations from one investment field to another, it may appear that they are withholding funds from the market. Actually, funds are not being withheld—they are merely being channeled to that segement of investment demand which is willing to pay proportionately more for them. Although this shiftability is important, I am sure that you realize it also is limited. There is a great inertia to large institutional investment operations which make such changes come about slowly.

Before moving to the second and much shorter part of this paper, I want to summarize the factors that are most significant in determining the composition of the life insurance company portfolio. These are that liabilities are preponderantly long term, funds for investing are increasing but are remarkably stable, need for liquidity is small, state laws preclude speculative investments, diversification is important and required by state laws, and funds are invested as received — not withheld on anticipation or expectation of rate change.

Now let me highlight for you the holdings of the life insurance companies, and in so doing discuss briefly the suitability of various investments.

U. S. Government bonds are considered by most investors to be the soundest of securities. Presumably if they are not sound, no fixed value asset is. These bonds loomed large in life insurance company portfolios during and following the last war. The peak was reached in 1946 when 47% of assets were so invested. This proportion declined to 12% by the end of 1953. Generally, life insurance companies do not favor owning large amounts of Government bonds because the yields are lower than other suitable securities, and there seems to be no reason to pay that price for the additional security and the liquidity provided.

State and municipal bonds offer a satisfactory outlet for life insurance funds. Prior to the days of high income tax rates, these were important in life insurance company portfolios, representing over 6% of assets in 1940. Thereafter, a sharp decline set in and today only 1.2% of assets are so invested. Basically, these bonds are attractive for insurance companies, but their tax exempt feature makes them more so to other investors.

Foreign bonds have never been important for life insurance companies. In fact, except for those of Canada, they are not eligible in most states. I suspect that the few that are held, only $21,000,000 in 1953, are to cover insurance reserve obligations in the respective countries. Most companies consider Canadian bonds, especially those of the Dominion and Provinces, to be sound investments. However, there is no great supply, and they have never exceeded 3% of life insurance company assets, and today are 1.6%.

Corporate bonds, i.e., bonds of business and industry, have been consistently favored by life insurance companies. In 1929, they represented 28% of assets; they declined a bit following the depression, but by 1940 they were back to 30%. During the War, the actual amount owned increased, but proportionately they declined to 25% of assets because of large investments in U. S. Government bonds. Today, 44% of assets are so invested — 5% in railroad bonds, 17% in public utility bonds, and 22% in the bonds of various industrial corporations. Here also it should be mentioned that in this field private placements play a very important role as life insurance companies are especially suited to handle this type of transaction.

Stocks, either preferred or common, have not in recent times been of much significance in life insurance portfolios. Investment in them has varied between .7% in 1927 and 2.9% in the last few years. Actually, there has been a slow increase in holdings of stocks since the war from 1.8% in 1945 to 2.9% today. Preferreds are the more important, representing about 70% of the entire stock account. In addition to the problems already mentioned, arising from the requirement that stocks be valued at market for statement purposes, there are many life insurance managements as well as social theorists who believe it is undesirable to have the ownership of large blocks of stock concentrated in savings institutions. Such managements are probably concerned about the responsibility to actively enter into the management decisions of other corporations, and the social theorists undoubtedly see possibility for the misuse of power from the ownership of large blocks of stock.

I presume that of all the important investment fields for life insurance companies, the field of mortgages is the least familiar to this group. Actually, the problems involved in mortgage selection and risk evaluation are akin to security analysis in their complexity. Thus, time does not permit comment upon them. You should know, however, that real estate mortgages have long been a preferred investment for life insurance companies, even more so prior to 1930 than today. In 1927, 43% of life insurance assets were in mortgages, of which 13% were in farm loans. As real estate values declined sharply following 1932, so did the life insurance company mortgage account, and of course the retirement of personal debt during the late war carried mortgages in 1946 to the low point of 14%. Today they represent 28% of assets, of which only 2.5% are farm mortgages.

In the last 20 years, two changes have occurred which greatly affect the suitability of mortgages for life insurance investments. One, the extensive use of the amortized mortgage I have already mentioned; the other is the advent of Federal Government guaranty of the mortgage note. The first of these have given mortgages a quality of liquidity not formerly present, and even today not well appreciated. The second has materially reduced the inherent risk of mortgage lending, has broadened the market for mortgages and, hence, also increased their liquidity. I might say parenthetically that I am afraid the risk is being so completely transferred to the Government that private mortgage lending on residential property is at a crossroads. Judging by recent developments, I might also say that Government mortgage risk evaluators are also at a bit of a crossroad.

About the only other significant investment outlet for life insurance companies is the ownership of real estate. Only recently have life insurance companies been permitted to own real estate for investment, and hence, prior to the recent war real estate owned was largely that used in company operations or acquired in the satisfaction of a defaulted mortgage. However, today most states permit the ownership of urban real estate for investment. To date, this enabling legislation has resulted only in a slight increase in real estate ownership. It was only 1.5% of assets in 1947 and is 2.6% today. Many companies feel that the management problems involved in real estate ownership are a bit foreign to their investment organization. Especially is this true for small companies who cannot justify creation of special real estate management groups. Also, many companies feel that serious public relations problems with tenants and time consuming meetings with politicians and Government agencies may be inescapable with the ownership of large housing projects. Already there has been some evidence that this is a valid objection. I believe it is safe to conclude that although real estate offers suitable investment opportunities for life insurance companies, any growth in ownership will be slow.

Although policy loans are included in the assets of life insurance companies, they are not an investment. In reality they are an offset to reserve liabilities. Under the typical life insurance contract the insured has the right to borrow his reserve at a named rate of interest, with no obligation to repay it. If it is not repaid, the loan plus interest is deducted from the insurance proceeds or in the event of non-payment of future premiums, the benefits will be proportionately reduced. During the 1930's, policy loans reached their peak of 18.3% of assets in 1932. Since then they have declined steadily, and today they are 3.7%.

Gentlemen, this has been a long paper, and even so I have had no choice but to treat many phases of life insurance investment very sketchily. I hope that I have added to your knowledge about our operations.

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treat the patient. They include labor leaders, businessmen, politicians, farmers, housewives, and, of course, economists—both foreign and domestic. It would not even surprise me if there were a doctor in the crowd.

But whatever their vocation, each of these self-qualified practitioners is blissfully confident of his ability to diagnose the ailment correctly and to prescribe the cure. The diagnoses differ widely, and the proffered prescriptions range all the way from a shot in the arm to a major operation requiring inflationary anaesthesia.

Now I am not an economist; and I shall not compound confusion by advancing any theories or nostrums of my own. But I would like to say a few words in behalf of the patient; because the patient in this case is every one of us, and the time has come, I think, when we ought to speak up while we are still able.

We must never forget that America's economic health is probably the most important thing on the face of this earth today. If we can keep our economy strong and vigorous, we may—with God's help—avert a war of annihilation. If we permit it to become weak and flabby, we invite disaster. It could be as simple as that.

So it is not only our own future, but the world's future, which is at stake in this controversy; and we cannot afford to fall into the clutches of self-serving medicine men who are interested only in foisting upon us their own particular brands of snake oil and swamp water.

Rather, I propose that here in this room—among men and women who are schooled in science and whose lives are dedicated to their fellow men—we should ignore for a little while the voices of the special pleaders—of ambition and of partisanship—and try, if we can, to view some of the facts of the case in the cool, refreshing light of dispassionate reason.

Economic Health—Sum Total of National Welfare

Now it goes without saying, I think, that the sum total of our national welfare is nothing more or less than the sum total of the economic health and vigor of every person in this country. If all of these people thrive and prosper, so does America; and the stronger they become, the stronger becomes our whole national economy.

In recognition of this basic fact, there is now before Congress a program of economic incentives designed to stimulate each individual, in every occupational group, to do a little better for himself—to produce more, to earn more, and thus to be able to buy more. For the sake of convenience, and for purposes of identification, we might call this proposal the Administration Prescription. It is compounded of numerous legislative items dealing with agriculture, labor, social security, and so on; but its fundamental ingredient is the 875-page tax revision bill which is now before the Senate.

That bill would overhaul the whole Federal tax structure, from alpha to omega, in an effort to correct those sections of the present law which have been found by experience to be unwise or unjust, or to act as a deterrent upon the productive efforts of many individuals and economic groups, including business.

Tax reduction, *per se*, is not the real objective of this measure, since Federal taxes have already been cut twice so far this year. The real purpose of the pending legislation is to remove tax restraints on incentive; but the net effect, nevertheless, would be a further reduction in taxes for almost everybody—with one notable exception.

That exception is corporate enterprise; for this bill would reenact and restore the high wartime corporate tax rate which expired, under the existing law, on April 1. Thus its passage would increase the over-all taxes on business. At the same time, however, it does provide three important incentives as stimulants to business activity:

First, it would seek to increase the investment of venture capital by ameliorating—but not eliminating — the double taxation of dividends. Second, it would seek to increase productive efficiency by encouraging industry to replace obsolete tools and machines, even though they have not been worn out nor fully depreciated. And third, it would seek to encourage business of every size to expend greater effort on industrial research.

Those, then, are the simple facts of the case; and considering the length and complexity of the measure, there has been surprisingly little controversy regarding the great bulk of its provisions. No one, so far as I know, objects to the sections which liberalize medical deductions and provide tax relief for farmers, working mothers, young people, and many other such groups. No one has taken serious umbrage, moreover, at the provisions which increase the corporate tax burden. But in two respects, the bill has provoked opposition so intense that Washington wags are calling it "The Keynes Mutiny."

Errors in the Adminstration Prescription

This outcry is directed almost entirely at two alleged errors in the Administration Prespription: one of omission, the other of commission. On the side of omission, opponents complain that the bill fails to grant adequate tax relief to consumers. On the side of commission, they protest that it provides unnecessary relief to producers in the field of business.

To remedy this situation, they propose on the one hand to increase personal income tax exemptions. On the other hand, they would strike out of the bill one or more of the incentives which it offers to business.

So there we have what may conveniently be labelled "The Opposition Prescription"; and the authors of it have their own diagnosis of our present economic difficulties. They say we are suffering from a lack of consumer purchasing power.

Now in passing, we should note, I think, that this diagnosis itself may be open to question. Certainly it appears to be a considerable over-simplification of the facts; for the facts are that when business began to slump off, toward the end of the Korean conflict, purchasing power in this country was at the highest levels ever recorded anywhere on earth. It is also true, I am told, that every recession in history has begun when purchasing power stood at a peak. So in the face of these facts, it would be difficult to demonstrate that the recent economic decline was caused by any lack of consumer spending power.

Nevertheless, all of us will agree, I am sure, that an increase in real purchasing power would be highly desirable and of great benefit to our whole economy; so let's have it by all means. The question is: How do we get it?

Well suppose we examine the two proposals advanced by the opposition. The first would increase personal exemptions, thus reducing the taxes of all individuals and relieving many of them from the necessity of paying any Federal income levy at all. This, it is argued, would place more money in the hands of consumers, who would therefore buy more goods and services. To meet this increased demand, business in turn would have to produce more. This would lead to increased employment, resulting in a further increase in purchasing power; and so our whole economy would start spiralling upward to the lasting benefit of everybody.

All of which is wonderful—if true. As a businessman, I am naturally prejudiced in favor of any prescription which promises to increase our sales and enlarge our markets. As an individual who has two daughters in college, I would also welcome an increase in my personal tax exemptions; for I yield to no man in my desire to pay taxes—lower taxes, that is. So it is with considerable reluctance that I bring myself to suggest that we examine this plan a little further before we buy it.

But when we talk about purchasing power, we are talking, of course, about the sum total of the buying power of all of our individual citizens, our businessmen, our institutions and our government agencies. Now what happens if we take a couple of billion dollars away from the Federal Government and put it in the hands of individual consumers? The individuals have two billions more to spend; but the government—which is also a consumer—and may I add a spender—has two billions less to spend.

Has our total purchasing power increased? Not by so much as 10 cents' worth. But, it is argued, the government doesn't really have to cut its spending at all. All it has to do is to print up $2 billion worth of bonds, and then go merrily on, buying at the same old rate as before.

And there, in truth, is what the authors of the Opposition Prescription are really proposing—another great program of deficit spending, and another great whirl of inflation. Presumably this pro-

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posal would increase by two billions the number of dollar which we have in our national pocket; but, if so, it would also diminish proportionally, the purchasing power of each of those dollars. So, in the end, we should be right back where we started.

Ladies and gentlemen, I shall not argue here the question of inflation. There are a number of patriotic Americans who sincerely believe in deficit spending as a cure-all for every economic ill. However, we should note, I think, that the same course is being urged upon us in more dubious quarters.

Recently the Communist Party officially announced its new party line, and publicly disclosed its present aims and purposes. Third on the list of goals which it seeks is the scrapping of the Administration's economic program and the substitution of a policy of continuing inflation. That, then, is the course which is being prescribed for us by those who are openly and avowedly dedicated to the destruction of our American economic system.

In contrast to this advice, it might be well to recall a word of counsel from the Sermon on the Mount which says: "Enter ye in at the strait gate; for wide is the gate, and broad is the way, that leadeth to destruction."

The choice, I think, is clear.

The Opposition Prescription

And now, let us look at the second part of the Opposition Prescription — the proposal to strike out the tax incentives designed to benefit business. The authors of this proposal argue that we are already able to produce much more than we can sell; and that it would be useless to expand our plants and facilities any further at this time. What we need, they say, is more consumption—not more production. Therefore they urge that the tax benefits proposed for productive enterprise should be given to consumers instead.

Here again, this all sounds so convincing that it seems almost a shame to subject it to the cruel scrutiny of reason. But there is one little flaw in that argument that we simply cannot afford to overlook; and that is the fact that business, itself, is probably the largest single consumer in our whole economy.

For example, United States Steel, as a corporation, buys almost exactly as much in goods and services each year as do all of its 300,000 employees put together; and most businesses spend much more than their employees. So if we add to the buying power of individuals by subtracting exactly the same amount from the buying power of business, we have increased not a whit the total purchasing power of the nation.

How then can we get more money into the hands of consumers without taking it away from other consumers and without diminishing the buying power of the money itself?

Must Increase Productive Power

Study that problem as you will, and I think you will find that there is only one way to solve it —by increasing the earning power of our people. But what a man earns can only be paid out of the value of what he produces. So if we would increase his earning power; we must first increase his productive power. And the only way to do that—in any substantial degree, at least—is to provide him with better, more efficient tools.

Such tools are available, but the trouble is that under our present tax laws, many companies cannot afford to junk their older, less efficient facilities until they have been worn out. So the need here is for wise and proper tax incentives which will encourage the wide-spread use of newly develoepnd automatic machines which enable a man to produce two or three times as much, perhaps, as he could have turned out by older methods a few years ago.

These machines, if employed extensively throughout industry, would act as a kind of triple barreled stimulant to our entire economy: first, by providing jobs for the men who make them; second, by increasing enormously the earning power of the men who use them; and third, by sharply reducing production costs. Thus consumers would not only have more dollars to spend; but each dollar would buy more, or better, goods.

But that device, alone, is not enough; for if—through this process—one man is enabled to perform the work of two, what then will become of the other man?

The answer to that, of course, is that he would be out of a job and out of luck if it were not for the enormous ability of American industry to improve existing products, and to create entirely new products which never existed before in any form. It is inexhaustible inventive ingenuity above all else, I think, which has enabled our nation, throughout its history, to minimize technological unemployment, to support a constantly growing economy, and to enjoy an ever-rising standard of living.

The Cost and Value of Research

The basic essential here is research; but research at best is a costly and uncertain gamble. Of the money poured into it, only $1 in $10, or $20—or even $100, perhaps—will ever pay off in the market place; and it is often more difficult to pick a winner in the laboratory than it is at the Kentucky Derby. That is why the great burden of research has been borne chiefly by our larger or more profitable enterprises; and why research incentives are so important, especially to smaller businesses.

But even this is not the complete solution to our problem; for research itself is merely the beginning. The only thing it really produces is knowledge; and before that knowledge can be transformed into new jobs and new products someone must supply the money with which to build a factory, to buy the necessary tools and raw materials, and to advertise and market the product.

So the transmutation of new ideas into new products can occur only where there is a ready supply of venture capital—and the word to emphasize in that sentence is "venture," for there is no assurance that the product will sell, or that the venture will succeed. Yet it is upon this process of research and investment that our rising prosperity must always depend. That is the kind of industrial expansion that America can never afford to be without at any time. We must have it today, tomorrow, and every day—in war and in peace; in good times and in bad. It is the life blood of our whole economy.

How to Increase Earning Power

And there, I think, we have the final and conclusive answer to our question. How do we increase the earning power and the buying power of our people? By stimulating the replacement of inefficient, labor-wasting tools and machines; by broadening industrial research; and by encouraging a constant flow of venture capital.

But these, of course, are the very things for which the Administration Prescription seeks to provide incentives. These are the exact ingredients which the Opposition Prescription would eliminate, in whole or in part. They are in fact, the self-same benefits which we hear reviled as "the trickle-down theory," and denounced as "handouts to the rich."

There was once a farmer whose only possession was a very fine and productive cow. But one day he said to himself: "I have too much milk; and what I really need is meat." So he butchered the cow and ate the meat—and then he starved to death.

Now personally I question the sagacity of those who would butcher our productive cow. Rather, I am impressed by the wisdom of the old Biblical law which says: "Thou shalt not muzzle the ox when he treadeth out the corn." It is found in Deuteronomy, I think, and it seems to me to be just as valid today as it was when it was written.

But there are, of course, contemporary authorities which might also be cited. Recently I ran across a lecture which was given by Professor Sumner H. Slichter, at Radcliffe College in 1942. He was discussing "The World of Tomorrow" and some of the views he expressed concerning our present tax structure surprised me considerably, coming as they did from a noted Harvard economist. It is said that the devil may quote scripture, but it is not always that a businessman can quote Dr. Slichter with impunity. What he said was this:

"The tax history of the United States in recent years has been fairly sensational. A visitor from Mars would suspect that a Communist fifth columnist was writing the laws for the purpose of making private enterprise unworkable. I am not complaining," he said, "about the general level of taxes. Rather, I am complaining of the extraordinary way in which taxes have been modified to bear heavily on any enterprise or individual who displays daring, or who backs an innovation or experiment, especially an experiment which is pretty certain to experience losses for a few years. If the community really wishes expansion, it must be prepared to overhaul very drastically the present tax system—not necessarily by shifting the burden between income brackets, but by altering the way in which taxes affect the attractiveness of risky ventures."

Now in presenting this statement from Dr. Slichter, let me repeat that it was made twelve years ago and, therefore, could not have been intended to apply directly to our present-day tax controversy. But if I understand his complaint correctly, it would seem to me that the evils against which he protests have grown rather than diminished since that time, and are exactly those which the pending tax bill seeks to lessen in its sections applying to business.

So in analyzing the new tax measure, let us remember that it was not drafted and passed in the House of Representatives by men who were selfishly interested in helping the idle rich or in aiding a handful of big corporations. It was written and supported by men who must face the voters again next fall, and whose last, best hope of re-election lies in increased employment, a prosperous community and a contented constituency. These men have staked their political future on their belief that the bill which they passed will create the economic conditions which favor their return to office.

The real and vital issue which lies at the heart of this controversy is not just a question of taxes. Our economy is strong and resilient. It has survived bad tax laws before, and will doubtless do so again—for after all, were there ever any good ones? But no true democracy can long survive, I believe, if it ever falls prey to class hatred and group prejudice — if consumer is pitted against producer, worker against investor, poor against rich, housewife against farmer—American against American.

The body economic of America is composed of 160 million individual human cells, many of which perform different tasks, but all of which are part and parcel of the same economic structure. Now if some of these cells start malignantly to feed upon others, so that one group suddenly thrives and multiplies while another languishes and disappears, then indeed is our national economy stricken with a dread disease, which none of us can survive; for even a cancer destroys itself when it kills the body in which it lives.

And that is why I am more than a little disturbed tonight by what seems to me to be a conscious effort on the part of our self-appointed medicine men to appeal to greed and to inject class hatred into this vital discussion. They are determined, apparently, to dismember our economy by dividing us into warring groups in the hope that we shall permit blind anger to suffocate our reason.

A Three-Way Case of Schizophrenia

But before we allow ourselves to succumb to that kind of economic poison, I would like to suggest that we try a little experiment right here in this room. Suppose I were to ask all the producers in this audience to go to one corner, all the consumers to go to another, and all the investors to go to a third. To which corner would you go? And how could you possibly comply with that request without developing a kind of three-way case of schizophrenia?

All of us, of course, are producers of goods or services. All of us are also consumers. And all of us, too, I suppose, are investors—for an investor, remember, is anyone and everyone who has put money in a bank, or in a savings bond, or a life insurance policy, or a pension fund or a share of stock, or in a business or profession of his own.

And so will it be always in any ordinary group of people of working age, whether we find them on the street corner, in a bus, at the ball park, or here on the Atlantic City Boardwalk. The truth is that under our economic system, the consumer, the producer and the investor are not three separate individuals. They are one and the same person, wearing three different hats at one and the same time. Their interests can never conflict. They must prosper together, or not at all.

So the next time we hear someone denouncing business incentives as a "give-away program for the rich," it might be wise to stop and ask ourselves just what his motives are. What is he trying to sell?

Glance under the flap of his medicine tent, my friends, and you'll find, I suspect, that it's snake oil.

And as for the so-called "trickle-down theory," let's look at the facts for a moment. The phrase suggests that the pending tax bill would give rich benefits to those at the top of our economic pyramid in the hope that some of this money would trickle down to the poor unfortunates below, like crumbs falling from the banquet table. But that, of course, is the exact opposite of the truth.

The truth is that the new tax measure affords no benefits whatever to those at the top until they, themselves, have poured their own money in at the base of our economic structure in the hope that—like water rising from a spring—it will flow up from below and come back to them.

Thus after an enterprise has risked its money in research; or after it has bought and installed new and more efficient tools of production, then—and only then—is it accorded favorable tax treatment on the funds it has expended for these purposes. Without making such expenditures, it gets no tax advantage from the bill at all.

And so it is also with the provisions relating to dividends. To get any tax relief under this section of the bill, the taxpayer must first have dividends. To get dividends, however, he must first invest his savings in corporate enterprise. But before a corporation can pay any dividends, it must do two things: First, it must spend the capital it gets from the investor to construct plants, to buy machines and tools and materials, and to hire workers to use these facilities. Second, it must market its product at a profit; and it can only do this if the product itself is something which benefits the consumer—something he wants and is willing to buy.

Then and only then does the investor have any prospect of getting a dividend. He is the last man in the whole, long economic chain to receive any reward at all from his investment. All the others must get theirs first—the builders of the plants and machines, the suppliers of the raw materials, the workers who turn out the finished product, and the consumers who buy it; and when, if ever, a dividend check does finally trickle up to the investor, by the slow and meager process of osmosis, it usually amounts to only a few cents on each dollar that he has risked in the venture.

A "Trickle-Up Prescription"

So if we are to apply to the Administration program a name which accurately and truthfully describes the processes which it would set in motion, we must call it, I think, "the trickle-up prescription."

These, then, are the real facts of the controversy as I see them, but I shall argue them no further. In my role as a kind of Public Defender of the patient, I shall rest my case; but in doing so, I should like to address one final word of caution to the jury:

The economic health of America is one of our most priceless national possessions. It will be profoundly affected, for better or worse, by the decision in this case. Since we live in a democracy, the responsibility for that decision rests upon each one of us—upon every citizen of this country.

Before us are two proposed courses of action which are sharply in conflict, one with the other. We cannot afford to choose the wrong course. Neither can we afford to be guided by personal ambition or narrow self-interest. We must weigh each proposal on its merits, asking ourselves this question: Not "what will it do for me"? but "What will it do for America"?

That is the issue which faces us; and the decision is up to you.

Which prescription will you choose?

You're the doctor!

A. S. Abrams Opens

Alvin S. Abrams is conducting an investment business from offices at 1320 Sheridan Avenue, Bronx, N. Y.

Mid-West Secs. Formed

BROOKLYN, N. Y.—Mid-West Securities has been formed with offices at 164 Congress Street. Raymond A. Beilouny in a principal of the firm.

Managed Inv. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Douglas W. Siegalkoff is now connected with Managed Investment Programs, 41 Sutter Street. He was previously with Richard A. Harrison.

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 23	§70.0	*70.9	68.6	97.8
Equivalent to—					
Steel ingots and castings (net tons)	May 23	§1,668,000	*1,690,000	1,636,000	2,250,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 8	6,422,400	6,621,600	6,567,550	6,334,550
Crude runs to stills—daily average (bbls.)	May 8	¶6,764,000	6,675,000	6,759,000	6,865,000
Gasoline output (bbls.)	May 8	22,660,000	22,567,000	22,898,000	22,558,000
Kerosene output (bbls.)	May 8	1,872,000	2,199,000	2,369,000	2,201,000
Distillate fuel oil output (bbls.)	May 8	9,557,000	9,067,000	9,399,000	9,377,000
Residual fuel oil output (bbls.)	May 8	8,015,000	7,918,000	8,451,000	8,772,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 8	175,874,000	177,058,000	179,729,000	156,025,000
Kerosene (bbls.) at	May 8	20,210,000	19,680,000	17,269,000	19,765,000
Distillate fuel oil (bbls.) at	May 8	63,939,000	61,405,000	57,772,000	62,721,000
Residual fuel oil (bbls.) at	May 8	44,668,000	*44,147,000	43,833,000	40,070,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 8	647,954	647,925	606,790	765,411
Revenue freight received from connections (no. of cars)	May 8	588,414	576,827	581,291	679,341
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 13	$344,045,000	$493,968,000	$306,562,000	$282,232,000
Private construction	May 13	200,358,000	362,130,000	192,333,000	173,602,000
Public construction	May 13	143,687,000	131,838,000	114,229,000	108,630,000
State and municipal	May 13	109,021,000	104,276,000	92,817,000	86,017,000
Federal	May 13	34,666,000	27,562,000	21,412,000	22,613,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 8	6,775,000	6,675,000	6,660,000	8,834,000
Pennsylvania anthracite (tons)	May 8	426,000	403,000	501,000	606,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 8	123	*112	113	128
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 15	8,380,000	8,438,000	8,345,000	7,959,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 13	243	206	198	198
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 11	4.634c	4.634c	4.634c	4.390c
Pig iron (per gross ton)	May 11	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	May 11	$27.58	$27.25	$25.17	$38.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 12	29.700c	29.700c	29.700c	29.700c
Export refinery at	May 12	29.625c	29.675c	29.450c	29.625c
Straits tin (New York) at	May 12	93.500c	93.500c	101.000c	96.375c
Lead (New York) at	May 12	14.000c	14.000c	14.000c	12.500c
Lead (St. Louis) at	May 12	13.800c	13.800c	13.800c	12.300c
Zinc (East St. Louis) at	May 12	10.250c	10.250c	10.250c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 18	99.33	100.03	100.47	92.13
Average corporate	May 18	110.70	110.70	111.07	103.47
Aaa	May 18	115.63	115.63	116.02	106.74
Aa	May 18	112.56	112.93	113.31	105.52
A	May 18	110.52	110.34	110.34	102.63
Baa	May 18	104.66	104.66	104.83	99.52
Railroad Group	May 18	109.24	109.42	109.79	101.97
Public Utilities Group	May 18	110.70	110.88	110.88	102.63
Industrials Group	May 18	112.19	112.19	112.37	106.04
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 18	2.55	2.50	2.46	3.08
Average corporate	May 18	3.13	3.13	3.11	3.54
Aaa	May 18	2.87	2.87	2.85	3.35
Aa	May 18	3.03	3.01	2.99	3.42
A	May 18	3.14	3.15	3.15	3.59
Baa	May 18	3.47	3.47	3.46	3.78
Railroad Group	May 18	3.21	3.20	3.18	3.63
Public Utilities Group	May 18	3.13	3.12	3.12	3.59
Industrials Group	May 18	3.05	3.05	3.04	3.39
MOODY'S COMMODITY INDEX	May 18	439.1	432.9	437.2	417.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 8	298,213	251,496	229,743	291,615
Production (tons)	May 8	237,514	230,314	242,573	240,205
Percentage of activity	May 3	87	87	89	94
Unfilled orders (tons) at end of period	May 8	429,184	369,140	413,245	588,917
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 14	108.34	109.37	109.16	106.51
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	May 1	1,090,970	1,007,553	980,698	760,886
Dollar value	May 1	$52,036,873	$46,952,871	$39,653,869	$35,070,220
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	May 1	1,110,720	1,015,148	1,001,471	624,644
Customers' short sales	May 1	8,162	6,940	9,234	12,873
Customers' other sales	May 1	1,102,558	1,008,208	992,237	611,771
Dollar value	May 1	$50,707,069	$45,950,953	$42,527,514	$24,773,301
Round-lot sales by dealers—					
Number of shares—Total sales	May 1	358,470	390,722	309,150	159,260
Short sales	May 1	------	------	------	------
Other sales	May 1	358,470	390,722	309,150	159,260
Round-lot purchases by dealers—					
Number of shares	May 1	355,060	368,247	316,500	309,620
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. 24	388,830	288,390	315,520	324,230
Other sales	Apr. 24	10,184,860	8,414,920	9,272,880	8,380,750
Total sales	Apr. 24	10,573,690	8,703,310	9,588,400	8,704,980
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Apr. 24	1,138,740	919,980	1,055,270	863,090
Short sales	Apr. 24	227,530	172,830	156,820	127,470
Other sales	Apr. 24	890,610	723,460	959,280	737,300
Total sales	Apr. 24	1,118,140	896,290	1,116,100	864,770
Other transactions initiated on the floor—					
Total purchases	Apr. 24	319,800	296,690	343,730	206,540
Short sales	Apr. 24	24,600	16,000	18,900	15,100
Other sales	Apr. 24	310,310	271,920	344,000	297,440
Total sales	Apr. 24	334,910	287,920	362,900	312,540
Other transactions initiated off the floor—					
Total purchases	Apr. 24	348,860	308,182	328,394	331,149
Short sales	Apr. 24	41,750	33,600	23,510	54,650
Other sales	Apr. 24	381,365	325,083	328,400	458,260
Total sales	Apr. 24	423,115	358,683	351,910	512,915
Total round-lot transactions for account of members—					
Total purchases	Apr. 24	1,807,400	1,524,852	1,727,394	1,400,779
Short sales	Apr. 24	293,880	222,430	199,230	197,225
Other sales	Apr. 24	1,582,285	1,320,463	1,631,680	1,493,000
Total sales	Apr. 24	1,876,165	1,542,893	1,830,910	1,690,225
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 11	111.0	111.0	111.0	109.9
Farm products	May 11	99.0	*99.6	100.3	93.5
Processed foods	May 11	106.9	*106.2	105.2	104.5
Meats	May 11	99.1	96.5	93.9	92.7
All commodities other than farm and foods	May 11	114.4	114.5	114.5	113.4

*Revised figure. ¶Includes 590,000 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
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of April 30:			
Imports	$269,956,000	$247,401,000	$229,123,000
Exports	141,713,000	139,367,000	114,850,000
Domestic shipments	13,240,000	10,204,000	10,570,000
Domestic warehouse credits	114,091,000	97,231,000	26,556,000
Dollar exchange	38,298,000	46,600,000	42,900,000
Based on goods stored and shipped between foreign countries	45,932,000	39,357,000	31,170,000
Total	$623,230,000	$580,160,000	$455,169,000
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. (U. S. DEPT. OF LABOR)—Month of Feb. (000's omitted):			
All building construction	$632,130	*$600,116	$684,353
New residential	336,727	288,497	377,115
New non-residential	218,825	238,295	223,078
Additions, alterations, etc.	76,578	73,324	84,161
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of March:			
Manufacturing number	200	198	140
Wholesale number	82	123	75
Retail number	535	551	344
Construction number	92	143	86
Commercial service number	66	87	48
Total number	975	1,102	693
Manufacturing liabilities	$20,568,000	$15,359,000	$10,585,000
Wholesale liabilities	4,574,000	5,117,000	2,925,000
Retail liabilities	12,030,000	26,043,000	8,497,000
Construction liabilities	3,692,000	7,255,000	3,748,000
Commercial service liabilities	1,648,000	3,506,000	1,765,000
Total liabilities	$42,512,000	$57,280,000	$27,520,000
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE — Month of March (000's omitted)	$1,274,000	$244,100	$1,251,100
COKE (BUREAU OF MINES)—Month of Mar.:			
Production (net tons)	5,146,489	*4,889,717	6,842,488
Oven coke (net tons)	5,109,543	*4,824,295	6,298,960
Beehive coke (net tons)	36,946	65,422	543,528
Oven coke stock at end of month (net tons)	2,718,856	2,744,377	1,972,886
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of February (000's omitted)	33,112,429	34,235,499	31,294,462
Revenue from ultimate customers—month of February	596,954,000	611,624,200	561,924,000
Number of ultimate customers at Feb. 28	50,033,503	50,006,954	48,541,940
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of February:			
All manufacturing (production workers)	12,683,000	*12,793,000	13,733,000
Durable goods	7,375,000	*7,477,000	8,115,000
Non-durable goods	5,308,000	*5,316,000	5,618,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	102.5	*103.4	111.0
Payroll Indexes (1947-49 Average=100) —			
All manufacturing	137.3	*138.6	149.3
Estimated number of employees in manufacturing industries—			
All manufacturing	16,034,000	*16,158,000	17,013,000
Durable goods	9,287,000	*9,402,000	9,989,000
Non-durable goods	6,747,000	*6,756,000	7,024,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE— U. S. DEPT. OF LABOR—Month of April:			
Weekly earnings—			
All manufacturing	$70.20	*$70.71	$71.40
Durable goods	75.43	*76.00	77.56
Non-durable goods	62.87	*64.02	62.81
Hours—			
All manufacturing	39.0	*39.5	40.8
Durable goods	39.7	*40.0	41.7
Non-durable goods	38.1	38.8	39.[illegible]
Hourly earnings—			
All manufacturing	$1.80	$1.79	$1.75
Durable goods	1.90	1.90	1.86
Non-durable goods	1.65	*1.65	1.59
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of April:			
Seasonally adjusted	123	123	136
Unadjusted	123	125	136
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of April (1935-39 average=100)	104.6	106.4	120.0
METAL OUTPUT (BUREAU OF MINES)—Month of March:			
Mine production of recoverable metals in the United States and Alaska:			
Gold (in fine ounces)	148,578	*131,748	149,980
Silver (in fine ounces)	3,263,603	*3,011,164	3,125,182
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of April	£9,338,000	£43,432,000	£136,402,000
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of April:			
Net sales	$2,937,500	$22,437,550	------
Net purchases	------	------	$35,881,000
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Mar. (000's omitted):			
Exports	$858,100	$1,180,000	$1,389,000
Imports	918,200	808,500	1,004,453
U. S. GOVT. STATUTORY DEBT LIMITATION—As of April 30 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	271,046,794	270,235,368	264,589,809
Guaranteed obligations not owned by the Treasury	79,825	77,086	52,372
Total gross public debt and guaranteed obligations	$271,126,620	$270,312,455	$264,642,181
Deduct—other outstanding public debt obligations not subject to debt limitation	554,613	555,952	605,478
Grand total outstanding	$270,572,006	$269,756,502	$264,036,702
Balance face amount of obligations, issuable under above authority	4,427,993	5,243,497	10,963,297

Continued from page 3

Some More Commentaries on "Full Employment & Its Dangers"

agencies through which men grow as individuals.

To glorify the State, and ultimately as well as inevitably substitute it for God, is to set up a soulless monster as the social entity.

It may be very, very difficult to unscramble the mess of conflicting private enterprise aims and paternalistic means, and it may be costly in pain to endure the process, but in my opinion the sooner we start, the better. And we must begin by deciding whether we want the individual or the State as the goal of our hopes and ambitions.

CRAWFORD H. GREENEWALT
President, E. I. du Pont de Nemours & Co., Inc.

I enjoyed reading the article very much and would certainly

C. H. Greenewalt

subscribe to what Dr. Wiegand has to say. In fact, I do not see how it is conceivable for the government to guarantee full employment under any set of circumstances.

JOHN L. COLLYER
Chairman of the Board, The B. F. Goodrich Company

Many of the measures that government can take to maintain full employment would, as stated by Dr. Wiegand, certainly risk inflation or a controlled economy. The present Administration, however, is adopting a deliberate policy of creating an atmosphere which is non-inflationary but favorable to the maintenance of a high level of private business activity. This is one government policy—and I believe a most important one—which Dr. Wiegand does not discuss in his article.

John L. Collyer

I think we must recognize that "full employment" generally has been accepted as one of the desirable goals of national economic policy. Private business must employ ingenuity and resources to provide as high a level of continuing employment as is compatible with our type of competitive economy. Industry must encourage government to adopt forward-looking policies which makes this possible.

As a measure of confidence in the ability of our economy to continue to move forward, the B. F. Goodrich Company is investing more than $30 million for new and improved facilities in 1954. This will be about 30% more than we invested last year and substantially above the amount B. F. Goodrich has ever spent on capital improvements in a single year.

By thus increasing our capital investment, we believe we shall be fulfilling our share of responsibility for the maintenance of a high level of employment this year. We sincerely hope that this and similar programs will make it unnecessary for government to undertake direct "make-work" action in 1954.

JOHN MOODY
Moody's Investors Service

It is only during the past few days that I have had the leisure to read this fine article carefully; but I found it well worth the reading. It is in all respects very sound and I endorse the view of Dr. Wiegand in all particulars.

I think you have performed a public service in publishing this sound bit of economic reasoning, so seldom presented in this lucid form to a generally muddled public mind in these days of so many false and superficial theories, under the caption of "economics."

SAM M. FLEMING
President, Third National Bank, Nashville, Tenn.

Full employment is an idealistic term but not practical. With a dynamic economy such as ours, there will most of the time be opportunities for those who really want to work. The trouble is, many people just don't want to put out the effort necessary to keep a job. The matter is further aggravated by multiple employment in one family, and with the reverse situation prevailing, it is necessary for all able bodied members to seek employment. This brings into the picture the marginal labor supply which aggravates the overall unemployment situation. Certainly we should not aspire to full employment based on excessive government expenditures and projects.

S. M. Fleming

ERNEST R. ACKER
President, Central Hudson Gas & Electric Corporation

I am particularly concerned with the possibility referred to in Dr. Wiegand's article that unnecessary public works programs will be undertaken in the name of full employment. While increasing Federal public works expenditures is a means of offsetting declines in construction activity, such expenditures should be reserved, as pointed out recently by the Committee for Economic Development, for use in times of severe depression. One danger of large public works programs is their tendency to continue into periods of prosperity when they are likely to exert unfortunate inflationary pressures on the nation's economy.

Ernest R. Acker

I am sure that, except under the most difficult conditions, private enterprise can provide the job opportunities required to maintain a high level of employment. Business should not only be encouraged by proper fiscal and tax policies to carry out sound economic expansion plans, but must also be given the opportunity to do so. An example of such an opportunity is the redevelopment of the Niagara River power. Five investor-owned utility companies are seeking authority from Congress to undertake this project but their efforts are being opposed by proponents of government developments. Since governmental functions are not involved in this case, it is difficult for me to understand why private enterprise is not being urged to carry out the $400,000,000 power project. When proposals for public works projects are carried to this extreme, I believe they constitute a real threat to our free enterprise system.

O. GLENN SAXON
Professor of Economics, Yale University

After a careful reading of the article by Prof. Carl Wiegand on "Full Employment and Its Dangers" I want to express my complete agreement with all his conclusions. It would be disastrous for the United States to accept the full employment philosophy. It is one of the surest roads to socialization of a free economy.

Dr. O. Glenn Saxon

RALPH S. DAMON
President, Trans World Airlines, Inc.

I have read the article with a great deal of interest. As I understand it, Dr. Wiegand acknowledges that it is a proper function of government to take such measures as will assist a high level of business activity, with a consequent high level of employment, but that full employment can be guaranteed only by a totalitarian government. I do not know of any reason to disagree with this thesis.

Ralph S. Damon

WILLIAM A. ROBERTSON
Member of the New York Bar East Orange, N. J.

The meaning of the term "full employment" is vague to the last degree; but the search for some economic program that professes to be able to make it a reality, is very popular. It runs counter to reason, to a study of the facts of trade and commerce, and to the hard lessons of experience. There seems to be something about it which captures the imagination, just as did those old humbugs—the philosopher's stone (to transmute base metals into gold), or the "fountain of youth." These fallacies have been succeeded by a seemingly ineradicable and almost passionate belief in the possibility of evolving some ideal plan of governmental operation that should press evenly on every one, and produce widespread abundance and wipe out all the inequalities of life and fortune. Something of this sort seems to have been the dream and aim of the French school of "physiocrats" in the 18th century.

I do not know of any one who has indicated the utter falsity and impossibility of "full employment" more thoroughly and effectively than Doctor Carl Wiegand in his article of April 8 last, in the "Commercial and Financial Chronicle." His reasoning amounts to a demonstration. There is little more to be said. I dare not try to add anything.

May I venture, however, for the sake of comparisons in absurdity, to place alongside of it another modern doctrine, popular with many who ought to know better—the doctrine of "price stabilization"? Let us ask ourselves what kind of a world we would have to live in, if "full employment" and "price stabilization" were to be the order of the day, and go hand-in-hand, for the purpose of producing, not progress, but **security**.

What room would be left for such qualities as American energy and inventiveness; resourcefulness and courage in surmounting difficulties and seeming impossibilities; the ambition to advance and surpass rivals and competitors—in short, every element that constitutes that priceless but indescribable quality of "know-how" which lies at the base of our Western way of life, and which is so far removed from that dreaminess and "stability" of the Orient?

"I have faith in **affirmative** men," said President Lincoln; "they stand between a nation and perdition."

HARLEY L. LUTZ
Tax Consultant, National Ass'n of Manufacturers

The argument advanced in Dr. Wiegand's article is eminently sound, in my opinion. My only comment is that the author has left a gap by not defining employment and demonstrating from the definition that government cannot create employment. It can pay wages and observe prevailing hour and wage conditions, but this still would not be genuine employment. I have discussed this matter in my book that was published two years ago—"A Platform for the American Way," pp. 104-107. Much of the wrangling and deceit would be dispensed with if my approach as set out there were to be accepted.

Dr. Harley L. Lutz

FREDERICK A. BRADFORD
Head, Department of Finance, Lehigh University, Bethlehem, Pa.

With reference to Dr. Wiegand's article on "Full Employment and Its Dangers," I need only remark that I concur practically 100% with what he has written. My own opinions, if stated, would perhaps be somewhat less restrained than Dr. Wiegand's, but along essentially the same lines. The end result of any attempt to maintain full employment, year in and year out, is almost bound to be creeping inflation or a controlled economy.

F. A. Bradford

I think that Dr. Wiegand should receive the thanks of economists for his sound stand on this essentially dangerous philosophy.

HON. HAROLD C. HAGEN
U. S. Congressman, Minnesota

In connection with the article on the philosophy of full employment by Dr. Carl Wiegand, I am in general agreement that we can achieve greater and more lasting prosperity through the encouragement and continued growth of our free enterprise system rather than through increasing government programs and plans. That is why I have always supported legislation designed to bring about sound fiscal policies as the best way to encourage the growth of private enterprise and individual initiative.

Hon. H. C. Hagen

HARRY A. BULLIS
Chairman of the Board, General Mills, Inc.

Dr. Wiegand is logical in his analysis and conclusions. The full employment issue is one which the Administration cannot side-step if unemployment continues to grow. On the other hand there is no way that the government can guarantee full employment without thoroughly regimenting the entire economy. I believe the present Administration will do everything in its power to keep a favorable climate for business and will do all that government should to assist industry to keep employment high.

Harry A. Bullis

ROY FRUEHAUF
President, Fruehauf Trailer Co.

I must say that I am on the side of those who see danger in the full employment philosophy of government—I believe that much can be done to insure a sound, healthy employment situation in this country through the taking of a few simple steps.

Roy Fruehauf

(1) The reduction of government spending, wherever it may be possible, which would lead to a lowering of the budget.

(2) The reduction of taxes—on business firms as well as individuals. This, of course, would stimulate incentive.

(3) The removal of much of the red tape and many of the burdensome rules, regulations, and restrictions that hamper the normal operation of business to such a great extent. Only enough regulation to protect the public interest is needed.

(4) The encouragement of private competitive enterprise.

E. H. HALLMANN
Director of Personnel Illinois Central Railroad

I have read "Full Employment and Its Dangers" by Dr. Carl Wiegand, Professor of Economics, University of Mississippi.

This is the most penetrating analysis of the dangers inherent in the "full employment" doctrine that has come to my attention. It was a sorry day for our country when Roosevelt's advisors sold him on the economic theories of Lord Keynes.

I firmly believe that any man who is able and willing to work should have the opportunity to earn a decent living. That there have been times when millions of worthy people found themselves unemployed through no fault of their own is most unfortunate. It would be wonderful, indeed, if a solution to this could be found through the collaboration of labor and management, with the government, as Dr. Wiegand suggests, sticking to its job of balancing conflicting rights and needs.

Continued from page 16

SEC Proposes New "Stabilization" Rules

ceding calendar days, and (B) the current asked price is equal to or above the last independent sale price. If both conditions (A) and (B) are not met, no person shall begin to stabilize the security at a price in excess of the highest bid price for such security; *provided, however,* that if a stabilizing bid has been entered at such current independent bid price and the first sale thereafter on the exchange is an independent sale at a higher price, the security may be stabilized at a price not in excess of such independent sale price.

(4) No person shall stabilize a security at a price above the price at which such security is currently being distributed; *provided, however,* that special prices available to holders of warrants or rights shall not limit the stabilizing price.

(5) If a security goes ex-dividend, ex-rights, or ex-distribution, the price at which such security is being stabilized shall be reduced by an amount equal to the value of the dividend, right, or distribution, computed to the nearest trading differential; *provided, however,* that if the dividend, right or distribution has a value of not more than **50%** of the minimum price differential, the stabilizing price need not be reduced.

(6) When two or more securities are being offered as a unit, the component securities shall not be stabilized at prices the sum of which exceeds the offering price of the unit.

(7) If a security is being called or redeemed it shall be unlawful to stabilize such security at a price above such call or redemption price plus accruals, if any; *provided, however,* that if such security is directly convertible into or exchangeable for another security or securities, and if the amount of such other security or securities (into which it is convertible or for which it is exchangeable) multiplied by their highest lawful stabilizing price exceeds the call or redemption price plus accruals, then the security may be stabilized at such price.

(k) *Pre-offering Stabilizing:* If the initial public offering price of a security is to be a fixed price determined under a formula based on the bid, asked or sale price of such security at a particular time or times, and if the price of such security has been stabilized prior to the commencement of the offering, such stabilizing shall be deemed to have been unlawful if any person participating in the distribution of such security shall offer or sell such security in the course of such distribution at a price higher than the last lawful stabilizing price.

(l) *Disclosure of Stabilizing:* Any person subject to this rule who sells to, or purchases for the account of, any person, any security the price of which has been stabilized, or any right or warrant to subscribe to any such security, shall give or send to such person, at or before the completion of the transaction, written disclosure that stabilizing purchases have been effected to facilitate the offering, if that be the fact. Such statement shall be in substantially the following form: "Transactions have been effected to stabilize or maintain the price of this security to facilitate a distribution. Such stabilizing may be discontinued at any time."

(m) *Reporting Requirements:* Every person subject to this rule shall file with the Commission the reports and the notice of termination required to be filed by Rule X-17A-2 even though he is not otherwise subject to that rule.

Rule X-10B-8—Distributions Involving the Purchase of Rights

(a) *Scope of Rule:* The provisions of this rule shall apply to any distribution of securities being offered through rights in connection with which any person participating in the distribution purchases any such right as principal and exercises any such right to acquire such security for distribution. It shall constitute a "manipulative or deceptive device or contrivance" as used in Section 10(b) of the Act for any person participating in any such distribution, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, to do any act prohibited by this rule in connection with the purchase or sale of any such security or right.

(b) In any distribution subject to this rule, the issuer or the person managing the distribution shall set the price at which persons participating in the distribution shall offer or sell the security being distributed; and such price shall not be changed more frequently than once in 24 hours except to be reduced. If the principal market for such security is a securities exchange, such price shall not, at the time it is so set, exceed the price at which such security last sold on a securities exchange (plus an amount equal to an exchange commission) or the current asked price on such exchange (plus such commission), whichever is higher. If the principal market for such security is not a securities exchange, such sale price shall not, at the time it is so set, exceed the highest price at which a dealer not participating in the distribution is then offering the security to other dealers.

(c) No person participating in any distribution subject to this rule shall offer or sell the security being distributed at a price other than the price provided for in paragraph (b) of this rule; *provided, however,* that the provisions of this paragraph shall not apply to (1) privately negotiated transactions otherwise than on a securities exchange among persons participating in the distribution; or (2) odd-lot transactions (and the off-setting round-lot transactions hereinafter referred to) by a person registered as an odd-lot dealer in such security on a national securities exchange who off-sets such odd-lot transactions in such security by round-lot transactions as promptly as possible; or (3) brokerage transactions not involving solicitation of the customer's order; or (4) offers and sales at the subscription price to holders of rights.

(d) Except as provided in subparagraph (H) of this paragraph (d), the following additional conditions shall apply if (1) the price of such security is being stabilized to facilitate the distribution, or (2) any person participating in the distribution (other than one registered as an odd-lot dealer in such rights on a national securities exchange who is acting in such capacity) purchases, as principal (except in unsolicited privately negotiated transactions otherwise than on a securities exchange effected by or through the manager of the distributing group) any right not necessary (i) to acquire securities previously sold by such person in connection with the distribution, or (ii) to complete a sale of rights made under circumstances indicating that the purchaser intends to exercise such rights:

(A) All purchases of rights by and on behalf of any person or persons participating in the distribution shall be under the control of only one person at any one time, and not more than one bid shall be maintained in any market at the same price at the same time.

(B) No bid for or purchase of rights shall be made until after the expiration of at least one full business day after trading in such rights has lawfully begun; *provided, however,* that if (i) trading has not begun at the expiration of two full business days after trading in such rights could lawfully have begun, and (ii) the theoretical value of such right can be ascertained by a generally accepted mathematical formula — then such right may be purchased thereafter at a price not in excess of such theoretical value.

(C) If such right is traded in more than one market the initial bid for or purchase of any such right shall not be made at any price which would be unlawful in the market which constitutes the principal market for such rights in the United States; *provided, however,* that if the principal market for such rights in the United States is a securities exchange and such exchange is not open for business then the initial bid for or purchase of such right may be made at a price which would be permissible in the market which, at such time, constitutes the principal market in the United States for such right.

(D) The initial bid for or purchase of such right shall not be made at a price higher than the highest current independent bid price for such right; *provided, however,* that if such right is admitted to trading on a securities exchange, such initial bid or purchase may be made at the last independent sale price on such exchange if (i) such right has been traded on such exchange on such day or on the preceding business day and (ii) the current asked price on such exchange is equal to or above such sale price.

(E) Subject to the limitations in subparagraph (G) of this paragraph (d), a bid which is legal when initiated may be maintained or reduced irrespective of changes in the independent bid, asked or sale price of such right. Except as provided in subparagraph (F) of this paragraph (d), if the bidding for and purchasing of rights is discontinued for any reason, bidding for or purchasing of rights shall not be resumed except at the lower of the two following prices: (i) the last price at which a lawful bid or purchase was made or (ii) the price which would be applicable if it were the initial bid or purchase.

(F) The price at which a bid for or purchase of rights is made may be increased only if (i) no person participating in the distribution has, as principal, purchased any right for a full business day except in privately negotiated transactions in a market which is not the principal market for such rights at the time of such purchase and (ii) the increased price meets the requirements which would be applicable if it were the initial bid or purchase.

(G) Purchases of rights shall be limited to those necessary to acquire the securities which all persons participating in the distribution have previously sold and are ready, willing and able to sell on the business day on which such rights are purchased; *provided, however,* that the provisions of this paragraph (G) shall not apply to purchases of rights in unsolicited privately negotiated transactions otherwise than on a securities exchange.

(H) The provisions of subparagraphs (A) to (G) inclusive of this paragraph (d) shall not apply (i) to privately negotiated transactions in rights, otherwise than on a securities exchange, between persons participating in the distribution; or (ii) to transactions by a person registered as an odd-lot dealer in such rights on a national securities exchange who is acting in such capacity in effecting such transactions.

* * *

All interested persons are invited to submit data, views and comments on the above proposals in writing to the Secretary, Securities and Exchange Commission, at its principal office, 425 Second Street, N. W., Washington 25, D. C., on or before June 18, 1954. Material submitted by any person will be made available for public inspection unless he specifically requests that it be kept confidential. After such written data, views and comments have been received consideration will be given to whether a public hearing should be held on these proposals and there will be an appropriate public notice of any such hearing.

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MUTUAL FUNDS

N. Y., N. H. & H. RR. Co. 1st & ref. "A" 4s, 2007.

St. Louis-San Francisco Ry. Co. 2nd conv. inc. "A" 4½s, 2022.

Wisconsin Central Ry. Co. 1st gen. 4s, 1949.

*Wisconsin Central Ry. Co. 1st "A" 4s, 2004.

ELIMINATIONS

Central of Georgia Ry. Co. 1st "A" 4s, 1995.

Ill. Central RR. Co. 40-yr. 4¾s, 1966.

N. Y., N. H. & H. RR. Co. gen. conv. inc. "A" 4½s, 2022.

Pittsburgh & West Va. Ry. Co. 1st "A" 4½s, 1958.

Pittsburgh & West Va. Ry. Co. 1st "B" 4½s, 1959.

Pittsburgh & West Va. Ry. Co. 1st "C" 4½s, 1960.

*Wisconsin Central Ry. Co. 1st gen. 4s, 1949.

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*Exchange.

A RECORD INCREASE of $10,859,428 or 39% in net assets was reported by Television-Electronics Fund for the six months ended April 30, 1954, first half of its fiscal year. The increase—largest for any similar period in the Fund's six-year history—boosted total net assets on that date to an all-time high of $38,694,510 from $27,835,082 on Oct. 31, 1953.

Net asset value also increased in the period to a record high of $8.02 per share on April 30, last, from the equivalent of $6.93 per share six months earlier. Early in 1954, the Fund's shares were split two-for-one.

Television-Electronics Fund closed its half-year with the largest number of shares outstanding since its inception. They amounted to 4,822,000 for an increase of 802,158 over the 4,019,842 shares outstanding of Oct. 31, 1953.

Average holding in the Fund amounted to upwards of $1,800, and the number of shareholders to 20,950. Both figures are the highest in the Fund's existence.

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Observations . . .

cently, for goods needed in United States military stockpiles and in special hardship cases).

United States shipping to Communist China and North Korea:—Prohibited.

Battle Act Administration

Since the Battle Act, so named after Representative Battle of Alabama, establishes the general framework of current Administrative policy, its purpose and the mechanics of its operation merit public comprehension.

As the report points out, it is natural for the public to become confused about control lists, not only because of the secrecy involved, but because of their number and diverse purposes.

The United States alone has three lists for its own exports: —(1) The munitions list compiled and administered by the Department of Commerce; (2) the Atomic Energy list, administered by the A. E. C.; and (3) A long list, covers all other controlled items compiled by the Department of Commerce. These are all additional to the Battle Act lists, relating to potential exports from other countries to the Soviet bloc, and embodying those primary strategic materials which we believe should be embargoed in the interest of security.

As listed by the Stassen report, the Director's responsibilities under the Act embrace the following:—

(1) Determining which commodities should be embargoed.

(2) Continually adjusting the embargo lists to current conditions.

(3) Advising the President on whether or not United States aid should be continued to a country that has knowingly permitted the shipment of embargo-list items to the Soviet bloc.

(4) Making a continuing study of the Administration of export control measures undertaken by foreign governments and reporting to Congress at least every six months.

(5) Making available technical advice and assistance on export control procedures to any nation desiring such cooperation.

(6) Coordinating United States Government activities which are concerned with security controls over exports from other countries.

The Battle Act, an integral part of our economic defense program, forbids United States military, economic and financial assistance to any country that knowingly permits the shipment to the Soviet countries of embargoed items, except that if the items are not munitions nor atomic energy materials, the President may direct the continuance of aid "when unusual circumstances indicate that the cessation of aid would clearly be detrimental to the security of the United States." It is under this "escape clause" that President Eisenhower last August directed the continuance of aid to France, Germany, and the U. K.

* * *

Comprehension of the strategic materials problems and our policies is bound up with appreciation of the overall East-West trade situation.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ American-Canadian Oil & Drilling Corp.
May 12 filed 1,500,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For drilling expenses and acquisition of additional properties for development and exploration, and related activities. **Office**—Dallas, Tex. Underwriter—None.

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; rights to expire June 17. **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.

★ Artesian Water Co., Newport, Del.
May 12 (letter of notification) 5,467 shares of class A non-voting common stock to be offered first to stockholders at $18 per share; then to public at $20 per share. **Proceeds** — To improve and expand water distribution system. **Office**—501 Newport & Gap Pike, Newport, Del. **Underwriter**—Laird, Bissell & Meeds, Wilmington, Del.

★ Associated Oil & Gas Co., Houston, Texas (6/2)
May 12 filed 900,000 shares of capital stock (par 1¢). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, for development of properties and for general corporate purposes. **Underwriter**—Allen & Co., New York.

• Automatic Canteen Co. of America (5/21)
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**—$14 per share. **Proceeds** — To extend activities in the merchandise vending field. **Underwriter**—Glore, Forgan & Co., New York.

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.

• Brandywine Raceway Association, Inc.
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 June 7. **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.

★ Brinnell Co., Simsbury, Conn.
May 12 (letter of notification) 20,748 shares of common stock. **Price** — At par ($5 per share). **Proceeds** — For manufacture and sale of electrical, electronic and electrochemical control devices. **Office**—79 Meadow Plains Road, Simsbury, Conn. **Underwriter**—None.

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**—To be received up to 10 a.m. (PDT) on May 25.

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.
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. **Offering**—Expected this week.

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. Inc., White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and The First Boston Corp. (jointly). **Bids**—To be received up to 11:30 a.m. (EDT) on May 25 at 30 Rockefeller Plaza, New York 20, N. Y.

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 at 20 Pine St., New York 5, N. Y.

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 (6/1)
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

NEW ISSUE CALENDAR

May 21 (Friday)

Automatic Canteen Co. of America______Common
(Offering to stockholders—underwritten by Glore, Forgan & Co.) 77,706 shares

Gladwin Plastics, Inc.______Common
(Clement A. Evans & Co., Inc.) $299,000

Indian Head Mills, Inc.______Common
(Offering to stockholders—underwritten by Blair, Rollins & Co. Inc.) $295,000

May 24 (Monday)

Mutual Investors Corp. of New York______Common
(Greenfield & Co., Inc.) $298,000

Pyramid Electric Co.______Common
(S. D. Fuller & Co.) $299,000

Springfield City Water Co.______Common
(Moody Investment Co.) about $300,000

May 25 (Tuesday)

California Electric Power Co.______Bonds
(Bids 10 a.m. PDT) $8,000,000

Consolidated Natural Gas Co.______Debentures
(Bids 11:30 a.m. EDT) $25,000,000

Northern Natural Gas Co.______Common
(Offering to stockholders—no underwriting) 365,400 shs.

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

Glitsch (Fritz W.)) & Sons, Inc.______Common
(A. C. Allyn & Co., Inc. and The First Southwest Co.) 170,000 shares

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

SeaPak Corp.______Common
(French & Crawford, Inc.; L. H. Rothchild & Co.; and Louis McLure & Co.) $280,000

May 27 (Thursday)

United States Sulphur & Chemical Corp.______Common
(Vickers Brothers) $760,000

June 2 (Wednesday)

Associated Oil & Gas Co.______Common
(Allen & Co.) 900,000 shares

Consumers Power Co.______Bonds
(Bids 11 a.m. EDT) $25,000,000

Scudder Fund of Canada, Ltd.______Common
(Lehman Brothers) 800,000 shares

Shawano Development Corp.______Common
(McGrath Securities Corp.) $249,000

June 3 (Thursday)

American Cyanamid Co.______Preferred
(White, Weld & Co.) $58,500,000

Glass Fibers, Inc.______Debentures
(McCormick & Co.) $3,000,000

Merritt-Chapman & Scott Corp.______Common
(A. C. Allyn & Co. Inc.) 187,791 shares

Reliance Electric & Engineering Co.______Debs.
(Blyth & Co., Inc.) $5,000,000

Vanadium Corp. of America______Debentures
(Kidder, Peabody & Co.) $5,000,000

June 7 (Monday)

Fruehauf Trailer Co.______Debentures
(Lehman Brothers) $20,000,000

Hilo Electric Light Co., Ltd.______Common
(Offering to stockholders—no underwriting) $500,000

Lynch Carrier Systems, Inc.______Debentures
(P. W. Brooks & Co., Inc.) $250,000

Lynch Carrier Systems, Inc.______Common
(P. W. Brooks & Co., Inc.) $490,000

Southern Nevada Power Co.______Common
(William R. Staats & Co.; Hornblower & Weeks; and First California Co., Inc.) 250,000 shares

Transportation Development Corp.______Common
(L. H. Rothchild & Co.) $600,000

June 8 (Tuesday)

Southwestern Gas & Electric Co.______Bonds
(Bids to be invited) $10,000,000

June 9 (Wednesday)

Aluminum Co. of America______Debentures
(The First Boston Corp.) $100,000,000

Philadelphia Electric Co.______Common
(Offering to stockholders—to be underwritten by Drexel & Co. and Morgan Stanley & Co.) 900,000 shares

June 15 (Tuesday)

Central Illinois Public Service Co.______Bonds
(Bids to be invited) $5,000,000

Gulf States Utilities Co.______Bonds
(Bids 11 a.m. EDT) $24,000,000

Gulf States Utilities Co.______Preferred
(Bids 11:30 a.m. EDT) $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 25 (Friday)

Merritt-Chapman & Scott Corp.______Common
(Offering to stockholders—no underwriting) about 281,432 shs.

June 29 (Tuesday)

Duquesne Light Co.______Bonds
(Bids to be invited) $15,000,000 to $17,000,000

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. It is contemplated the above exchange offer will be made on or about June 1 and will expire on or about June 30.

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.

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.

★ **First Investors Corp., New York**
May 13 filed $40,000,000 of single payment plans and periodic payment plans for the accumulation of shares of Wellington Fund.

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.

★ **Fruehauf Trailer Co. (6/7-11)**
May 18 filed $20,000,000 sinking fund debentures due June 1, 1974. **Price** — To be supplied by amendment. **Proceeds**—To refund $16,070,000 of present senior funded debt and to increase general operating funds. **Underwriter**—Lehman Brothers, 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) being 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**—$28.50 per share. **Proceeds** — To be invested in corporation's domestic subsidiaries. **Underwriter**—None, but Merrill Lynch, Pierce, Fenner & Beane will act as clearing agent.

General Stores Corp., New York
March 8 filed 300,000 shares of common stock (par $1). **Price**—$1.37½ per share. **Proceeds**—To pay part of cost of acquisition of Ford Hopkins Co., Chicago, Ill. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

● **General Telephone Co. of 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. The exchange offer will expire on July 11. **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. (5/21)**
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.

★ **Glass Fibers, Inc., Toledo, Ohio (6/3)**
May 13 filed $3,000,000 convertible sinking fund debentures due June 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriter** — McCormick & Co., Chicago, Ill.

● **Glitsch (Fritz W.) & Sons, Inc. (5/26)**
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.

★ **Grand Mesa Uranium Co., Salt Lake City, Utah**
May 15 (letter of notification) 1,100,000 shares of common stock (par $10 cents). **Price**—25 cents per share. **Proceeds** — For mining expenses. **Office** — Felt Bldg., Salt Lake City, Utah. **Underwriter**—Greenfield & Co., Inc., New York.

★ **Great Western Uranium Co., Denver, Colo.**
May 10 (letter of notification) 2,000,000 shares of common stock (par 10¢). **Price**—15¢ per share. **Proceeds**—For mining expenses. **Office**—704 Equitable Bldg., Denver, Colo. **Underwriter**—J. W. Hicks & Co., Denver, Colo.

★ **Gulf States Utilities Co. (6/15)**
May 14 filed 160,000 shares of preferred stock (par $100). **Proceeds** — To redeem 50,000 shares of $4.50 dividend preferred stock, 60,000 shares of $4.40 dividend preferred stock, 1949 series, and 50,000 shares of $4.44 dividend preferred stock at the prevailing redemption prices of $105, $105, and $105.75, respectively. **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 up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y. Stockholders will vote June 11 on approving preferred stock financing.

★ **Gulf States Utilities Co. (6/15)**
May 14 filed $24,000,000 of first mortgage bonds due June 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅜% first mortgage bonds due 1981 and $10,000,000 of 3⅜% first mortgage bonds due 1983, and for 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 up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y.

★ **Hammond Bag & Paper Co., Wellsburg, W. Va.**
May 13 (letter of notification) 15,000 shares of common stock to be offered for subscription by stockholders. **Price** — At par ($20 per share). **Proceeds** — For equipment and inventory, and working capital. **Underwriter**—None.

★ **Heliogen Products, Inc.**
May 10 (letter of notification) 20,000 shares of common stock (par $1) and 20,000 rights to purchase one share at $5 per share as a unit. **Price**—$5 per share. **Proceeds**—For working capital, etc. **Office**—35-10 Astoria Blvd., Long Island City 3, N. Y. **Underwriter**—None.

● **Hilo Electric Light Co., Ltd., Hilo, Hawaii (6/7)**
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. (5/21)**
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.

★ **Jersey Central Power & Light Co. (6/15)**
May 13 filed $6,000,000 first mortgage bonds due June 1, 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 at 67 Broad St., c/o General Public Utilities Corp., New York, N. Y.

Kansas-Nebraska Natural Gas Co., Inc.
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. **Offering**—Expected today (May 20).

● **Kansas-Nebraska Natural Gas Co., Inc.**
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. Rights will expire about June 1. **Price**—$23 per share. **Proceeds**—For property, additions. **Underwriters**—Cruttenden & Co., Chicago, Ill., and The First Trust Co. of Lincoln, Neb. **Offering**—Expected today (May 20).

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.

★ **Las Vegas Continental Hotel, Inc.**
May 17 filed 500,000 shares of preferred capital stock (par $9.90) and 500,000 shares of common capital stock (no par—10¢ stated value) to be offered in units of one preferred and one common share. **Price**—$10 per unit. **Proceeds**—To build and operate a luxury hotel and for working capital. **Office**—Las Vegas, Nev. **Underwriter**—Lester L. LaFortune, Las Vegas, Nev.

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.

★ **Merritt-Chapman & Scott Corp. (6/3)**
May 14 filed 187,791 shares of common stock (par $12.50). **Price**—To be supplied by amendment. **Proceeds**—To Wilport Co., the selling stockholder. **Underwriter**—A. C. Allyn & Co. Inc., Chicago, Ill., and New York, N. Y.

★ **Midland General Hospital, Inc., Bronx, N. Y.**
May 17 filed 900 shares of common stock (no par). **Price**—$1,000 per share. **Proceeds**—To erect a hospital in the Borough of Paramus, N. J., and for working capital, etc. **Underwriter**—None.

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.**
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. **Offering** — Postponed indefinitely.

★ **Missouri Telephone Co., Columbia, Mo.**
May 13 (letter of notification) 12,000 shares of 6% cumulative preferred stock. **Price**—At par ($25 per share). **Proceeds**—For expansion. **Underwriters**—Central Republic Co., Inc., Chicago, Ill.; and Dempsey-Tegeler & Co., Metropolitan St. Louis Co. and A. G. Edwards & Sons, all of St. Louis, Mo.

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.

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 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.**
April 21 filed $20,000,000 3¼% first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Kidder, Peabody & Co., who were awarded the bonds on May 19. **Price**—Reoffering expected at 102.42, to yield 3⅛%.

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.

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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. (5/25)
May 5 filed 365,400 shares of common stock (par $10) to be offered for subscription by common stockholders May 25 on the basis of one new share for each nine shares held. Unsubscribed shares to be offered to employees. Rights to expire on June 8. **Price**—To be supplied by amendemnt. **Proceeds**—For property additions. **Underwriter**—None.

● Northern Ohio Telephone
April 23 filed 117,150 additional shares of common stock (par $10) being offered for subscription by stockholders of record May 12 on the basis of one new share for each two held; rights to expire May 26. **Price**—$23.50 per share. **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 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.

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.

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. (5/26)
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.

★ Pyramid Electric Co. (5/24)
May 10 (letter of notification) 92,000 shares of common stock (par $1). **Price**—$3.25 per share. **Proceeds**—For additional equipment and working capital. **Office**—North Bergen, N. J. **Underwriter**—S. D. Fuller & Co., New York.

★ Reliance Electric & Engineering Co. (6/3)
May 14 filed $5,000,000 20-year debentures due 1974. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriter**—Blyth & Co., Inc., New York and San Francisco, Calif.

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.

★ San Jose Development Co., Los Angeles, Calif.
May 10 (letter of notification) 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For working capital, etc. **Office**—437 South Hill St., Los Angeles 13, Calif. **Underwriter**—None.

● Scudder Fund of Canada, Ltd. (6/2)
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.

★ SeaPak Corp., Simons Island, Ga. (5/26)
May 10 (letter of notification) 40,000 shares of common stock (par $1). **Price**—$7 per share. **Proceeds**—To erect additional warehouse and processing facilities. **Underwriters**—French & Crawford, Inc., Atlanta, Ga.; L. H. Rothchild & Co., New York; and Louis McClure & Co., Tampa, Fla.

● Shawano Development Corp. (Fla.) (6/2)
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.

★ Soil Builders International Corp.
May 14 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For expansion, raw materials and working capital. **Office**—33 West 42nd St., New York, N. Y. **Underwriter**—None.

★ Southern Nevada Power Co., Las Vegas, Nev. (6/7)
May 17 filed 250,000 shares of common stock (par $5), of which 50,000 shares are to be sold for account of company and 200,000 shares for account of certain selling stockholders. **Price** — To be supplied by amendment. **Proceeds** — For construction program. **Underwriters** — William R. Staats & Co., Los Angeles, Calif.; Hornblower & Weeks, New York, and First California Co., Inc., San Francisco, Calif.

★ Southwestern Gas & Electric Co. (6/8)
May 14 filed $10,000,000 first mortgage bonds, series F, due 1984. **Proceeds**—To repay $7,500,000 bank loans and for construction program. **Underwriter**—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**—Tentatively scheduled to be received on June 8.

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. (5/24)
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.

★ Sterling Industries, Inc.
May 11 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—100 West 10th St., Wilmington, Del. **Underwriter** — East Coast 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.

★ Thatcher Glass Mfg. Co., Inc.
May 7 (letter of notification) 2,000 shares of common stock (par $5) to be offered to employees. **Price**—$15 per share. **Proceeds**—None. **Office**—Elmira, N. Y. **Underwriter**—None.

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. (6/7)
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.

★ Treasure State Airlines, Great Falls, Mont.
May 10 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase equipment, leases, etc. **Office**—4 Sixth St., South, Great Falls, Mont. **Underwriter**—None.

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.

★ United Utilities, Inc.
May 19 filed 213,261 shares of common stock (par $10) to be offered for subscription by common stockholders on the basis of one new share for each six shares held. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Kidder, Peabody & Co., New York.

★ Vanadium Corp. of America (6/3)
May 14 filed $5,000,000 of convertible subordinated debentures due June 1, 1969. **Price**—To be supplied by amendment. **Proceeds** — To repay $3,250,000 of 3½% notes and for general corporate purposes. **Underwriter**—Kidder, Peabody & Co., New York.

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.

★ West Ohio Gas Co., Lima, Ohio
May 10 (letter of notification) 22,386 shares of common stock (par $5), to be offered to common stockholders of record May 15 in the ratio of one new share for each 15 shares held. **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office** — 319 West Market St., Lima, Ohio. **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

★ Aluminum Co. of America (6/9)
May 18 directors authorized filing with the SEC of $100,000,000 sinking fund debentures due 1979. **Proceeds**—To repay $75,000,000 bank loans and for expansion program. **Underwriter**—The First Boston Corp., New York. **Registration**—Expected today (May 20).

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).

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.

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 Illinois Public Service Co. (6/15)
May 12 it was reported company plans to issue and sell $5,000,000 of 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.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Salomon Bros. & Hutzler; Equitable Securities Corp.; The First Boston Corp. and Central Republic Co. Inc. (jointly). **Registration**—Expected about May 24. **Bids**—Planned for June 15.

• 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 on May 12 voted to increase the authorized preferred stock from 330,000 shares to 410,000 shares.

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.

• Consolidated Edison Co. of New York, Inc.
May 17 stockholders approved a proposal to increase the authorized common stock (no par) by 2,000,000 shares. The company has no definite plans to issue these shares.

★ Continental Commercial Corp.
May 17 it was reported company plans to issue and sell 80,000 shares of preferred stock (par $10). **Underwriter**—Van Alstyne, Noel & Co., New York.

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; probably early this summer.

• First National Bank of Toms River, N. J.
May 14 stockholders of record May 1, 1954 were given the right to subscribe for 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.

★ First Trust & Deposit Co., Syracuse, N. Y.
May 9 it was announced company plans to offer to common stockholders 200,000 shares of new cumulative convertible preferred stock. **Proceeds**—To retire, in part, outstanding class A preferred stock held by Reconstruction Finance Corporation.

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.

★ Giddings & Lewis Machine Tool Co.
May 17 it was reported company plans to register 100,000 shares of its common stock, of which 60,000 shares will be sold for its own account and 40,000 shares by selling stockholders. **Underwriter** — May be Hornblower & Weeks, New York City.

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.

★ Hammond Organ Co.
May 17 it was reported that early registration is planned of between 100,000 to 150,000 shares of common stock (par $1). **Proceeds**—To certain stockholders. **Underwriters** — A. G. Becker & Co. Inc., Chicago, Ill., and Hornblower & Weeks, New York. **Offering**—Expected in June.

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.

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 aprpoved 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 later in 1954 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). **Registration**—Expected in June.

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. (6/25)
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

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bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair, Rollins & Co. Inc.

● 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. Stockholders on April 29 approved 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).

★ Otter Tail Power Co.
April 12 stockholders voted to increase the authorized common stock from 750,000 shares to 1,000,000 shares in order that the company be prepared for possible future financing. **Underwriter**—May be Glore, Forgan & Co., New York City.

★ Panhandle Eastern Pipe Line Co.
May 12 company applied to Missouri P. S. Commission for authority to issue and sell $25,000,000 of 25-year debentures due 1979. **Proceeds**—For expansion. **Underwriters**—May be Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane, and Carl M. Loeb, Rhoades & Company.

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.

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 (expected any day) 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). Rights will expire on June 28. **Price**—To be named later. **Proceeds**—For new construction, etc. **Underwriters**—Drexel & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York.

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.

★ Rochester Gas & Electric Corp.
May 17 it was reported company may issue and sell this year some additional bonds and preferred stock. **Proceeds** — For new construction. **Underwriters** — (1) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Shields & Co.; Blyth & Co., Inc.; The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly). (2) For preferred stock, The First Boston Corp.

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 14 stockholders were to approve a proposal to create an issue of 50,000 shares of preferred stock (par $50) and to increase 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 Utah Power Co.
May 10 company applied to FPC for authority to issue and sell 13,135 shares of common stock (par $10) to common stockholders on the basis of one new share for each six shares held. **Price**—To be named later. **Proceeds**—To repay bank loans. **Underwriters**—Smith, Polian & Co., Omaha, Neb.; Glidden, Morris & Co., New York; and C. D. Robbins & Co., Newark, N. J., who handled previous underwriting in 1951.

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 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.

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.

★ Ultrasonic Corp.
May 17 it was reported company plans to offer some new securities to provide working capital. Details not yet available.

★ United Gas Improvement Co.
May 11 it was reported company may issue and sell $10,000,000 of first mortgage bonds due 1979. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co.

West Coast Transmission Co.
Oct. 14, 1953, it was announced 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.

Western Pacific RR. Co.
March 10 company applied to the ICC for exemption from competitive bidding on its proposed $22,600,000 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.

★ Western Plains Oil & Gas Co.
May 18 company announced that it plans to file a registration statement early next week covering 100,000 shares of common stock. **Price**—$4.75 per share. **Proceeds**—To retire preferred stock and for working capital. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

Our Reporter's Report

The huge volume of funds being accumulated by the turnpike authorities of the several states is posing a real problem for underwriters in the pricing of new corporate issues for sale.

The quandary in which they find themselves, it is argued, stems from the influence of the forego- ing funds on the short-term and intermediate Treasury markets since the levels at which governments move is one of the major factors in shaping the over-all level of investment prices and yields.

Officials charged with raising the money for future construction needs doubtless are convinced that this is a propitious time for such operations. But they recognize, too, that the funds must be employed pending their ultimate need to finance actual work.

Accordingly, they have been piling the money into the government market and thus adding its weight to an already over-crowded position on the buying side.

Investment bankers in bidding for new issues and pricing them for resale naturally are forced to key their bids and prices to existing conditions. They feel that perhaps no little of the lag in recent new offerings can be traced to the above outlined conditions.

They do not feel that the new material is relatively over-priced. But, none-the-less, they are encountering resistance in trying to work off such bonds to normally potential buyers who balk at current new issue yields.

Things Are Jumbled

That conditions in the market are a bit jumbled is evident from some of the price relationships prevailing at the moment. An investor had his choice this week between a Triple A rated bond and a Single A rated issue, both to yield 3% return.

Commonwealth Edison Co.'s new 3% bonds were brought to market a fortnight ago at a price of 100.3948 for a yield of 2.98% and were slow in moving. This week is was decided to terminate the syndicate agreement and the bonds backed off to around par.

Early this week Virginia Electric & Power Co.'s new 3⅛s were priced at 102.4612 to return a 3% yield.

Pacific Gas & Electric

Institutional investors still are not too much inclined to step up for new issues in the manner customary when they are in a buying mood. Several new offerings brought out this week found the going a little slow.

Largest of these, Pacific Gas & Electric's $65,000,000 of new first and refunding bonds brought the company a price of 100.2899 for a 3⅛% coupon. The winning syndicate repriced the issue at 100.875 for a yield of 3.08%.

Meanwhile Virginia Electric Power Co.'s $25,000,000 of bonds, priced at 102.4612 to yield 3%, though slow, appeared to be moving with reports indicating around half the issue spoken for.

New Registrations Mount

The list of prospective corporate underwritings has been expanding vigorously through the past week and accordingly June bids fair to be an active month in the business.

Largest by far of the new corporate prospects is Aluminum Co. of America's $100,000,000 of new sinking fund debentures to carry a 25-year maturity on which it contemplates filing shortly.

This will be largely a funding operation designed to permit repayment of short-term bank loans of $75,000,000. But it also will provide a balance for financing new construction.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

JEFFERSON CITY, Mo.—Cecil M. Scrivner has joined the staff of King Merritt & Co., Inc.

Now With Homer Hess

(Special to THE FINANCIAL CHRONICLE)

WOOSTER, Ohio—Louis K. Ackerman is with Homer I. Hess, 212 Kurtz Street.

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.

SITUATIONS WANTED

Marketing Student

Graduating Columbia Graduate Business School June 1955 seeking summer employment. Box R-429, Commercial & Financial Chronicle, 25 Park Place, New York 7.

EXECUTIVE SEEKS POSITION

Ex-naval officer with broad administrative experience, ability, mature judgment, and ambition seeks position with a firm of responsibility and expansion plans that cannot fill this need from within present organization. 36 years, married, 4 children—presently employed. Box C 520, Commercial & Financial Chronicle, 25 Park Place, New York 7.

DIVIDEND NOTICES

Atlas Corporation

33 Pine Street, New York 5, N.Y.

Dividend No. 50 on Common Stock

A regular quarterly dividend of 50¢ per share has been declared, payable June 21, 1954 to holders of record at the close of business on May 24, 1954 on the Common Stock of Atlas Corporation.

This declaration represents an increase of 10¢ per share over the 40¢ per share paid in previous quarters for many years.

WALTER A. PETERSON, Treasurer

May 13, 1954.

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 120

A regular quarterly dividend of one dollar ($1.00) per share on the issued and outstanding common stock $20.00 par value, of this Company has been declared, payable June 30, 1954 to shareholders of record at the close of business June 4, 1954.

PREFERRED DIVIDEND NO. 31

A regular quarterly dividend of eighty-one and one-quarter cents (81¼c) per share on the 3¼% cumulative convertible preferred stock $100 par value, of this Company has been declared, payable June 5, 1954, to shareholders of record at the close of business May 17, 1954.

Transfer books will not be closed.
Checks will be mailed.

W. E. HAWKINSON, Vice President and Secretary

May 5, 1954

AMERICAN Cyanamid COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series A and Series B, payable July 1, 1954, to the holders of such stock of record at the close of business June 1, 1954.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of fifty cents (50¢) per share on the outstanding shares of the Common Stock of the Company, payable June 25, 1954, to the holders of such stock of record at the close of business June 1, 1954.

R. S. KYLE, Secretary

New York, May 18, 1954.

DIVIDEND NOTICES

Johns-Manville Corporation

DIVIDEND

The Board of Directors declared a dividend of 75c per share on the Common Stock payable June 10, 1954, to holders of record June 1, 1954.

ROGER HACKNEY, Treasurer

BRIGGS & STRATTON CORPORATION

DIVIDEND

The Board of Directors has declared a quarterly dividend of twenty-five cents (25c) per share and an extra dividend of fifteen cents (15c) per share, on the capital stock (without par value) of the Corporation, payable June 15, 1954, to stockholders of record May 28, 1954.

L. G. REGNER, Secretary-Treasurer.

Milwaukee, Wis.

May 18, 1954

CITY INVESTING COMPANY

25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on May 19, 1954, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company, payable July 1, 1954, to stockholders of record at the close of business on June 15, 1954.

The Board of Directors of this company on May 19, 1954, declared a dividend of 20 cents per share on the outstanding Common Stock of the company payable August 2, 1954, to stockholders of record at the close of business on June 1, 1954.

EDWARD FRAHER, Secretary

DIAMOND ALKALI CHEMICALS

Dividend Number 10 on 4.40% Cumulative Preferred Stock

Regular Quarterly Dividend on Common Stock

The Directors of Diamond Alkali Company have on May 10, 1954, declared a dividend of $1.10 per share for the quarter ending June 15, 1954, payable June 15, 1954, to holders of 4.40% Cumulative Preferred Stock of record May 21, 1954, and a regular quarterly dividend of 37½ cents per share, payable June 5, 1954, to holders of Common Capital Stock of record May 21, 1954.

DONALD S. CARMICHAEL, Secretary

Cleveland, Ohio, May 11, 1954

DIAMOND ALKALI COMPANY

DIVIDEND NOTICES

LOEW'S INCORPORATED

MGM PICTURES • THEATRES • MGM RECORDS

May 19, 1954

The Board of Directors has declared a dividend of 20c per share on the outstanding Common Stock of the Company, payable on June 30, 1954, to stockholders of record at the close of business on June 11, 1954. Checks will be mailed.

CHARLES C. MOSKOWITZ, Vice Pres. & Treasurer

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.

May 13, 1954

A quarterly dividend of fifty (50c) cents per share has been declared, payable June 29, 1954, to stockholders of record at the close of business June 3, 1954.

JOHN G. GREENBURGH, Treasurer.

E. I. DU PONT DE NEMOURS & COMPANY

DU PONT

Wilmington, Del., May 17, 1954

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable July 24, 1954, to stockholders of record at the close of business on July 9, 1954; also $1.00 a share on the Common Stock as the second quarterly interim dividend for 1954, payable June 14, 1954, to stockholders of record at the close of business on May 24, 1954.

L. DU P. COPELAND, Secretary

ALLEN B. DU MONT LABORATORIES, INC.

The Board of Directors of Allen B. Du Mont Laboratories, Inc., this day has declared a dividend of $.25 per share on its outstanding shares of 5% Cumulative Convertible Preferred Stock, payable July 1, 1954 to Preferred Stockholders of record at the close of business June 15, 1954.

May 12, 1954

Paul Raibourn, Treasurer

DU MONT

In All Phases of Television

ELECTRIC BOND AND SHARE COMPANY

TWO RECTOR ST., NEW YORK 6, N. Y.

Common Stock Dividend

The Board of Directors has declared a dividend, subject to the approval of the Securities and Exchange Commission, on the Common Stock, payable June 28, 1954, to stockholders of record at the close of business May 24, 1954. The dividend will be payable in shares of United Gas Corporation Common Stock at the rate of 1.8 shares for each 100 shares of Electric Bond and Share Company Common Stock. No scrip representing fractional shares of United Gas Corporation Common Stock will be issued to stockholders. The Company proposes to arrange for the Company's dividend agent to handle fractional share equivalents for the stockholders.

B. M. BETSCH, Secretary and Treasurer

May 17, 1954.

DIVIDEND NOTICES

CONSOL — PITTSBURGH CONSOLIDATION COAL COMPANY

The Board of Directors of PITTSBURGH CONSOLIDATION COAL COMPANY at a meeting held today, declared a quarterly dividend of 75 cents per share on the Common Stock of the Company, payable on June 11, 1954, to shareholders of record at the close of business on May 28, 1954. Checks will be mailed.

CHARLES E. BEACHLEY, Secretary-Treasurer

May 17, 1954.

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of $1.00 per share and an additional dividend of 25 cents per share on the Company's capital stock, payable June 15, 1954, to stockholders of record at the close of business May 25, 1954.

E. F. VANDERSTUCKEN, JR., Secretary

Reeves — makes the fabric

REEVES BROTHERS, INC.

DIVIDEND NOTICE

A quarterly dividend of 25c per share has been declared, payable June 14, 1954, to stockholders of record at the close of business June 1, 1954. The transfer books of the Company will not be closed.

J. E. REEVES, Treasurer

May 17, 1954.

UNITED FRUIT COMPANY

220th Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable July 15, 1954, to stockholders of record June 11, 1954.

EMERY N. LEONARD, Secretary and Treasurer

Boston, Mass., May 17, 1954

Public Service Electric and Gas Company

NEWARK, N. J.

QUARTERLY DIVIDENDS

Dividends of $1.02 a share on the 4.08% Cumulative Preferred Stock, $1.17½ a share on the 4.70% Cumulative Preferred Stock, 35 cents a share on the $1.40 Dividend Preference Common Stock, and 40 cents a share on the Common Stock, have been declared for the quarter ending June 30, 1954, all payable on or before June 30, 1954 to holders of record at the close of business on May 28, 1954.

LYLE McDONALD, Chairman of the Board

NJ PUBLIC SERVICE
CROSSROADS OF THE EAST

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—This business of developing legal gimmicks to ge around the necessity of appropriating Federal funds openly for governmental construction projects is a tendency which is beginning to snowball.

The latest is the lease-purchase scheme for buying Federal buildings, a device by which Congress would permit the Post Office Department and the General Services Administration to buy all non-military buildings on the installment plan, tying up appropriations for 20 or 25 years to come.

Another attempt is being made to finance hospitals on an insurance plan, but this is temporarily opposed by the Eisenhower Administration.

Under the lease-purchase scheme the General Services Administration could enter into a contract for the purchase of a Federal building on from 10 to 25 installments, at the end of which the Federal Government would take title to the building. Such a scheme has been passed by both Houses and is pending in conference.

Up until this scheme, it has been customary for the Congress, on the recommendation of Federal agencies, to appropriate money for specific buildings to be located in specific localities. The money being appropriated, the Federal Government would enter into a contract with some constructor to put up the building according to Federal specifications, at a contract price.

Under this system the cost of buildings appears as a budget expenditure at the time the money is spent for their construction.

Under the new system the Federal Government needing, say, a post office, would enter into a contract to "lease" a postal building for, say, an average of about 20 years. The contract would be with some private individual, partnership, or corporation willing to erect a post office building for the government.

The annual "rental" would be a sum sufficient to buy the post office building in the specified lease period which may be up to 25 years, but in practice is intended to average 20 years. Obviously the sum also would have to be sufficiently high to pay the contractor his profit and some return on his own money plus interest, if money was borrowed by the contractor.

Very many of these buildings, certainly post offices, would be special purpose structures of doubtful value as commercial projects were the government not the buyer.

Hits "Pork Barrel"

This proposed scheme, of course, is said to have certain definite advantages. For one thing it is intended to get around somewhat the so-called "pork barrel" character of the traditional public works legislation, where, for example, a Texas Congressman might get a post office in his district in exchange for a fish diseases research laboratory in Massachusetts.

This would come about because the General Services Administration supposedly would plan systematically the advance needs of the government for buildings, warehouses, post offices, research centers, etc., and would plan these projects in an orderly fashion from year to year.

Supposedly this same system would also do away with a lot of Congressional, and local political pressure. When it comes to the size of a post office, for instance, or its location or design, everybody from the city councilman to the Chamber of Commerce to the local labor union gets into the act, operating through the Congressman or Senator, who cannot haughtily ignore such local suggestions.

In theory a remote Federal agency like the GSA would be a little more immune from such local pressures than the Representative or Senator.

Might Cut Rent

In theory also the Federal Government would save "rent," since it already spends huge sums for rents of buildings it never comes to own. In this capital city alone, although it is almost overrun with government-owned buildings, the GSA pays out in rents $3,150,000. The saving in rent is supposed to arrive from the fact that after a maximum of 25 years the government would own the building, although it is doubtful what a savings this would be. A tenant renting to the government would obviously charge more if he were selling the building on the installment plan.

A Deferred Purchase Plan

Nevertheless, the new scheme is a deferred purchase plan, whereby the government buys buildings on the installment plan. It puts the government suspiciously close to the improvident individual who allocates his purchases, not according to what is his total liability, but how much of each current income check is consumed in buying on the installment plan.

Furthermore, once the government entered into a contract to buy a building under the installment or "lease-purchase" plan, this contract would have the same solemn standing as any other formal government contract. It would tie the hands of future Congresses for 20 to 25 years. They would be obliged, no matter how dire might be the need for economy, to continue annual "rent" appropriations to make these lease-purchase contracts good.

Like any other contract, if the government abrogated it, the aggrieved contractor would have an established right to sue in the U. S. Court of Claims which would be compelled to award a decision for damages sufficient to cover the contractor's losses from this action. And Congress, on penalty of appearing to abrogate the contracts of the United States, would have to appropriate money for the damages.

Public Housing War First Example

The first big example of buying Federal construction projects on the installment plan was the 1935 public housing program, as expanded by the 1949 act on the same subject.

In this case the Federal Government goes through a tortuously round-about pattern to buy a city a public housing project on the installment plan. A local "housing authority" which is in effect if not legally a stooge of the Federal Government, develops a housing project and borrows money thereon. Then the Public Housing Administration enters into an irrevocable contract having all the solemnity of the full faith and credit of the United States, agreeing to pay the housing authority annually a sum not less than the disbursements by that authority for principal and interest payments on the sum borrowed to pay for the project.

Wherry Act Continued Idea

From time immemorial Congress appropriated money, as part of the budget for the military services, to build housing on or near military installations, to house the families of the higher non-commissioned officers and some junior commissioned officers not entitled to post quarters because of their rank.

In 1949, however, came the Wherry Act, named after the late former Republican Floor Leader, Senator Kenneth Wherry of Nebraska. Under this act the Federal Housing Administration, by a special Title VIII of FHA, insures rental housing on or near to permanent military installations, to take care of the specific above need.

None of this housing would have any commercial utility and is entirely subsidiary to military needs. If a given military installation with a Title VIII housing rental development were to close down, the commercial value of such housing would be nil.

So to get around this, it is specified that the Secretary of Defense shall certify that where a Title VIII project is to be erected the particular military installation is "permanent." In other words, he purports to say that regardless of the evolution of warfare, any particular horse artillery post shall, so to speak, constitute a permanent installation.

Under this Title FHA has insured loans totaling $575 millions for 72,689 units of family housing, and has $1 billion of insurance authority for this purpose.

The Eisenhower Administration backs this scheme, as it does the "lease-purchase" plan, and asked Congress to extend the 1949 Wherry Act another year.

So the new plan is not merely to incur annual Federal deficits for future generations to pay, but also to buy and set up Federal buildings now for future generations also to pay for later.

[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

"Couldn't you try another slogan, Pendleton? — For some reason or other this one doesn't quite hit me!"

Business Man's Bookshelf

Construction During Five Decades: Historical Statistics — 1907-52—U. S. Department of Labor—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper) 45 cents.

Current Issues in Unemployment Insurance—Selected references —Industrial Relations Section, Princeton University, Princeton, N. J. (paper) 20 cents.

Emerging Pattern of International Payments—Raymond F. Mikesell—International Finance Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J. (paper).

Employee Recruitment and Fringe Benefits—Ray J. Miller—First National Bank in St. Louis, Broadway, Locust, Olive, Sixth, St. Louis 2, Mo. (paper) on reqest.