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EDITORIAL

As We See It

There has been much talk of late about a "widening breach" between Britain and the United States concerning international policies in general and attitudes toward the Kremlin and its associates in particular. As is usual in such cases, the tendency of the general public is to interpret the situation in strictly contemporaneous terms. Explanations are sought in what is taking place in the world at the moment, and to find motives in very particularistic situations now existing. Appraisal of the alleged state of affairs is likewise in terms which might almost be defined as tactical rather than strategic. All this is natural enough, and it undoubtedly has its place in sizing up accurately and realistically what is going on today.

The drift of world affairs and the meaning of whatever differences have arisen between the Churchill government in Britain and the Administration will, however, be much better understood if they are also viewed in historical perspective. These things have their roots deep in the events of the past. Some commentators have already been citing the efforts of then Secretary of State Stimson to persuade Britain to take bold steps when Japan went into China in 1931. Within limits a parallel exists, of course, and possibly something is to be gained by linking the two in current discussion.

The point, though, will be badly missed if the fact is not recognized that the 1931 situation and that which now obtains have a common basic cause. It is important that that cause be clearly grasped if we are to acquire a full understanding of what is now taking place. Secretary Stimson

Continued on page 46

British and American Economic Progress

By WINTHROP W. ALDRICH*

U. S. Ambassador to Great Britain
Formerly Chairman of Chase Nat'l Bank of New York

Stressing the mutual economic interests of Great Britain and U. S., Ambassador Aldrich reviews British export progress, and calls attention to the Randall Report as indicating liberalization of American import policies. Points out there is no likelihood of a serious business recession in U. S., and holds the economies of free nations have been strengthened. Sees no cause for concern by British exporter either on the score of government action or because of the state of U. S. economy. Concludes vital factor in security of free world is the British and American unity.

BIRMINGHAM, England.—This city has always had a particular significance for us in America. For the industrial revolution, to which Birmingham contributed so much from the days of Matthew Boulton and James Watt, was a key factor in the rapid transformation of America into a great industrial power.

Winthrop W. Aldrich

I am sure that American industry generally is profoundly grateful to Birmingham in particular, and to the other important industrial centers of Britain which did the difficult pioneering work in the world's industrial development. There is a common saying that "the first hundred years are the hardest." There is no doubt which country went through those first hundred years of industrial progress. It was Britain that had the genius and the enterprise and the will to take the first difficult steps which transformed not only itself but a large part of the world. Despite the problems we are all faced with today, the

Continued on page 44

*An address by Ambassador Aldrich at the Annual Banquet of the Birmingham Chamber of Commerce, Birmingham, Eng., May 10, 1954.

Has the Bottom of the Recession Been Reached?

By SUMNER H. SLICHTER*

Lamont University Professor, Harvard University

Dr. Slichter, in revising his previous predictions slightly, now finds that bottom of the recession may have been reached in the first quarter of 1954 and the reduction in inventories during the second quarter will probably be less than in previous quarter. Gives data on recent business development, and lists as striking aspects of current recession: (1) failure of prices to drop; (2) steadiness of capital outlays. Stresses technological research as factor in optimism on intermediate outlook.

I
Introduction

Signs are multiplying that the decline in business has been flattening out. Indeed, the movement of business has become so horizontal that it is difficult to judge whether the movement is upward or downward. It is quite possible that the bottom of the recession is behind us, not ahead of us. As recently as a month ago, I ventured the prediction that business would begin turning up sometime in the third quarter of this year. That view may turn out to be correct, but there is a strong probability that my prediction of a month ago will turn out to have been too pessimistic.

Sumner H. Slichter

My remarks will be divided into four principal parts. In the first place, I wish to examine the evidence that the decline in business is flattening out. In the second place, I wish to analyze briefly the nature of the recession which, I think, has been quite generally misunderstood. In the third place, I wish to analyze specifically the question of whether

Continued on page 48

*An address by Prof. Slichter before the Wine and Spirits Wholesalers of America, Washington, D. C., May 24, 1954.

PICTURES IN THIS ISSUE—Candid shots taken at the 19th Annual Meeting of the Texas Group of the Investment Bankers Association of America at Dallas, Texas, May 9 to May 11, appear in the Pictorial Section starting on page 23.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Argus Cameras, Inc. — Todd G. Alexander, Auchincloss, Parker & Redpath, N. Y. C. (Page 2)

Schering Corporation—George C. Astarita, Boettcher & Co., Colorado Springs, Colo. (Page 2)

Reaction Motors Company—Stephen J. Sanford, Manager of Investors' Research Dept. Amott, Baker & Co., Inc., New York City. (Page 42)

TODD G. ALEXANDER
Auchincloss, Parker & Redpath, New York City
Members New York Stock Exchange and Other Exchanges

Argus Cameras, Inc.

In recent years the name "Argus" has come up very much in the camera world. The company's line is limited so that great attention, both merchandising and manufacturing, can be given each product. High quality standards are maintained throughout the line. The price range of its cameras varies from $14.95 to $84.50 and each item is in a strong competitive position with those offered by other manufacturers. The cameras presently manufactured are for either 35 mm or 620 size film, but most emphasis is placed on the 35 mm cameras. The company also manufactures 300 watt blower-cooled slide projectors for projecting 35 mm film.


Todd Alexander

The "Argus C3" 35 mm camera is believed the largest selling 35 mm camera in the world; over one and a quarter million have been sold. It retails at $66.50, has an f3.5 lens, built-in flash synchronizer, and gear-controlled shutter with speeds up to 1/300 second. Separate telephoto and wide angle lenses are available at $57.50 each for this camera. The "Argus A4" 35 mm camera, introduced early in 1953, retails at $32.50. It has an f3.5 lens, shutter speeds up to 1/200 second, double exposure preventor, a picture-window view-finder, and a built-in flash synchronizer. Other products are the 35 mm "Argus C4" with an f2.8 lens, retailing at $84.50, the 620 size "Argus 40" at $37.95, and the 620 size "Argus 75" at $14.95 and "Super 75" at $22.50. The Argus projectors, retailing at $48.50 and $66.50, outsell all other projectors of their type. All of Argus' products are in the still camera field; it has no movie camera or motion picture projector. The company has an active research and development program and it is likely that new model still cameras and eventually a movie camera and motion picture projector will be introduced.

The company got into the optical lens business during World War II and today is recognized as one of the best lens makers in the industry. Argus manufactures practically all of its own lenses and does a considerable amount of military business, principally in optical instruments such as are found on gunfire control devices and telescopes used in night operations in tanks and other military vehicles. This equipment is highly technical and is built to extremely high precision standards. New electronic types of gunfire control systems will not interfere with the company's military business as this new equipment has standby optical instruments in case of electronic failure.

Argus products, except in the Metropolitan New York area and on the West Coast, are sold direct to dealers throughout the United States, Canada, and internationally. In Metropolitan New York and on the West Coast they are sold through distributors. The two largest mail order houses, Sears-Roebuck and Montgomery Ward, also carry the Argus line. Discounts to dealers are somewhat more generous than those offered by Eastman Kodak. A continuous and strong effort is made by the management to get its line into more retail outlets and notable progress has been made in this direction. Within the past year, the company signed an agreement with the Druggists Supply Corporation which serves 161 wholesale drug companies throughout the United States. These wholesalers in turn serve 47,000 retail drug stores. Under the agreement, the Argus Camera line is being made available to these drug stores and over a period of time it should become a highly effective new sales outlet for Argus cameras. Druggists Supply is enthusiastic about its new association with Argus and intends to push hard the Argus line. Argus reserves the right to sell direct to the national drug chains.

The company budgets about 5% of its sales to national advertising and promotional activities, in addition to which a considerable amount is spent on point-of-sale merchandising. Its program has been outstandingly effective.

Argus Camera's management is among its more important assets. All the officers are young, energetic, extremely able and completely devoted to promoting the company's profitability. The present management was installed in 1949, prior to which time the company's record was unimpressive. Since 1949, Argus has made outstanding progress from both a sales and an earnings standpoint. Sales have increased steadily from $5.3 million in 1950 to $19.4 million last year. The profits progress, however, has been hidden under the burden of excess profits taxes. In each of the past three fiscal years ending July 31, the company's tax rate has been well in excess of 70%; but income before taxes expanded from $1.90 per share in 1950 to $7.65 in 1953, or over four times. Net income after taxes has not quite doubled—from $1.05 to $1.96 per share on the 406,917 outstanding common shares.

In the current fiscal year, sales should rise to a new high of over $22 million, and earnings, despite $1 per share of excess profits tax payments, should amount to at least $3 per share. Dividend payments have been modest and at the present rate amount to only 60 cents annually. The great improvement in the company's financial position, which has been experienced under the present management, should soon permit a more reasonable payout of earnings.

New cameras and projectors, both still and motion picture, will undoubtedly be introduced and should further enhance materially the company's sales and earnings potential. There are strong indications that under the present management's leadership the company has grown at the expense of its competitors and, with the small, compact and highly efficient organization which the Argus management has built, continued growth should be easily realized. Argus Company common stock is listed on the American Stock Exchange.

GEORGE C. ASTARITA
Boettcher & Co., Colorado Springs, Colo.
Members New York Stock Exchange

Schering Corporation

The security I like best is Schering Corporation. As the result of new product development, pharmaceutical companies possess a large growth factor. Schering Corporation is no exception to the rule. Its growth has been rapid in the past 25 years and the outlook for the future is most encouraging. This company produces ethicals, proprietaries, and bulk items, the emphasis being upon ethicals. It is believed to be the largest factor in the sex hormone field and the second or third largest in the production of cortisone. Schering, a former German company, was taken over by the United States Government during the war and on March 11, 1952, was sold to the public at 17½. Now available at a 4¾ point discount from the original offering price, the stock appears to be exceptionally attractive for long term investment. All of the company's plants are located in New Jersey, where nearly 1,300 persons are employed.


George C. Astarita

In addition to possessing an excellent management, Schering is noted for its extensive research activities. The pharmaceutical industry expends some 4 to 5% of sales on research, whereas, Schering spends in the neighborhood of 8 to 9%. Such relatively large expenditures have proved their worth in that 65% of 1953 sales was derived from products developed in its laboratories and introduced during the past five years. In 1942 sales amounted to less than $3 million, as opposed to over $19 million in 1953. Research and growth go hand in hand.

Earnings of 91 cents per share for 1953 may not appear large but pharmaceutical companies sell high in relation to earnings because of the nature of the business. First quarter earnings of 23 cents versus 22 cents for the same period last year were recently reported. The stock at 12¾ and yielding 3.9% on its 50 cent annual dividend is reasonably priced in its classification.

Sole capitalization consists of 1,760,000 shares of common stock. Cash items in the balance sheet exceed total current liabilities, with net working capital amounting to more than $8.5 million. A balance sheet of such strength permits the possibility of senior financing at some future date for expansion purposes.

Perhaps one reason why the stock of Schering is selling at a low level is to be found in a legal suit filed against the company by the Attorney General of the United States. This suit compels Schering to grant licenses under all of its patents issued or applied for prior to Jan. 1, 1952. The case is still pending but, in the company's opinion, will be resolved

Continued on page 42

Dark and Bright Sides of the Bituminous Coal Industry

By GEORGE H. LOVE*

President, Pittsburgh Consolidation Coal Co.

Prominent coal company executive describes bituminous coal situation and tells of the drastic decline in output since the end of war, which he says threatens to throw this huge industry into economic chaos. Holds importation of residual oil, which is displacing coal, must be limited by government act. Sees as bright side in coal industry's outlook the enormous increase in energy use, greater efficiency in coal mining, and future uses of the mineral in chemical products. Holds current experiments in atomic energy will add to use of coal for at least a decade.

When we speak of coal in Pennsylvania we must differentiate between anthracite and bituminous. Anthracite, having been confined to our own State, has through the years performed a great service in Pennsylvania in giving employment and creating business, but it has been shrinking each year recently and is currently struggling for its life. Anthracite production reached its peak in Pennsylvania in 1917 when some 100 million tons were produced, but the tonnage in '53 amounted to only 30 million tons and obviously the shrinkage will continue. This is primarily because anthracite is used in home heating and the public has been changing over to other fuels which are more convenient and more cheaply transported, first to the locality of the consumer and finally to his basement. Some of the better anthracite properties have real value and will furnish employment for a long time, but as an industry its future is problematical.

George H. Love

Bituminous Production

When we think of coal we give chief consideration to bituminous, which is used today in quantities some fourteen times more than anthracite. While it is mined in twenty-five States of the Union, some 90% of it is produced east of the Mississippi. Pennsylvania was the number one producer of bituminous coal for many years, although its production has drastically declined, but it still maintains second place among the States. In 1953 we produced 94 million tons in Pennsylvania compared to a high of 179 million tons in 1918. In spite of the fact that nationally coal production has declined more than 30% in the last six or seven years during a period when practically all other industry was booming and also in spite of the fact that we are now back to a point where we will probably mine no more coal in '54 than in a year like 1939, we still mine and use bituminous coal in enormous quantities.

In fact, we produce a greater quantity of bituminous coal in this country than we produce of any other product and we may go on to say that no other country in the world produces as much of any single product. We have produced as much as 630 million tons and last year our production was 450 million tons. For comparison, we may produce 80 million tons of steel this year, some 700,000 tons of copper, 1⅓ million tons of aluminum and about ½ million tons of lead and the same of zinc. You may be interested to know that we use far less than 25 million tons of all meat products in this country in a year's time. In other words, when we talk about bituminous coal we are talking of something that is produced here in tremendous volume and is thus a great contributor to the whole economic life of America.

Economic Chaos Threatened

However, the decline from the levels reached immediately after the war is at far too great a pace and may again throw this huge industry into economic chaos. It happens that the industry is receiving too many blows more or less simultaneously. These are the dieselization of railroads which will take some 100 million tons away from the industry, the tremendous spread of natural gas pipelines in what we normally consider coal's territory and, third, the flood of residual oil which is flowing into this country primarily along the eastern seaboard.

We could hardly find fault with the railroad dieselization program, as that stemmed from progress. We could perhaps think that, inasmuch as coal is such an important customer of the railroads, the program could have been carried on a little slower to prevent the possible chaos I mentioned above and, since the diesel is supposed to be so much more economical and such a great saver of dollars, the railroads might have eased the blow to coal by reducing the transportation cost of coal and giving the coal industry some of the benefits rather than having gone in exactly the opposite direction and increased coal freight rates some 50% which limited our ability to compete in our remaining markets.

The increase in the use of natural gas was and is to be expected because the public wants the convenience of this fuel and our only plea is that it be conserved for higher uses such as the

*An address by Mr. Love before the Pennsylvania Bankers Association, Atlantic City, N. J., May 24, 1954.

Continued on page 46

INDEX

Articles and News Page

Has the Bottom of the Recession Been Reached? —Sumner H. Slichter ---- Cover

British and American Economic Progress —Winthrop W. Aldrich ---- Cover

Dark and Bright Sides of the Bituminous Coal Industry —George H. Love ---- 3

The Mortgage Business at the Crossroads—Ehney A. Camp, Jr. 4

Our Inefficient Schools—Roger W. Babson ---- 5

Blue Sky Problems in the Public Financing of Oil and Gas Ventures—Charles I. Francis ---- 6

Occupational Diseases of Bankers—Dr. Joe D. Nichols ---- 6

Springtime in the Rockies (Canadian)—Ira U. Cobleigh ---- 9

Whither Television?—Paul Raibourn ---- 10

Administration's Program and the People's Welfare —W. Randolph Burgess ---- 11

Monetary Morality and Our Irredeemable Currency —B. F. Pitman, Jr. ---- 12

Business Outlook Encouraging, But Challenging —Walter E. Hoadley, Jr. ---- 13

The Pockmarked Labor-Management Scene—Robert C. Bassett 14

Financial Side of Our Economy—August Ihlefeld ---- 15

* * *

Harlow Curtice Cites Factors of Optimism ---- 16

Purchasing Agents More Optimistic ---- 18

Life Company Assets Up $1.5 Billion in First Quarter of 1954 18

Overpopulation in East a World Problem, says Robert N. Tuller ---- 21

Jerome Luntz Cites Reasons Why Atomic Energy Act Should Be Amended ---- 22

NYSE Study Shows Larger Institutional Buying ---- 42

"One of the Most Fruitful Epochs" (Boxed) ---- 53

Regular Features

As We See It (Editorial) ---- Cover

Bank and Insurance Stocks ---- 43

Business Man's Bookshelf ---- 60

Canadian Securities ---- *

Coming Events in Investment Field ---- 8

Dealer-Broker Investment Recommendations ---- 8

Einzig—"Sterling Exchange Rate Holds Up" ---- 18

From Washington Ahead of the News—Carlisle Bargeron ---- 13

Indications of Current Business Activity ---- 51

Mutual Funds ---- 40

NSTA Notes ---- 8

News About Banks and Bankers ---- 47

Observations—A. Wilfred May ---- 5

Our Reporter on Governments ---- 20

Our Reporter's Report ---- 53

Public Utility Securities ---- 21

Railroad Securities ---- 43

Securities Now in Registration ---- 54

Prospective Security Offerings ---- 57

Securities Salesman's Corner ---- 20

The Market . . . and You—By Wallace Streete ---- 16

The Security I Like Best ---- 2

The State of Trade and Industry ---- 4

Washington and You ---- 60

*No article this week.

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The Mortgage Business At the Crossroads

By EHNEY A. CAMP, JR.*
Vice-President and Treasurer
Liberty National Life Insurance Co., Birmingham, Ala.

Picturing the mortgage business as having undergone a complete change in last 20 years, Southern insurance executive holds Federal Government has now become the most dominant single factor in this field, and no one can accurately predict where the business is headed without knowing what the Government is going to do. Hints private lending institutions cannot operate under right to exercise their own judgment. Cites problems created for the mortgage business because of Government activity in the field, and scores continuous liberalization of Government loan plans.

Since the subject of our discussion is mortgages, all of us are naturally interested in the outlook for that business—what the future holds for us — what we may look forward to. Now, if you are expecting me to give you the precise answers to those questions, I shall have to disappoint you. I am not smart enough and must, at the very beginning, confess my inability to do so. In fact, I have the feeling that no man could stand here on this platform and with definite assurance tell you just exactly where we shall be even one year from now. For sure, we can discuss some of the pertinent problems and make some observations but, beyond that, we find ourselves completely in the realm of speculation.


Ehney A. Camp, Jr.

Why do I say this? Why cannot we study the historical record and the available statistics, measure them against the current economic background, and then come up with a reasonably intelligent answer? I say we cannot do it because the mortgage business has undergone a complete change in the last 20 years. It is no more the business today it was 20 years ago than the streamlined Ford of today compares with the Model T. In the short span of 20 years, the mortgage business has undergone revolutionary changes which dwarf by comparison all developments in our entire previous history.

The Federal Government has now become the most dominant single factor in the mortgage business. In addition to the insuring and guaranteeing of a substantial volume of housing loans each year, the terms, standards and general policies which prevail in the government fields influence and affect all types of mortgage lending and very few private mortgage operations are conducted today without some degree of participation in these government mortgage programs.

*An address by Mr. Camp before the National Association of Mutual Savings Banks, Chicago, Ill., May 11, 1954.

What Happened to the Mortgage Business

I want you to think back with me for a few moments over the past 20 years and let us take stock and see what has happened to the mortgage business in that comparatively short period of time.

On June 27, 1934, the act creating the Federal Housing Administration was signed by President Roosevelt and, for the first time, except for the emergency HOLC act adopted in 1933, our Federal Government actively entered the private residential field. When, on Dec. 21, 1934, the Prospect Park National Bank of Prospect Park, New Jersey, received a commitment to insure a home loan of $4,800 to Mr. and Mrs. Warren Newkirk in the neighboring town of Pompton Lakes, no one would have dreamed that in this short period of years through 1953, loans would be insured by FHA on 4¼ million living units aggregating $25½ billion excluding, of course the property improvement loans under Title I. About $16 billion of the insurance was still outstanding on Dec. 31, 1953.

In June of 1944, exactly 10 years after the passage of the FHA act, the act was passed providing for the guaranty of veteran loans and this has also resulted in an impressive volume of business. Through 1953, excluding farm and business loans, the Veterans Administration had guaranteed 3,200,000 individual mortgage loans of the face amount of $21.5 billion and $16.1 billion of these were outstanding at the end of 1953.

The total housing loans handled by these two government agencies through 1953 amounted to $47 billion—nearly two times the total of the entire deposits of the mutual savings banks of our country. About 40% of all the privately owned dwellings constructed in this country from 1935 through 1953 were financed with FHA or VA mortgages. It takes very little imagination to understand that the impact of government guaranteed loans of such large proportions would exert a tremendous influence on the entire mortgage business.

At the end of 1953, the mutual savings banks owned about 18.5% of the outstanding FHA and VA loans and the life insurance companies about 30%, which means our two types of institutions owned nearly one-half of these government guaranteed loans. If we can judge by the past activity of the mutual savings banks and the life insurance companies in these government mortgage fields, the FHA is here to stay and the VA will certainly be here longer than was contemplated when the original act was passed. I am of the opinion that the Federal Government, having assumed such an important role in housing, will be in it from now on.

If my assumption is correct, then I say to you we cannot accurately predict where we are headed in the mortgage business without knowing what the government is going to do. But remember that we, as citizens and taxpayers, are the government and we have a real responsibility to try to keep the FHA a sound, constructive mortgage operation and not let it become a tool to influence political opinion or a means of directing economic activity in some desired manner separate and apart from the actual housing and mortgage needs of the country. If that happens — if considerations other than the desire for a sound and stable mortgage insuring agency determine the course of FHA—then I am fearful of what position we shall find the government occupying at the close of the second 20 years of its activity in the mortgage field.

Can the System of Private Lenders Continue?

The first question I present to you, therefore, is whether our successors in our respective institutions will be able to say 20 years from now that the mutual savings banks and the life insurance companies actively and aggressively fought for a system in which private lenders could continue to operate with freedom and flexibility and with the right to exercise individual judgment and discretion?

Please do not misunderstand me. I have always been a strong supporter of the FHA. What better proof of that could I offer than to tell you my company closed the first FHA loan in Alabama and that 80% of our mortgage porfolio now consists of FHA and VA loans? You may rightfully ask why we so heavily turned to government loans as the major part of our portfolio.

In the first place, the government guaranteed loan was of particular assistance to the small investor who did not have a farflung organization of mortgage correspondents and travelling field appraisers. This small investor could use the FHA system and its appraisers which enabled it to develop a volume of business throughout its adjacent territory—in even the smallest towns—which would have been absolutely impossible to handle at a reasonable cost under the conventional system.

In addition, the FHA loan plan has enabled investment funds to flow more freely from some sec-

Continued on page 52

The State of Trade and Industry

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

The over-all situation in industrial production for the country-at-large for the period ended on Wednesday of the past week remained unchanged from that of the previous week as declines in some lines cancelled out rises in others. Total output, however, was held down to about 10% less than the near-record level attained a year ago.

A current report from the "National Association of Purchasing Agents" predicted that industrial business should experience "gradual improvement for some time to come." Its May survey showed more companies are increasing their orders and production than are curtailing them. The report also listed the smallest number of firms disclosing decreases in output and bookings since last June.

Although new claims filed for unemployment insurance benefits rose to 10% to the highest level in five weeks, they were down substantially from the high levels in January. Total and part-time unemployment continued to be larger than indicated by unemployment compensation figures since about 40% of all workers are not eligible for such compensation. Many others have already exhausted their unemployment benefits. Over-time work has virtually disappeared.

New claims filed for unemployment compensation in 12 key states resumed their downward trend in the week ended May 15. They dropped to 203,240, down 12,383 from the week ended May 8. That week had shown a rise of 8,539 in new claims after three successive weekly declines. The total for the May 15 week was still sharply above the 126,232 filed in the like 1953 period.

Living costs, the Bureau of Labor Statistics of the United States Department of Labor points out, eased between March 15 and April 15 for the third month in a row. The Bureau's consumer price index dipped 0.2% to 114.6% of the 1947-49 average. The decline reflected Federal excise tax cuts.

Don't be fooled by the "pie in the sky" demands of the United Steelworkers of America; final settlement will scarcely resemble them, according to "The Iron Age," national metalworking weekly.

In the steel industry, union and management are beginning their bargaining poles apart. Both are anxious to wind up negotiations peaceably, so they will soon be going after the real issues hammer and tongs, states "The Iron Age," national metalworking weekly.

Steel officials and their customers, many of whom have been whistling in the dark on the possibility of a strike, will be impressed with the gravity of the labor situation before an agreement is finally hammered out. Threat of a strike will certainly become a stronger factor in industry, particularly in the steel market, during the next 30 days, asserts this trade publication.

Chances still favor a peaceful settlement. But union demands, which would cost about as much as total present wage costs, have shortened the odds. Final settlement is still expected to provide a "package" costing in the neighborhood of 5c to 8c per hour.

Steelmaking operations continue to fluctuate within a narrow range. Gains and losses in the various steelmaking districts largely offset each other, leaving little overall change in the production pattern. The production trend is stable to strong with the outlook for a moderate increase within the next 30 days, this trade weekly reports.

This week the industry is scheduled to operate at 70.5% of rated capacity, down one point from last week's revised rate, but half a point higher than was predicted for last week.

Scheduling of an ingot rate above 70% of capacity for the third consecutive week, means that steel production passed its lowpoint in March and April. The lowpoint on new orders was reached last October.

New orders are coming in at a more rapid rate than they have for months. But most of them are small and they don't call for sufficient tonnage to boost production significantly.

The most important factor in the steel market for the next 30 days or more will be labor. Any darkening of the labor picture would be quickly reflected in a strong burst of new orders. There will probably be more protective buying anyway, as the June 30 contract deadline approaches. This will be quickly reflected in production schedules which are now very sensitive to new orders, declares "The Iron Age."

The daily rate of domestic new car sales during early May duplicated the April 1-10 eight-month high, according to "Ward's Automotive Reports."

This trade agency said this continuance of near-record sales, despite high dealer stocks, is firming industry hopes for a 5,000,-000-plus sales year in 1954. In 1953, the domestic market absorbed 5,700,000 new cars.

In definite prospect, stated this trade journal, is an unusually strong year-end sales push, based upon present sales trends and an anticipated minor boom in deferred automobile buying.

January-June this year, according to the statistical agency, is expected to yield 2,740,000 new car sales, which would be only 9% under the comparable period of 1953. May sales are projected in the 490,000-500,000 range.

"Ward's" said the industry backed up such optimism last week with a nine-month production record of 148,835 cars and trucks in United States plants. The volume was 4% above the prior week's 143,269 completions and exceeded any week going back to Aug. 17-22 when 155,722 units left the assembly lines.

Last week's gain stemmed from resumption of car building at Hudson, Packard and Studebaker following shutdowns for adjustment of dealer stocks, plus return to five-day operations at Plymouth after four in the preceding week due to a strike.

Field demand, however, is restricting Chrysler Corp. operations. While Dodge returned to five-day operations from four a

Continued on page 45

Observations . . .

By A. WILFRED MAY

A New Look at Institutions' and Fiduciaries' Impact on the Stock Market

Considerable light is thrown on the market's Blue Chip-itis state by the latest public transactions study just compiled by the New York Stock Exchange. This survey of the market on March 17 and 24 last is the third in an annual series of two-day "snapshots" of investing sources and patterns; somewhat akin to the SEC's poll-based analysis of investor behavior in the severe break of September, 1946.

A. Wilfred May

The new survey substantiates the importance of the impact of the institutions with their "window-dressing" motivation on the "good stocks" section of the market; and the public's chain reaction thereto; both of which sources have combined to lift the prices in that particular market sector to the stratosphere.

In this period, when the market as measured by the averages comprising these institutionally-popular stocks is the highest in 25 years, the institutions are shown to be heavy buyers. At 1,412,876 shares, the volume of their purchases on those two days exceeded that on the corresponding dates in 1953 and 1952. It accounted for 25% of the public buying (i.e., excluding exchange members, brokers, and dealers), and 18.7% of all the buying, a proportion exceeding by 30% that in the previous year.

The Breadth of Fiduciary Window-Dressing

The categorization of institutions embraces insurance companies, banks, investment trust, educational and charitable institutions, corporations, fiduciaries, etc. Included with the bank data are orders placed by individuals through banks. But since very little of the latter is comprised of transactions coming in "through the window"; this category almost in its entirety encompasses the giving of advice, in either a clearcut or indirect manner. And significantly pervading the giving of such advice is the preference for taking a chance on incurring a 10% loss in a "good stock" like Telephone (which can be blamed on "the market"), rather than in some relatively little known issue selected for its long-term underlying value. Hence this institutional group supplies a sharply growing propulsion to the drastically divergent upward movement of the Blue Chip segment of the market.

Some body of opinion holds that extension of institutional activity in equity investing will importantly depend on the legal prohibitions. In New York State now, typically, common stock holding is limited to those issues which have a 10-year consecutive cash dividend record; earned in the aggregate over the entire period, but not necessarily in each year; to those which are listed on a registered stock exchange; to those of companies incorporated in the United States; and to those whose preferred stock, if any, satisfies legal requirements. But it is the opinion of this writer that in view of the strength of the psychological motive for window-dressing, the broadening of legal permission will not importantly affect the actual selection of issues.

Evidence on Timing

Evidence of timing of purchases and sales by the knowledgeable institutions is also furnished by the instant study. On the days surveyed this year the expert closed-end investment trusts bought on balance, against a net balance of sales in both 1953 and 1952 when prices were considerably lower. Similarly, the banks bought this year, against sales in 1953, and a stand-off in 1952. The insurance companies showed a substantial net surplus of purchases in 1954, with an excess of liquidation in 1953; and a small buying balance in 1952.

Some observers regard this as validation of present market levels by the experts; while others cynically hold that this again shows that the tyros have no monopoly of illogically "buying them when they're high, and selling at bottoms." As a matter of fact, the survey shows that the non-professional category of public individuals acted more logically in selling at this year's higher levels after net purchases at the lower periods.

The cynics maintain their conclusion is substantiated by the ebb and flow of the professionals' short sales; the figures (as now) persistently show a reduction, instead of an increase, in the "expert" short interest as prices rise.

Inclusion of greater detail in the individual's specific motivations—particularly the psychological—in both his buying or selling might well accompany future studies by the Exchange. We recall the SEC's highly constructive study of the investor's behavior during the September, 1946 break.

Our Inefficient Schools

By ROGER W. BABSON

Commenting on close connection between schools and business, Mr. Babson blames businessmen largely for our inefficient schools. Says as business men and educators, we have been unwilling to be clear and coherent about what we want United States to be. Calls for research to overhaul courses of study.

Schools and colleges cannot be divorced from business. In the long run, business has only the kind of leaders and workers that schools produce. Today, many business and educational leaders are expressing concern about the educational product. Free public education appears to be watering down our great tradition of discipline and struggle.

Roger W. Babson

Yet, others say that while we have taught people how to make money, we have failed to teach them how to use it properly. The most damning criticism is that our system is one of education for mediocrity; we pull the bright child downward as we try to drag the dull child upward. This results in a mediocrity of conformity.

Army-McCarthy Hearings

President Eisenhower said only last December that he has been "appalled" at the lack of our youth's understanding of "what America is, what are the conditions that could make her fight, and therefore, what are the underlying reasons that could lead that boy finally on the battlefield to risk his life, not just for property, not just for even what you might call national rights, but for some fundamental values in life."

As businessmen and as educators, we have been unwilling to be clear and coherent about what we want the United States to be. Consequently, the confusion in the schools and among businessmen is getting worse and worse. The Army-McCarthy hearings in Washington are an illustration of this useless confusion.

Since businessmen say our youth are coming to know less and less about less and less, perhaps a research project to determine exactly what our schools do teach might be a starting point. This might be followed by a movement to overhaul courses of study in the light of what research may reveal would best serve the interests of all.

What About Discipline?

Discipline is a major national need. General S. L. A. Marshall, of the Detroit "News," intimates that our soldiers on the Korean battlefront lacked discipline — which had something to do with the way things went in Korea. There are further implications that lack of discipline in our schools contributes to juvenile delinquency and is a threat to our national security.

Are these the real problems or are they the symptoms of a fundamental problem? May it not be that inability to comply with regulations, whether of the Army, the home, or the community, stems from lack of self-mastery? Should not our society develop people with qualities of self-discipline to develop initiative and and intelligence?

Shortage of Teachers

The teacher shortage is another problem. During 1954, it is indicated there will be a shortage of 72,000 teachers in our elementary schools alone. In the next three years, 45 states will run short of elementary teachers and 20 states will find themselves short of high school teachers. On Oct. 12, 1953, "Newsweek" reported that "in the past year, 60,000 teachers left the field. . . ."

Tie this in also with a New York "Times" editorial of last August which discusses the Summit, N. J., high school teacher who left his $85 per week teaching job to drive a brewery truck at $137.50 per week. Obviously, there are some problems here.

Businessmen's Needs

Or, for the businessman there are such problem areas as executive development programs, research on personnel selection techniques; problems of industrial morale, diet, and health; union-management relations; more effective distribution of goods — these and a multitude of others should be research and training areas.

Wellington Calls Market Level Reasonable

Wellington Fund, in a monthly memorandum on investment policy appraised the overall stock market level as "still reasonably valued" on the basis of historical price earnings and yield relationships.

The memorandum, signed by A. Moyer Kulp, Vice-President and Executive Director of the Fund's Investment Committee, continued:

"Nevertheless, the rise has attracted considerable public attention and has become very uneven. This calls for a greater than usual amount of caution in making new commitments and in the retention of present holdings."

Common stock and equity risk holdings of Wellington continue to represent about 63% of its upwards of $329 million in resources, according to the memorandum. The diversification, it was stated, has been broadened in recent months with emphasis on the quality of the individual common stocks held. The portfolio was described as in a conservatively-balanced position. Some 24% of the Fund's resources consist of high grade investment bonds and preferred stocks; and about 13% of resources consist of cash, commercial paper and short and medium-term government bonds.

"Wellington's present position," Mr. Kulp pointed out, "should provide reasonable stability, and places the Fund in a flexible position."

The memorandum gave this summary of market action and investor sentiment: "The stock market has continued to move upward in the past month to 325 in the Dow-Jones 30-Industry stock average. The market has now risen about 70 points from the 1953 low reached last September. The rise, as measured by this average, has carried about 30 points above the ceiling of the 1952-53 trading range. The rise is believed to reflect improving investor sentiment based on: (a) business recession has not threatened the prevailing level of earnings and dividends which the market had not fully capitalized in 1952-53; (b) indications that the business decline is leveling off; (c) easy money conditions with the supply of investible funds running above the volume of new financing; and (d) tax reform and a generally more favorable political climate."

Blue Sky Problems in the Public Financing of Oil and Gas Ventures

By CHARLES I. FRANCIS*
Vice-President and General Counsel
Texas Eastern Transmission Corporation

Author reviews and discusses the various Blue Sky Laws of the States and the SEC Acts, with reference to financing oil and gas ventures. Calls for changes in the laws that will not hamper financing operations unduly. Says, though investing public must be afforded adequate protection, it is equally compelling that investment funds be permitted to flow freely into industry. Calls for a compromise between the protection of the investor and the maintenance of an expeditious procedure to distribute securities, along with an integration of state securities regulations with Securities and Exchange Acts.

The oil and gas industry is a heterogeneous collection of many enterprises which range from the sometimes highly speculative oil exploration and extraction ventures to the seasoned corporate giants of the industry whose unparalleled productivity is in no small way responsible for the growth and economic prosperity of this country.

Charles I. Francis

The need for capital is constant and virtually insatiable—whether it is sought to finance a small oil exploration venture, or in vast amounts by an established corporation to develop new sources of supply or to modernize and expand its productive and distributive facilities.

A prospective issuer seeking to acquire funds often has the alternative of negotiating a private placement or of pursuing the more frequently employed procedure of making a public offering of its securities. The private placement, although of considerable importance as a technique in the distribution of certain types of securities,[1] presents virtually no blue sky problems, for such a transaction is exempt from the registration requirements of the Securities Act as well as the securities statutes of the large majority of states.

The large scale procurement of capital by public offerings of securities necessarily requires the existence of a multistate distributive mechanism and this compels compliance with the state regulatory procedures which now exist in all but two states.

These state securities statutes represent the independent and uncoordinated legislative efforts of the several states, and differ widely both as to method and objective sought to be attained.[2] The fundamental purpose sought to be achieved however by such legislation was to protect the investing public against misrepresentation and fraud, and in certain states even against the investor's own imprudence.[3] Although differing in detail, these state securities statutes may be classified into four principal categories, each representing a specific regulatory approach.

The first, or "fraud" type of statute, does not impinge directly on the issuer or dealer by compelling qualification of securities or the licensing of the dealer, but provides for criminal penalties for fraudulent conduct and under certain circumstances authorizes injunctive proceedings to prevent the perpetration of fraud.[4]

The second, a "licensing" type of statute, exerts its control only over dealers in securities by a licensing procedure, upon demonstration of good repute and financial standing.[5]

The third, an "inspection" type of statute, requires the registration of securities by the issuer, but does not purport to exert any control over the dealer in securities.[6]

The fourth, or "combination" type of statute, is by far the most prevalent and provides both for the licensing of dealers and the registration of securities offered for sale.[7]

The enactment of the Federal Act superimposed a further regulatory procedure on the distributive mechanism. This statute expressly reserves to state agencies their existing jurisdiction over the distribution of securities, and permits them to continue to exercise their established regulatory procedures, which in many instances impinge directly on interstate transactions.[8] That the states should have been accorded this authority is quite understandable, for the usual security transaction is interstate in character and involves the solicitation or offering made by a person in one state, looking toward acceptance in another state.

The appreciation of the numerous problems inherent in interstate blue sky operations requires some understanding of the objective and scope of the regulatory efforts of the several states as contrasted with the procedure prescribed under the Federal Act.

The Federal Act is predicated upon the principle of full disclosure of essential facts concerning offerings pursuant to its registration and prospectus requirements, and does not purport to evaluate the investment quality of securities.

The statutes of certain states which require the qualification of securities prior to the sale for the sole purpose of compelling a full disclosure, obviously parallel the registration procedure prescribed by the Federal Act, and compliance with both procedures results in a substantial duplication of effort.

The regulatory effort of the great majority of states is addressed to the evaluation of the economic potential of the enterprise whose securities are sought to be qualified, a matter which is beyond the purview of the Federal Act. This approach necessarily requires a full disclosure of facts upon which a determination can be made, and to this extent Federal and state procedures coincide in purpose.

States whose regulatory procedures, in whole or in part, are predicated upon the licensing of dealers operating within their respective jurisdictions, do not in any way duplicate Federal procedure.

The exemption from the registration requirements of the Federal Act pursuant to Regulations A and B virtually places these types of offerings within the exclusive regulatory sphere of the states. As such exempt securities are often of a highly speculative character, they are frequently subjected by the states to certain additional regulatory procedures. These procedures relate to the pricing of securities and underwriting discounts, the appraisement of corporate properties, the regulation of the issuance of promotional securities, and in certain instances, the impounding of the proceeds of the sale of securities pending a successful completion of the entire offering. It is evident that although state securities statutes are entirely lacking in uniformity, they provide in the great majority of jurisdictions, a more flexible and comprehensive procedure than that prescribed under the Federal Act.

A multistate blue sky operation requires intensive advance preparation and is necessarily preceded by a review of the statutory requirements of each state in which the proposed offering is to be made. The application form of each state must be obtained from the various State Commissions and the requisite information carefully prepared to insure accuracy. Although a uniform application is authorized by the majority of states in connection with securities registered under the Federal Act, such an application is specifically stated to be inapplicable for the qualification of oil, gas and mineral issues.[9]

The compilation of the numerous exhibits which form a part of each application also presents a substantial mechanical problem. Many exhibits including certified copies of the issuer's charter and certificates of good standing which evidence the maintenance of a satisfactory status in the state of incorporation, must be obtained well in advance of filing the applications. Certain of the exhibits require extensive preparation by experts such as financial statements, real estate appraisals, the report of the petroleum engineer or geologist, the preparation of property maps and the information relating to the validity of title to properties in which the issuer has an interest. Obviously these experts must receive a prior briefing as to the statutory requirements of each state relating to their particular endeavor.

The preparation of appropriate corporate resolutions authorizing the issuance and qualification of the securities sought to be distributed is another task requiring considerable attention. This matter is made somewhat more difficult by the insistence of certain states in prescribing the precise wording of the resolutions.

The success of any distributive effort depends in large measure upon its timing, which requires the simultaneous qualification of securities under Federal and State regulatory procedures.[10] Meticulous compliance with state statutes is nevertheless required, for in addition to criminal sanctions, most states accord the right of rescission with respect to any purchase made in violation of statute.

Computation of Oil and Gas Reserves

Perhaps the most difficult overall problem confronting the issuer of oil and gas securities—whether or not registered under the Federal Act—is one relating to the computation of oil and gas reserves, for it is obvious that an accurate estimate is vital to the determination of the investment potential of such securities. Necessarily, due to the nature of the problem, estimates submitted even by the most competent petroleum engineers or geologists, often vary substantially. The expert making the report relating to a registered issue is required to submit the computations upon which he based his estimate, and in certain instances may be subject to verbal interrogation by experts of the Commission's Oil and Gas Unit.

Continued on page 37

*An address by Mr. Francis before the 19th Annual Convention of the Texas Group of the Investment Bankers Association of America, Dallas, Texas, May 10, 1954. The Hon. Leonard S. Leaman of the New York Bar assisted Mr. Francis in preparation of the speech.

For other footnotes see page 38.

Occupational Diseases of Bankers

By JOE D. NICHOLS, M.D.*
Editor "Natural Food and Farming"
Chairman, Atlanta National Bank, Atlanta, Texas

Among bankers' occupational diseases discussed by Dr. Nichols are heart disease, suicide and obesity. Lists ancillary causes of these diseases, and ascribes much of physical deterioration to improper food and emotional hypertension. Outlines a program of health inspection and health improvement.

Only in very recent years have big companies come to realize that their most valuable assets are their executives. These men are hard to find, and when found, they often take years to train. Every resource of our country is being strained to the utmost to prepare ourselves for the possibility of another great war. We do not have enough of many of the basic resources of our economic life—steel, copper, aluminum and many other essential strategic materials; but what scarcer commodity is there throughout our whole economy than executive ability? We are constantly being told that we must discover and develop new executives. Must we not also preserve those executives we now have? Yes, the preservation of our already trained executive talent in these difficult times is an absolute necessity. The success or failure of any business enterprise depends to a large degree upon the experience and wisdom of its executives.

Dr. Joe D. Nichols

Since time will not permit me to discuss all the occupational diseases of bankers, I propose to mention a few of the most common ones and then discuss with you, the causes of these disorders, and make some suggestions as to what we can do about them.

Heart Disease

According to the statistics of the Metropolitan Life Insurance Company, the leading cause of death among bankers, brokers and money lenders, is heart disease. Heart disease is the leading cause of death in almost every group in America and it is increasing yearly. There is some controversy as to just why this is so. There are some who contend that the statistical tables which show an increase of heart disease are caused by (1) the increase of the longevity of man, thus resulting in more deaths from diseases of old age, and (2) better and more specific diagnosis. No doubt these two factors have their influence; however, it is also true that heart disease is increasing even in the younger age groups. Many of you have friends and relatives who died last year with heart disease before the age of 50!

There are many different types of heart disease, but we are going to list only the two most common ones: (1) Coronary thrombosis and (2) hypertensive heart disease.

Coronary thrombosis is a disease of the blood vessels that lead directly to the heart muscle. The vessel becomes tense and constricted and a blood clot forms which stops the normal circulation to a part of the heart muscle. Coronary artery occlusion causes 8.5% of all deaths, second only to cancer. It is a disease of modern times. It was rarely recognized before 1900 and then only in the older age groups. Today it occurs even in the second decade of life. In Canada it has increased 9% in the past two years.

Hypertensive heart disease is a result of long continued high blood pressure. The increased pressure causes the heart to enlarge and eventually the heart muscle becomes exhausted and heart failure follows.

Another occupational disease of bankers is obesity. Obesity is quite universal in the executive.

According to the U. S. Census Bureau, the death rate among bankers from suicide was 54.7 per 100,000 in 1930. This is by far above the average for other groups, and I suppose justifies us in including it as an occupational disease of bankers.

One other condition we want to mention is "the fatigue state," that tired, wornout feeling that so many executives have at the end of the day.

I believe that the same fundamental factors cause all of these conditions, so we will lump them all together for this discussion.

May I take a hypothetical case and describe for you the routine of a typical bank executive? Our observation is that the person whose occupation is largely sedentary and primarily mental, usually does not have good eating habits. Many rush to work with an inadequate breakfast. A cup of coffee loaded with white sugar and a sweet roll, is the breakfast of too many Americans. A stack of wheat cakes and some corn syrup is no better, and even the man who gets two slices of white bread covered with oleo and an infertile egg has nothing to boast about.

Breakfast is one of the most important meals of the day. After a 12 hour fast, the body needs some good food. The banker with a poor breakfast may become tired and irritable in mid-morning because of inadequate food. So what does he do? He gets another cup of coffee loaded with white sugar or a "coke" to pick him up. Then too often lunch is hurried and not well balanced, and of course all day long he is smoking cigarettes at the rate of two or more each hour. By mid-afternoon he is tired and nervous and he is ready for more coffee and white sugar.

Finally at the end of the day some of these people go to the nearest bar and sit down for several drinks. The sense of well being that follows the cocktail hour is due to the fact that alcohol tends to stabilize the emotional household by removing cortical inhibitory influences. The man then gets his one big meal of the day and very often gets to bed too late. He falls into a profound sleep of exhaustion for a few hours. At four or five in the morning he has to get up and go to the bathroom. He tosses on his bed for two more hours and worries about the new day which is about to begin all over again. Perhaps you think this picture is too extreme, and of course many executives do not fit this pattern, but for far too many bankers, many of the habits are all too common.

I want to list the causes of these occupational diseases as follows:

(1) Poisons.
(2) Nutritional.
(3) Emotional.

Poisons

The use of tobacco and its effect on the human body has been and is still a controversial subject. However, Raymond Pearl, one of

*A talk by Dr. Nichols before the 19th Annual Convention of the Texas Group of the Investment Bankers Association, Dallas, Texas, May 11, 1954.

the world's greatest authorities on longevity, has noted that one of five heavy smokers, between the ages of 30 and 50, dies before his time. The primary effect of tobacco is to raise the blood sugar level. Unfortunately the excessive use of tobacco has a secondary effect; it depletes the blood sugar level and causes relative hypoglycemia. This is the reason why chain smokers frequently feel faint and giddy. As a rule a chain smoker is irritable, shows evidence of high tension, and suffers from wear and tear on the heart muscle, not only as an effect of increased tension on the coronary circulation, but because the myocardium or heart muscle requires a normal amount of circulating dextrose for its maintenance. Habein noted that 62% of executives smoke more than a package of cigaretts a day, 27% two packs, and 20% more than two packs. It is my very definite opinion that smoking is a nasty, dirty and filthy habit—it is expensive and it will kill you. Otherwise it is all right.

The constant increase in the use of insecticides and pesticides is another one of the grave perils of our scientific age. D. D. T. and chlordane are poison. Oleomargarine and the compound lards are made from hydrogenated cotton seed oil. Do you know any cotton farmers who do not use these poisons? These insecticides are not only poison to the boll weevil, they are also poison to the very useful honey bee as well as to you and me. It has been shown that only five parts per million causes definite damage to a rat's liver. Dairy cows sprayed with D. D. T. produce milk with ten times that amount of D. D. T. What will this do to your already over burdened liver? Dr. Dendy, the brilliant biochemist at Texas Research Foundation at Renner is now doing some very important research on this problem. This research center merits your continued support. The sponsors of this organization are certainly to be congratulated for their broad vision.

The food preservatives, bread softeners, and yeast inhibitors in your daily bread are also to be condemned. Perhaps the sodium nitrate in the little pig sausage you had for breakfast was not enough to hurt you, but the cumulative effect of so many different poisons in your diet is certainly a factor to be considered in the widespread disease of today. The pure food and drug law of our great country is a farce. If a food processor puts a chemical poison in his product, and later on, this proves to be lethal, all he has to do is to cease and desist. He is liable to no penalty, and the burden of proof is vested in a bureau in Washington.

A discussion of poisons would not be complete if we did not include alcohol. As history goes Noah was probably the first man who ever took alcohol to excess, and it shortened his day to 950 years. The Lord put him on the water wagon for 40 days and 40 nights, and as soon as he got off he partook of the cup that both

Continued on page 39

Dealer-Broker Investment Recommendations & Literature

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

Area Resources—Descriptive booklet—Dept. M, Utah Power & Light Co., P. O. Box 899, Salt Lake City 10, Utah.

Candidates for Dividend Increases in 1954—List—Gruntal & Co., 25 Broad Street, New York 4, N. Y.

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

Insurance Stocks—Annual comparative analysis—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

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

Japanese Shipping Stocks—Discussion in weekly Stock Bulletin—Nikko Securities Co., Ltd., 4, 1-Chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

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.

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American Machine & Metals, Inc.—Analysis—Filor, Bullard & Smyth, 39 Broadway, New York 6, N. Y.

American Research and Development Corp.—Analysis—C. E. Unterberg, Towbin Co., 61 Broadway, New York 6, N. Y.

Anheuser-Busch, Inc.—Analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

Coro, Inc. — Memorandum — Reynolds & Co., 120 Broadway, New York 5, N. Y.

Freeport Sulphur—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

Grumman Aircraft Engineering Corporation—Analysis—Ferris & Company, Washington Building, Washington 5, D. C.

International Telephone & Telegraph Corporation—Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, New York.

Johnson Service Company—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is an analysis of **Central Maine Power Company.**

Manning, Maxwell & Moore, Inc.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Whiting Corporation.**

Monmouth Park Jockey Club — Analysis — Vickers Brothers, 52 Wall Street, New York 5, N. Y.

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

Reeves-Ely Laboratories, Inc.—Analysis—Boettcher and Company, 105 East Pikes Peak Avenue, Colorado Springs, Colo.

Royal Dutch Petroleum — Memorandum — Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Saco Lowell Shops — Analysis — May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

Safeway Stores, Incorporated—Annual report—Librarian, CF, Safeway Stores, Incorporated, P. O. Box 660, Oakland 4, Calif.

St. Lawrence Seaway—Discussion—Ross, Knowles & Co., Ltd., 330 Bay Street, Toronto 1, Ont., Canada.

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

Southern Production Co.—Memorandum—Gross, Rogers, Barbour, Smith & Co., 559 South Figueroa Street, Los Angeles 17, Calif.

Time, Inc.—Resume of stockholders' meeting—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available is a resume of the stockholders' meeting of **American Express.**

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

United States Steel Corporation — Analysis — E. F. Hutton & Company, 61 Broadway, New York 6, N. Y. Also in the same bulletin is an analysis of **Armco Steel Corporation** and **Republic Steel Corporation.**

Victoreen Instrument Co.—Analysis—Blair, Rollins & Co., Incorporated, 44 Wall Street, New York 5, N. Y.

Wisconsin Central Railroad Company — Bulletin (No. 167) — Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

NSTA Notes

THE SECURITY TRADERS ASS'N OF PORTLAND, ORE.

The Security Traders Association of Portland, Ore., held its regular monthly meeting on May 20 in the Green Room, Congress Hotel. The group's business began at 4:30 p.m. with dinner serviced at 6:30 p.m.

Robert W. Pitt, Blyth & Co., Inc., was selected Secretary-Treasurer, succeeding Neil D'Amico, of Dean Witter & Co., who was serving as Secretary-Treasurer pro-tem until the election. Mr. D'Amico was given a vote of thanks for his assistance by the entire membership.

Two new members inducted were Albert B. Schwab, Walston & Co., and Art W. Abeita, Pacific Northwest Company.

Pete Kosterman, Manager of the Trading Department, and newly appointed Vice-President of Zilka, Smithers & Co., Inc., was obliged to leave the gathering early to fly to the Los Angeles-San Francisco Traders party at Fresno.

Cards—nice, new ones—were furnished for the game hour by Virgil Hill of the U. S. National Bank of Portland. George A. McFaul, Jr., of Blyth & Co., Inc., sang his "Yale" tunes with great gusto and Dan V. Bailey, Manager of the Trading Department for the local office of Foster & Marshall, told some very funny stories —for which you should write him—they were all clean, too.

Dick Adams, Donald C. Sloan & Co., made his first appearance at a meeting following a severe fall a month ago, when he hurt his back. Dick is supporting the Portland cabbies single-handed, but he just can't stay away from those trading keys!

The Portland Association also entertained Phillip J. Clark, Amos C. Sudler & Co., Denver, President of the National Security Traders Association, at a cocktail party and dinner at the Multnomah Club on May 25. Paul A. Ludlam, Merrill Lynch, Pierce, Fenner & Beane, President of the Portland Traders, presided at the meeting and at the dinner for Mr. Clark.

COMING EVENTS

In Investment Field

June 1-3, 1954 (Boston, Mass.)
Boston Security Analysts' Society annual meeting.

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 10, 1954 (Chicago, Ill.)
Investment Analysts Society of Chicago annual meeting.

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 17, 1954 (Minneapolis, Minn.)
Twin City Bond Club 33rd annual outing White Bear Yacht Club — preceded by a cocktail party June 16 at the Nicollet Hotel.

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.

Paine, Webber Co. Celebrates 75 Years

Paine, Webber, Jackson & Curtis, today is celebrating its 75th anniversary. The firm was founded in Boston, Mass. in 1879.

It constitutes a consolidation of Jackson & Curtis, which was organized in 1879 by Charles C. Jackson and Lawrence Curtis, and Paine, Webber & Co., which was founded the following year, by William A. Paine and Wallace G. Webber. The two old Boston houses, which had largely parallel growth and had both become national in character, merged in 1942 to form Paine, Webber, Jackson & Curtis. Lloyd W. Mason is managing partner of the firm.

Paine, Webber, Jackson & Curtis holds 34 memberships on 18 stock and commodity exchanges in the United States and Canada. Reuben Thorson, Chicago partner, is Chairman of the Board of the Midwest Stock Exchange. George Forrest is a Governor of the Los Angeles Stock Exchange, R. W. Miottel a Governor of the Detroit Stock Exchange and Robert MacArthur is a Governor of the Boston Stock Exchange. Albert P. Everts, Boston partner, has just completed a term as a member of the Board of Governors of the New York Stock Exchange and Mr. Mason is a Governor or the Association of Stock Exchange Firms.

In addition to being active in the stock and commodity brokerage field, Paine, Webber, Jackson & Curtis act as underwriters of new security issues and has active municipal bond and mutual fund departments. The firm maintains 40 offices and has 35 general partners, 13 limited partners and more than a thousand employees.

Springtime in the Rockies (Canadian)

By IRA U. COBLEIGH
Enterprise Economist

A vernal look at current West Canada petroleum progress, and at some of the companies delving for oil in that scenic section of North America.

Now that the trappers have shut their traps for the season, and several tens of thousands of beavers have gnawed their last pine boles by a dam-site, en route to filling their economic destiny as sheared beaver for milady, the sound of drill and derrick is again echoing through the Moose Pastures of Alberta, Manitoba and Saskatchewan. Bright hopes for high gravity oil from low cost wells animate the minds of operators, and thousands of eager enterprising men, geologists, brokers, and Pollyanna minded speculators, all hoping that, this Spring, their company, or their well, may open up a new Leduc. It's all sort of like a Kentucky Derby without the horses.


Ira U. Cobleigh

This is by way of suggesting that you can't do much drilling at 30 degrees below zero and that Springtime is both physically and psychologically the season for renewed oil exploration in the upper latitudes.

About hopes for profit, for thousands there has been a nagging deferment in the wish fulfillment department. 1951/52 saw a churning market in Toronto for almost every equity that sniffed of oil. Since then, there have been many rude awakenings, many share price slippages running sometimes as high as 50% or 75%; and the holders of most Canadian oil certificates view wistfully, and rather sadly, the upsurge of the Dow Jones averages in New York. There's a bull market in stocks. "What bull market?", they plaintively inquire. But we came to praise the prairies not to bury them in gloom—so let's be about our task.

Certainly a consideration of Canadian oils is justified for speculative purposes on the record. If growth is sought for risk monies, where can you get a growth rate to beat the Alberta Story? 6.4 million barrels of crude produced in 1947; 76.8 million barrels for 1953; 600 wells at the end of 1947; 4,500 at the end of last year; these are the statistics. At the beginning and still a major problem are outlets. True, with Trans Mountain Pipe Line going west from Edmonton to Vancouver, and Interprovincial going east, a two-directional flow of Canadian crude is now a reality; and both these pipes will doubtless, in due course, be further expanded.

More pressing is what to do about all the gas being found, mostly capped and just begging to be given transport and entry. The Westcoast Transmission Company Limited pipeline from Peace River, Alberta, to Vancouver, British Columbia, Oregon and Washington, argued about for months and even years, is bound to come and I would venture to predict its official approval before Labor Day. That will be a boon to the whole area and of special significance to **Pacific Petroleums Ltd.** (common sells at 10) which sponsors and will probably manage the $110 million line when built. Pacific Pete is in a position to supply a lot of gas itself, also through its affiliate, **Peace River Natural Gas Co.** (common selling at 6⅝) in which it owns 1,342,000 common shares. Despite all the adverse hullabaloo, Canadian gas will be exported to Spokane and Seattle, and when official arrangements for same are concluded, many caps will be doffed—especially from Alberta gas wells! The construction permitting Eastern flow of the gas via Trans Canada Pipe Line will round out the transport facilities, enabling gas and oil to flow East or West depending on the more favorable price or demand factors.

With outlets rather well arranged for (although in blueprint only for gas), the question for many smaller prairie petroleum companies is whether they can survive on the meager proration flows from wells known to be good producers, and hold out until capped gas can be piped to waiting markets. That sets the stage for the major motif in the West Canada corporate picture at the moment — the need and desirability for corporate consolidation. We're in an era when the big oils are getting bigger, and the smaller ones getting big by merging.

An excellent illustration of this trend is found in **Canadian Pipe Line Producers Ltd.** which has, in the past year and a half, absorbed five smaller companies with production, producing wells, and a lot of royalty acreage requiring no drilling expenditure on its part. The companies merged were Model Oils Ltd., Mitmor Oil & Gas Ltd., Cal-Williston Petroleums Ltd., Alberta Royalties Syndicate, Red Deer Mineral Holdings Ltd., plus some mineral acreage from Trans-Canada Oils Ltd., and were acquired, without cash outlay, by issuance totally of 1,709,588 common shares of Canadian Pipe.

Thus, in a relatively short period, Canadian Pipe Lines winds up with proven reserves of 2½ million barrels (light oil), about 100 billion cubic feet of gas, net property holdings of over 1 million acres, and 3,000 points of royalties (a point is 1% of the realized oil produced on 160 acres). Estimated reserves work out to about $1.32 a share and the stock sells (Toronto) about $1.50. Canadian Pipe appears well managed and financed (no debt); and has rather better defined prospects than many other shares selling in this modest price range.

Another company which has moved forward by merger is **Calvan Consolidated Oil and Gas Company Ltd.**, created in 1952 by welding together Calvan Consolidated, Polaris, Garnet, Garrison and Zodiac Oil Companies. The result has been constructive, and has projected Calvan to a point where today it ranks 8th among Canadian producers. It is further distinguished by a $3 million working capital, oil reserves (December, 1953) estimated at 17 million barrels and a broad spread of mineral rights held on 1,184,000 net acres located in all the Western Provinces and in the Northwest Territories. It's prepared to throw the take from 18 capped wells into the first gas pipe line that materializes. Computation of reserves suggests a per share valuation of above $5 on the 4,299,042 shares of common outstanding. There are rumors of further mergers, with **Canadian Atlantic** most frequently mentioned as the prospective bride. Calvan appears to offer a rather improving value in a risky business. Stock is quoted around $5.

A pair entry which many have favored, is found in the **Calgary & Edmonton-Security Freehold** liaison. Companies have an interlocking management, and are somewhat unique in that they own most of their mineral rights in fee. Calgary has rights to 1,142,109 acres of land in Alberta, and only in recent years has it done exploration for its own account, being content, at an earlier stage, to gather income from leasing out drilling rights. The checkerboard pattern of Calgary and Security Freehold together covers a belt astride a most favorable oil producing zone. Calgary has interest in 151 producing wells and 19 gassers, creating a 1953 production of 1,887,752 barrels. Calgary common is listed on American Stock Exchange, where it has sold as high as 19—today 12. Dividends of 10c per share have been paid since 1939. Not a fat dividend record, you may say, but pretty classy when compared with some other Canadian oils.

Security Freehold is much smaller, with owned rights to 274,339 acres, but a slick balance sheet with over $1 million working capital. With these resources, it is equipped to move ahead; and its 7½% interest in 6,400 acres in the Elkton Gas Field, and recent drilling successes in the Roselea Field, Manitoba, have given stockholders a lot of encouragement. With only 1,900,000 shares outstanding and financial strength quite unusual for a company of its size, Security Freehold looks like a more sheltered speculation than most at the $2 window. But still a speculation.

Another bracketing of two companies may attract you if you've plenty of sporting blood. This combination, piloted by the same management team is **Canadian Homestead Oils Ltd.** and **West Territories Oils Ltd.** First about management. Basil O. Jones of Toronto is President of both; and E. H. La Borde of Calgary is Vice-President and General Manager of both. Mr. La Borde is an experienced oil geologist from Louisiana State, and is generally credited as the discoverer of the Armena Field (October, 1951).

Of the two companies, Canadian Homestead has the advantage of having 18 producing wells, a 1953 production of 166,934 barrels worth $265,000, and a working capital at the 1953 year end of $231,000. Prospects include possibility of larger production at Hamilton Lake (Alberta), possibly as many as three evaluation wells to be drilled with associates to appraise a 46,000 acre tract at Kinmundie (Alberta). It, too, is waiting for pipe lines and has five tapped gas wells eager to deliver. Estimated reserves are above 2½ million barrels of crude and 7 billion cubic feet of gas.

Canadian Homestead Ltd. (it was Western Homestead till March 1, 1954) has just completed a 1-for-4 reverse split leaving 924,000 shares outstanding and correspondingly upgrading the per share worth. The new stock sells around $2. It gives an interesting but highly speculative call on the potentialities of spread acreage in proven Alberta fields—Armena, Hamilton Lake, Baxter Lake and Princess, plus a 20% cut of 1,600,000 acres in N. W. Territories.

That leads us to the second member of the team, speculative in the extreme, West Territories Oils Ltd., with 3,600,000 outstanding shares quoted at 18c. The big hope here is based on the theory that the next headline oil strike may lie in the Northwest Territories, in a natural basin, north of present Alberta fields, at the conjunction of the Laird and McKenzie Rivers. Some very impressive companies such as **British American** and **Imperial** have been reported to have taken permits on a broad swath of land here. Western Territories has a 70% interest in 1,600,000 acres. It also owns and operates its own equipment and drilling rig. If you seek dividend prospects, and insulation against risk, pray look elsewhere. It's a Las Vegas type gamble, playing respected management and 1.6 million acres of muskeg country back to back, hoping for oil.

In this Canadian oil business you pay your money and take your choice. You can play it quite safe with the big ones—Imperial, British American, McCall-Frontenac—or move into representative outfits like Royalite, Home, Great Plains, Canadian Superior, Dome; or gravitate down to the market midgets. Risk is usually (but not always) proportionate to price range, and luck is awfully important. The best company criteria are still money, management and acreage in adequate quantity. This Spring there'll be fortunes made in the Rockies. You can also lose your shirt there!

Portland Papas

PORTLAND, Oreg. — George Patten of George Patten Investeenmt Company, is the proud father of a boy, Stuart Edward Patten, born April 30, the sixth child for George and his wife Elsie. Other members of the family are July (17); Meg (13); George Norman (10); Debbie (7); and Alice (5). Mr. Patten presented the boys at the monthly meeting of the Security Traders Association of Portland with most attractive plastic card cases instead of cigars.

Also an April 30 arrival is a daughter, Anne, to Preston L. Phipps, E. M. Adams & Co., and his wife Shirley. They are also parents of twins, Neal and David, now four years old.

Derele Swails, of Camp & Co., is also introducing Kurt Douglas, 8 lbs. 1 oz. of bouncing boy who arrived May 18.

Joins B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Joseph Blumenthal has been added to the staff of B. C. Morton & Co., 131 State Street.

Whither Television?

By PAUL RAIBOURN*

Vice-President, Paramount Pictures Corporation

Mr. Raibourn reviews present economic problems now under investigation to determine what can be done regarding future of ultra high frequency TV stations to solve question of color and pay-as-you-go television. Outlines among proposals as solution of the problem: (1) granting of additional UHF channels to networks and important operators; (2) remission of the 10% manufacturers tax on sets using UHF; (3) subsidies; (4) reallocation of FM and other bands to provide more channels; (5) authorizing booster and satellite stations in UHF coverage, and (6) new chain broadcasting rules. Holds color television is coming sooner and more cheaply than anticipated.

My thirty-four years in the amusement business have certainly convinced me of one thing and that is—the man with the best attraction and the best facilities will get the audience — and the money.

Paul Raibourn

Every *entrepreneur* believes that he knows what these best attractions and best facilities are, and that he should have them. When it becomes evident that somebody else has more than a proportionate share of them—and the bankroll begins to shrink, many people appeal to someone in Washington to do something about it — usually to change the rules.

But nobody is ever smart enough to figure all the effects which will result from a change in the rules. My first assignment in the amusement business, in 1920, was to try to explain to Washington why changes in the rules wouldn't solve certain existing problems. Today, I'll try to explain what solutions for television are being discussed in Washington and who these solutions will be good for.

Last Winter there was an important race coming up down at the Hialeah track in Miami. An old man from Wyoming showed up with an eight-year-old named Pay-as-you-see, whom he stated had never entered in a race before. The track stewards didn't want to be bothered, but the fees were paid and the necessary red tape had been taken care of so they decided to let it ride. The only betting on the horse was by the owner himself and when the horses went to the post, the tote board showed odds of $159.60 for each $2.00 ticket to win. Pay-as-you-see won by five lengths and going away. Naturally there was an outcry and an investigation. Chicanery and doping was suspected. The doctors could find nothing wrong. So the owner was called in and asked what was wrong with the eight-year-old. He said "Nothing, soundest horse I ever seen." "If that is true, why haven't you raced him before" the steward persisted. "I hate to tell the truth," the owner sheepishly answered, "but we couldn't ketch him until he was seven."

This illustrates what has often been said of man—that he is the only animal who laughs and weeps because he is the only animal who is able to distinguish the difference between conditions as they are and conditions as they ought to be. Max Eastman calls this the essence of humor and pathos.

The Dream of Television

There has been a great deal spoken and written concerning the dream of television as it ought to be. The effects of it on the human mind, due to its convenience and its ability to convey what is happening at distant places, are tremendous. The possibilities in education are staggering. Every one of us has conceived of a television situation in which television stations, and time would be available even to the smallest community to express its desires and even to the weakest cultural or social interest. In other words, to put into existence through television complete freedom of artistic or controversial expression and to make those ideas available to anyone who wishes to listen.

Members of our Federal Communications Commission have had that dream and they have expressed it often. But they are the servants of a law which is responsible for their existence and which gives them the duty of allocating the wave-lengths among all who demand part of them. This leaves only a limited number of channels available for television and they have interpreted the law to indicate that the limited channels must be distributed geographically. When that distribution has been made it becomes apparent that the state of television as it ought to be, which I described a minute ago, is not anything more than a dream. There just aren't enough channels available to please everybody. There are three ranges which are taken up by them, with 6 channels (54 to 88 megacycles), 7 channels (174 to 216 megacycles) constituting so-called VHF channels and 69 channels (470 to 890 megacycles) constituting so-called UHF channels.

It will be noted that these channels are not consecutively arranged in the spectrum. Since they extend over a range of the extreme ends of four octaves the propagation characteristics of the lowest frequency are quite different from those of the highest.

It hasn't always been believed that the propagation characteristics of these various frequencies were so different. There was much publicity in the late 1930's and early 1940's to the effect that the range of the lower television channels, 50 to 100 megacycles, were limited by the horizon. Possible areas of coverage were spoken of as 25 to 35 miles. Perhaps they were practically and effectively limited by technical equipment at that time, but as the ability to produce higher power, to radiate it more usefully, to develop receiving antennas which were efficient and detection circuits which were more sensitive it has been found that these frequencies are not limited to the horizon and diameter of coverage areas were closer to 200 miles and in some cases 300 miles.

The disconcerting thing that happened is that some 23,000,000 sets were sold before the top 69 channels from 470 to 890 megacycles, with their present limited propagation came into use. While the distant communities to which these channels were finally allocated waited for them, the families living therein bought high quality, highly sensitive receivers to receive distant signals, none of which were capable of receiving signal on these UHF channels. Some of the signals they received didn't put a very good picture on the tube face of the receiver, but as everyone in the motion picture business had learned, the people are interested in whether they can follow the action and story, and not particularly in the technical quality of the image.

So the man who applied early for one of the UHF channels and was unlucky enough to get it, had an operating station and nobody to listen to it. His community was held in the thralldom of existing conditions by a station miles away from the community itself and with little interest in its problems. What has been called the clear channel problem in radio had arisen all over again.

When stations of one community reach into another of different commercial and cultural interests in such a way as to block out local development, many problems arise. The more important ones are those associated with human relationships of the type that make democracy a worthwhile, although inefficient, objective. It is by these relationships that our society must hold itself together and it is in them that the truth about ourselves is made known to us and becomes part of our inner consciousness and understanding.

There is a massive debt owed to those who make our local communities culture operate. But, if ever our security is attacked, it will be because of our respect for them and their understanding of our local problems, that we will keep our society steadfast.

The tendency of the growth of modern populations and effective instruments of communication has been to divorce the individual from direct contact with those who control his destiny. In such cases they become on both sides merely units of consumption or an impersonal force which can be easily disregarded because it is not seen or felt emotionally at all times. Even in education, there has been a tendency to decrease its dependency on the resources of the local community and free it from many of the natural safeguards inherent in that tradition. As it is freed, it becomes an instrument by which education becomes an instrument which can be pressed into service of a political nature by clever men. This is a great and serious problem. I am happy to say that at least one group has seen where it is leading economically and is trying to relocalize responsibility without losing the benefits of mass production. I refer to the Brand Names Foundation.

The Present Situation

We now have a situation where there are 69 of the existing 82 television channels which are in trouble from both the economic and technical bases. For the owners of most television sets to receive UHF it is technically mandatory that he purchase an additional piece of apparatus—a converter—ranging in cost from $20 to $35. A supplementary antenna would be required in many instances.

Meanwhile the apparatus for these channels is still new and imperfectly understood. The UHF station owner has to cope with competition from VHF existing stations which may be either inside or outside his community. If these stations are in a larger community, no network advertiser is interested in buying time because the area is covered from another community.

As a result of this situation, there have been enough licensees who have or are likely to run out of money and enough complaints to Washington so that the Senate is going to investigate. Seventy-two grants have been dropped of which 60 are in the UHF region. These hearings started Wednesday, May 20. They are likely to run most of the summer. I have assembled for your appraisal a list of 12 of the proposed remedies for the situation.

Some Proposals

To justify myself as an authority I want to point out that I completed my presentation of testimony of the channel allocations hearings in 1950 with the following statement: There is "the pregnant possibility that UHF will not mean ultra high frequency but unutilized high frequency." I based that conclusion on the fact that the allocation was being made on geography rather than people.

The list starts with what, based on the experience of the motion picture business can be called palliatives, namely proposals which will alleviate but not finally solve the problems. They involve maintenance to a great extent of the status quo.

(1) Granting of additional UHF channels to the networks and important operators to increase their interest in UHF.

This proposal which, technically, caused the hearings to be called is contained in a bill introduced by Senator Johnson of Colorado on March 9 of this year. Basically, it says that anyone who will give up a VHF station will be automatically entitled within five years to two UHF grants, one in the area in which the VHF was given up and one elsewhere. It tries, by indirection, to place the UHF grants in stronger hands. The suggestion has also been made, with the same idea, that each holder of 5 station grants be allowed two additional in the UHF group of channels.

(2) Remission of 10% manufacturers excise tax on sets able to receive UHF.

This is another proposal of Senator Johnson to help solve the situation and is basically aimed at the fact that the combination VHF-UHF tunable sets cost more money than the VHF only sets. The proposal has gotten enthusiastic reception from all industry sources since the only person to be hurt would be the U. S. Treasury.

If I am any judge of the temper of that organization and its previous efforts to prevent reduction of excise taxes, the measure is not likely to become a law unless a united industry really puts pressure on the Executive Branch of the government.

(3) Various types of subsidies for UHF consisting of loans and grants to help the UHF operation for a period of time.

If the measure proposed by Senator Johnson under (2) is going to have trouble getting anywhere, then these are doubly so. These proposals however do have the merit that they go right to the heart of the UHF problem and do it immediately.

(4) A proposal that no color set may be sold in interstate commerce which does not have tuning for UHF channels.

This proposal also has merit in that it is likely to have no opposition from within the industry. At to-day's proposed prices for color sets, the cost of a UHF tuner is a mere feature of the whole cost.

The question has been raised by the legally-minded members of the industry that the proposal does have anti-trust difficulties if carried out by agreement and constitutional difficulties if by law. It probably would only be possible under an umbrella of a production control agency in Washington, though the economic theory to justify it would be difficult to find. The industry now has a system on which it has agreed and several tubes available in which definition exceeds that which will be available from the limited color bandwidth.

Many people will be dubious about the usefulness of the proposal since they assume that color sets will be about $1,000, this fall, $700 in the fall of 1955, and $500 in the fall of 1956. If sets at these prices and these dates are to save

Continued on page 41

*An address by Mr. Raibourn before the Television Council of Chicago, Chicago, Ill., May 21, 1954.

Administration's Program And the People's Welfare

By W. RANDOLPH BURGESS*

Deputy to the Secretary of the Treasury

Asserting that Administration's objectives are more economy, lower taxes, and sound money, Dr. Burgess points out its accomplishments for the people's welfare as (1) a reduction of $12 billion in the Federal budget; (2) tax cuts totaling $7.4 billion; and (3) return to honest money. Says we must learn how to stop inflation and holds present business outlook is reassuring.

The aims and objectives of the financial program of this Administration may be summarized as economy, lower taxes, and honest money. These are clear aims and they have important implications for human welfare.

W. R. Burgess

People generally may not realize how much has been done in 16 months towards reaching these three objectives.

First, the Administration's budget for fiscal 1955 is $12 billion less than the budget submitted to the Congress by the past Administration for fiscal 1954. We are cutting spending as rapidly as possible without either endangering our military strength or risking too severe a readjustment in the economy.

Second, tax cuts which will be effective this year, if the President's program is adopted, will total $7.4 billion, the largest total dollar tax cut made in any year in the history of the country.

About two-thirds of the tax cut goes directly to individuals. The other third goes to stimulate production more directly and make more and better jobs and improve standards of living. These tax cuts are possible only because we have reduced Government spending.

Part of this tax program is the tax revision bill now before the Senate Finance Committee. It is a comprehensive revision of the whole revenue code. This bill is the result of more than a year's work of our Treasury tax team and the Committees of the Congress.

This bill provides many benefits for the 60 million American earners of wages and salaries. In addition, more flexible depreciation allowances, as well as partial relief from double taxation of dividends are among the provisions which will stimulate business. These changes will not only help new businesses get started but will encourage existing businesses to expand, to modernize, and so create more and better jobs.

The tax revision bill will result in loss of revenue of $1.4 billion, but this loss is largely offset by continuing the corporation tax rate at 52% instead of going down to 47%.

While this bill is basically a tax reform measure, its early enactment by the Congress will be helpful during the present transition period to less defense spending by Government. It will help in the shift of workers from public to private employment.

The third aim of the Treasury is honest money—money that will retain its general level of buying power over the years so that the person who buys U. S. Savings Bonds, or saves money in other ways, may reasonably expect that when he comes to use his savings, they will have about the same value as when he saved them.

*From addres by Dr. Burgess before the National Board of Fire Underwriters, New York City, May 20, 1954.

Honest Money

Honest money requires first a budget that is under control—that is not a cause of continued inflation. The figures given above show that the budget is being brought under this control.

A second requirement for honest money is the Federal Reserve System's freedom to perform its statutory duty of influencing the money supply for the public welfare. This cannot be done if the powers of the System are used to peg the price of Government securities, or if the Reserve System is used for political purposes. Freedom of the Federal Reserve System from these pressures was partially regained in 1951, as a result of Congressional hearings and public pressures. Its freedom has been more fully regained in the past 16 months. The System used its powers to combat inflation in 1952 and the early part of 1953. In the past year it acted with equal vigor to create a financial climate to ease the impact of cuts in Government spending.

The third requirement for honest money is that our great national debt of $270 billion shall be so handled as to more nearly neutralize its influence for inflation or deflation. This means spreading the debt out over a longer period of years and gradually placing it more widely among the people. Progress has been made in doing so through larger sales of Savings Bonds and market bonds.

Now let me come back to the basic human principles of this program. The great, outstanding purpose is more freedom and the removal of handicaps to freedom; freedom for the people of this country to make long-term, dynamic progress; freedom to make more and better jobs and to produce higher standards of living.

Aside from war, what are the economic enemies of human progress? One such enemy is too much government—too many controls, too high taxes, and too much government spending. It is the people of the country who make prosperity—with their effort, their initiative, and their genius. This government's program for economy, lower taxes, reducing controls, and freer markets is a program to release more of the energies of the American people to work for their own welfare.

Another great enemy of human welfare has been inflation or deflation. Inflation robs the saver for the benefit of the speculator and too often paves the way for deflation. This country has had bitter experiences with both inflation and deflation. The inflation of World War I was followed by the deflation of 1921. The inflation of the late '20's was followed by the deflation of the '30's. The inflation of World War II and after, followed by the inflation of Korea, had cut the buying power of the dollar nearly in half and, if continued, would have run the risk of a violent deflation.

In recent years we have learned more about these great economic movements which can carry such grave dangers. Experience both here and abroad has demonstrated some the principles of keeping them under control and curbing their destructive power over human welfare. A major cause of these movements has been unwise government policies. A major cure is found in sound fiscal and monetary policies.

Must Learn How to Prevent Inflation

The first principle is to avoid and stop inflation. Mr. Bernard Baruch was quoted a few days ago as saying that "if we want to prevent depressions, we must first learn how to prevent inflation. . . ."

The second principle is to recognize recession in its early stages and to establish a governmental climate favorable to recovery.

This is the broad background of the economic philosophy against which to interpret the events of the past 16 months. The Treasury, working with the Federal Reserve System, has been using its influence to avoid inflation or deflation.

When this Administration came into power, we were in the latter stages of an inflationary boom which had followed the Korean military effort, which, in its turn, had followed the inflation of World War II. These inflations had cut the value of the dollar in half, with much of this shrinkage since the end of World War II.

What happened in the first half of 1953 was the coming to a head of the inflationary movement that had gone on for a number of years. In dealing with this movement, Treasury policy was in accord with the policy of restraint by the nonpartisan Federal Reserve Board, a policy begun months before we took office. The system's policy of restraint took the form of higher discount rates and an open market policy that kept pressure on bank reserves.

While the major responsibility for monetary policy rested with the Federal Reserve, the Treasury worked in the same direction with other executive departments to reduce government spending, and to plan the government's financing operations so as to avoid adding to the expansion of bank credit.

The Readjustment

Beginning with the middle of last year there was a turn in the economic situation. The inflationary trend was checked; a readjustment followed. That readjustment involved a gradual shift from government to private spending, from the accumulation of inventories to their reduction, and from a steady expansion of consumer credit to a desire to repay debts.

The rapidity with which moves have been taken to insure the availability of credit during the last year has done much to ease the current adjustment. With credit available, businessmen have been able to carry out a gradual reduction of excess inventories. An ample credit supply has also permitted housing, plant and equipment development, and municipal construction to move forward as defense orders have been cut. It has enabled many businesses to convert from defense production to production of things for more and better living.

The present business outlook is reassuring. We have confidence that our program is sound. The steps that have been taken have been significant in smoothing the current transition. But, more important, they are laying the groundwork for the healthy long-term economic growth of our nation.

Frank McMahon Joining Henry-Seay Staff

DALLAS, Texas—Frank B. McMahon is joining Henry-Seay & Co., Kirby Building. Mr. McMahon is President of Frank B. McMahon & Co., Inc.

Wood, Gundy Elects New Officers

TORONTO, Canada—Wood, Gundy & Company, Limited, 36 King Street, West, dealers in investment securities, anounce the election of E. S. Johnston, J. N. Cole and E. H. Ely as Vice-Presidents, and R. B. O'Brian as director, Secretary and Treasurer.

Mr. Johnston makes his headquarters at the New York office, 14 Wall Street.

Bond Club Exchange Offering All Sold

The Bond Club Stock Exchange offering of 2,500 shares has been oversubscribed and the books closed, it was announced today by D. Frederick Barton, Chairman of the committee in charge of the issue. Trading in the shares will be a feature of the Bond Club Field Day on June 4.

Joins P. W. Brooks

(Special to THE FINANCIAL CHRONICLE)

LEWISTON, Maine—George E. McConaghy is now associated with P. W. Brooks & Co., Inc.

First Boston Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Branton H. Henderson, Jr. has become affiliated with The First Boston Corporation, 75 Federal Street.

With Keller & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Edward Rogal has been added to the staff of Keller & Co., 53 State Street.

With A. M. Kidder & Co.

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla.—Leon L. Newton has become connected with A. M. Kidder & Co., 122 West Forsyth Street.

Monetary Morality and Our Irredeemable Currency

By B. F. PITMAN, JR.*
Pitman & Co., San Antonio, Texas

Texas investment banker, in supporting measures for the restoration of gold redeemable currency, contends: (1) inconvertible currency is causing a "flight from the dollar"; (2) the free enterprise system is threatened by a managed currency; (3) only political motives obstruct a return to convertibility, and (4) it is an illusion that gold is useless and unessential as a basis for currency.

Since the technical aspects of the several gold bills under consideration have been covered by qualified experts, I shall confine my observations to what may be called the moral side of the money question from the standpoint of a "plain vanilla citizen."


Benj. F. Pitman, Jr.

A condensed summary of my views on four phases of what I call "Monetary Morality," follows:

(1) Inconvertible currency is causing a "flight from the dollar," which may disrupt our capitalistic system.

(2) The threat to our free enterprise system of a managed currency.

(3) The political motives which obstruct a return to convertibility.

(4) The illusion that gold is useless and unessential.

On Monday, Mr. W. Randolph Burgess stated (and I quote): "All business life depends on the making of promises, commitments and their fulfillment. Lending and borrowing money, contracts to buy and sell goods and services, savings and investments all depend on confidence that money will keep its value. When this confidence is broken, as we have seen in so many countries, the economic life is disorganized and retarded."

(1) Since few people would disagree with Mr. Burgess' statement it logically follows that loss of confidence by our citizens in the enduring value of our money would be a catastrophe. There are several (perhaps hard to recognize) signs that faith in the future value of the dollar is disappearing. For example, the stock market boom — various reasons are given for the renewed upsurge in the market but the most popular explanation seems to be that a new wave of inflation is already, or soon will be, underway.

People with money in both large and small amounts are eagerly buying shares in various enterprises. Domestic stocks being better known are more popular but funds are finding their way into foreign securities also. In some cases, these investments are made because of an abiding faith in the future of American business. This is, of course, wholesome and desirable. My bread and butter in a large measure depends upon the continued growth and expansion of the American economy and I earnestly hope that faith in our institutions will again be the strong force behind participation in American enterprise. However, there is much evidence to indicate that such wholesome and desirable motives are today outweighed by the urge to hedge against inflation.

*A statement of Mr. Pitman before the Subcommittee on Federal Reserve Matters of the Senate Banking and Currency Committee, Washington, D. C.

Fixed Dollar Investments Ignored

Last month I was discussing gold and monetary policy with a highly regarded Congressman who is greatly interested in the nation's fiscal policies. He confided in me that he had sold all his government bonds and bought stock. I would wager a small amount that most of the distinguished members of this Committee have their savings in stocks, real estate, oil, gold, art treasures, or something similar—not in government bonds, mortgages, annuities, or fixed income securities. Why are astute individuals avoiding investments payable in a fixed number of dollars? Because of an intuitive distrust in the future value of our money. And why has public confidence been shaken? Many people would simply shake their heads and reply that they don't know but that something is wrong and the dollar isn't what it used to be. They will probably add that presumably in the future, as in the past, our currency will continue to progressively be worth less.

The increase in debt both public and private indicates the thinking of the times. A growing number of people mortgage their homes as heavily as possible on the theory that they will eventually pay off the debt in cheap dollars. The pattern followed by "money-wise" individuals before and during the French and German inflations is in a limited way noticeable in this country. I refer to the preference for "things" over money.

The building boom continues, mostly on borrowed capital. Thin real estate equities have in the past provided some protection against money dilution. Land values are historically high. Prices appear out of line when economic worth is considered, but despite falling income from agricultural activity, there are many eager buyers and few sellers. The familiar theory is that no new land is being created but unlimited paper money may be created until checked by the reestablishing of true convertibility. The lack of a medium of storage value in which people feel secure has far-reaching and unfavorable implications.

Fiat money has a tendency to encourage speculation and over expansion and discourage frugality. Signs on the horizon suggest that the evils which have always accompanied inconvertible money are appearing in our own country.

While the movement away from money is still comparatively mild, it may properly be defined as an incipient "Flight from the Dollar."

Threat to Free Enterprise

(2) The managed currency system under which we now operate is inimical to free enterprise. The nationalization of gold reserves supporting the currency is characteristic of a collectivist state, such as Russia. What moral justification is there for denying the United States citizens the right to possess gold? The weak argument is given that the monetary reserves should be under strict government control as a defense for the dollar in its international function; the gold belongs to all the people and should be used for the benefit and protection of everyone, so the argument goes; no capricious individual should have the privilege of demanding a sizable chunk of the Fort Knox reserves for his personal protection. Such arguments, in one respect, are an admission that the gold reserves, **valued at $35 an ounce**, are inadequate, and that astute people, distrustful of the intrinsic value of the dollar, prefer to hold gold in preference to currency. I contend that the best thing for all the people is the restoration of democratic institutions and unshackling the free enterprise system. The highest standard of living the world has ever seen is the result of our capitalistic system. The smooth functioning of our democratic institutions requires the free play of economic forces.

The present practice assumes that the judgment of a small group in the Federal Reserve and Treasury is superior to the collective judgment of the people. The value of our money, which is the life blood of the economy, as well as a vital factor in the social, political, and even moral well being of the nation, is controlled by a small group of undoubtedly well intentioned, but perhaps not clairvoyant, men. Such a condition is basically and fundamentally contrary to all the tradition of this country. Since a citizen is denied the inherent right to own gold, the fantastic power of these men under present conditions may not be challenged. If political pressures cause them to become myopic, who can gainsay the decisions?

Recently a gratifying swing from collectivist ideology back to time tested, revered free enterprise has been evident. Now a repudiation of fiat money and the restoration of the right of a citizen to own gold is the solemn duty of our government.

Political Motives

(3) I can not express the political motives which have so far obstructed a return to gold any better than by quoting verbatim the following editorial which appeared in the "Wall Street Journal" June 12, 1953:

"Why We Remain Off Gold"

"Why does our Government continue to maintain an inconvertible paper currency? What better, what more 'constructive' step could it take than to return to a real gold money standard, internally as well as externally? Why not perform the promise of the Republican campaign platform?

"Such is the substance of a letter from a Midwest reader, printed on this page of today's issue. The note he sounds is precisely in tune with the veritable chorus of opinion among professional economists, both here and abroad. The other day the Bank for International Settlements (not to be confused with the International Bank for Reconstruction and Development) issued from its headquarters in Switzerland a declaration that a return to general currency convertibility was 'a practical problem of the greatest urgency.' The convertibility which would permit the 'free foreign exchange markets' for which the BIS pleads means, of course, convertibility into gold at fixed ratios for the respective currency units.

"Well, there are several reasons why the United States lingers in the lap of fiat paper, not one of which is good in economics, though some are more or less useful in the political arena. First among them is the fact that rendering our paper and deposit dollars convertible into gold at the domestic holder's option would set up a potential brake on the volume of our Government's spending. Now political officeholders, of course, are unanimously against any more Government spending than the public welfare requires. Actually, they put their trust in their own collective judgment of the public welfare, as they interpret it in terms of what will most nearly content the respective pressure groups which elected them.

"Moreover, there are some bankers and some businessmen who hold that Government spending, credit controls and fiscal policies in general should be 'flexible' under the management of those fit to do the managing, instead of being subjected to the 'rigid' regulation which the people's freedom to choose between gold dollars and paper dollars is asserted to impose. These are doubtless minority groups, but they appear to exert an influence out of proportion to their numbers. They seem to assume that those who own paper dollars, bank deposits and thrift accumulations should hold no part of the jurisdiction over the exchange value of the dollar.

"In accounting for our adherence to the paper dollar standard some allowance must no doubt be made for the fact that since the election of last November issues other than the money standard, seemingly of more immediate urgence, have distracted the attention of Congress, the Administration and the people themselves. And it is true that a return to gold convertibility at home (foreign governments and central banks can even now convert dollar deposits into gold) is not the only available brake on Government spending. Congress can do something about that, if or when it has the will to do it.

"Our Midwest correspondent refers to the gold standard plank of the Republican platform. As this newspaper said at the time, that plank put the cart before the horse by saying in effect that our return to gold could only follow a stable world economy, thus postponing it indefinitely if not forever. What Treasury Secretary Sherman once said about 'specie payment' during the 1870's fits our present monetary situation: 'The way to resume is to resume.'

"We think it all comes down to this: Congress, the Administration and the people have not yet made up their minds about breaking away from their long indulgence in Government profligacy and the paper money line of least resistance to it. But we hope and believe they will make the right decision in the not too distant future."

Gold as a Monetary Base

(4) In recent years, while socialistic theories were fashionable, a school of thought grew up which pronounced gold as a useless and worthless commodity. It was deemed to be unessential in commerce and industry and had also lost its potency as a monetary base. Then, too, gold producers were down at the bottom of the list (along with the manufacturers of artificial flowers and investment bankers!) as unessential to the national defense effort. It is perhaps superfluous to point out that, contrary to the contention of some of the modern economists, gold as a monetary base is today even more important than it was 50 or 100 years ago. Trading in the yellow metal on the free world markets has been almost equal to the inadequate total world production. Royalty payments made by some of the major U. S. oil companies to Middle Eastern countries are required to be paid in gold. Hardly a month goes by but that a devaluation of some foreign currency occurs, brought on by too much currency or too little gold. The official parity of any currency, although sometimes stated in terms of dollars or pounds, is gold. Although some of our financial technicians insist that gold is no longer vitally important as a monetary base, U. S. reserves are carefully guarded lest ordinary citizens, seeking security, obtain some. It may be significant that the rise in Canadian dollars, German marks, and British pounds against U. S. dollars has occurred concurrently with a substantial increase in their respective gold reserves.

It is perplexing to me to note that some observers consider gold unessential in war time. It may be recalled that in the last war General Mark Clark took gold into North Africa to use in paying the natives. More recently the Russians offered gold for various goods and commodities. They found eager sellers. The debasement which occurs in the currencies of belligerent nations in times of war is a generally accepted fact. The Paley report indicates that we are increasingly dependent upon foreign countries for materials critical in war time. All these essential commodities have been and always will be readily available if we have gold to pay for them. Sordid though it may sound, high ideals often evaporate in times of war stress. Hence, in the future as in the past, critical supplies will flow to the nation which has the universally accepted medium of payment—gold. I submit that gold should be high, if not on the top, of the list of critical and strategic metals.

NYSE Dinner in Honor of R. Crooks

Members of the New York Stock Exchange will give a testimonial dinner Thursday, June 10, in honor of Richard M. Crooks, who retired this month as Chairman of the Exchange's Board of Governors, John K. Cloud, Chairman of the Dinner Committee, announced.

Mr. Crooks, 48-year old partner in the Exchange firm of Thomson & McKinnon, became a member of the Exchange in 1941. In 1946 he was elected a Governor and became Vice Chairman in 1950.

In 1951 he was elected Chairman and, following the retirement of Emil Schram in May that year, acted as President in addition to his duties as Chairman, until Keith Funston took over as President in September, 1951. In January this year he announced he would not be available for reelection as Chairman.

Mr. Cloud said that approximately 1,000 members of the Exchange, partners of member firms and their guests will join in honoring Mr. Crooks at the dinner, which will be held at the Biltmore Hotel.

Midwest Exch. Members

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership in the Exchange the following: Raymond F. Smith, Chicago; Harvey Sloane, Chicago; David S. O'Brien, Chicago.

With Hemphill, Noyes

YORK, Pa.—Roger C. Heimer, is a registered representative for Hemphill, Noyes & Co., 28 North George Street.

Mr. Heimer was formerly with Baker Weeks & Co., Philadelphia.

Joins Westheimer Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Samuel D. Brill has joined the staff of Westheimer & Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Mid Continent Securities

SHREVEPORT, La.—Mid Continent Securities, Inc. is engaging in a securities business. R. A. Fitzsimons is President; Lyle E. Jones, Vice-President; and V. A. Mayberry, Secretary-Treasurer.

From Washington Ahead of the News

By CARLISLE BARGERON

If you are so down in the mouth that you almost step on your lower lip, if you can't sleep at night for worrying over Indo-China, as is the case with several of my friends, forget it. Pick up and go on about your business. The military appropriation bills will have safely passed Congress in the next few weeks and the crisis will have passed away.

Carlisle Bargeron

What we are having now is a refinement of the old saw that comes every spring, about a Russian submarine, an amazing one, something better than we have, something taken from the Germans nine years ago, showing up off our coasts.

There is also an added touch. Having become a global leader, the leader, in fact, of what is wittingly known as the Free World, we are conducting our foreign relations on a Chamber of Commerce or a high pressure publicity firm's basis. The idea is to show activity, whether there is any need for it or not. Our conscientious Secretary of State is running around the world helter skelter. Already he has broken all records for flying and man-hours put in at international conferences. It's exciting and the headlines are exciting but it is an apparent annoyance to the Administration that the public generally has not become similarly excited. Seemingly, however, this activity has made our so-called Allies nuts.

Consider what it is all about. Indo-China is a French colonial enterprise. The investments there are French. The French care little or nothing about the idealism of "stopping the march of Communism" or of "saving Indo-China for the Free World." They would like to save their investments there and think they can save most of them by quitting the fight. But the U. S. Government insists that they fight on, gives support and intimates that it might give more; might, in fact, be "forced" to send ground troops.

Why? What is the propaganda to the American people? Well, regardless of what the French who have the money stake in Indo-China may feel, the U. S. must preserve Indo-China for the Free World in order that the U. S. can get strategic materials. Why does it have to have these strategic materials from Indo-China? Don't be silly. In order that it can fight in Indo-China.

Not only that, if Indo-China is lost to the Free World, next in line is Malaya. Who has the financial stake in Malaya? Why, the British who in World War II boosted the price of Malayan rubber to us so high that Jesse Jones was moved to his greatest profanity.

But notwithstanding this, our State Department can't get Britain excited about the dire threat to its pocketbook. The State Department, in fact, finds itself split with our two greatest "freedom loving" Allies, split over the fact that we are pressuring them to save their pocketbooks and they think they know their business better than we do.

This is not an isolationist piece. It is apparent that the commotion of our "leadership of the free world" is about to run our "freedom loving Allies" crazy.

I know of nothing more indicative of the lack of interest on the part of the American people, generally, than the experience of Jim Lucas, Pulitzer prize winning correspondent for the Scripps-Howard newspapers. Jim did a corking good job with his front line stories in Korea. He returned to the States to the acclaim and admiration of his fellow craftsmen, received all sorts of honors and went around the country making speeches to large and deeply interested audiences.

Then running out of honors and awards and not being able to get down to domestic reporting, he returned to the wars, this time to Indo-China. He has been over there writing the same graphic front line stories, showing the same courage he showed in Korea, and his stories are appearing way back in the paper. They lack the fire and the interest of his Korean stories, not through any fault of his but because it isn't American boys he is writing about in Indo-China.

I am not privy to what is going on in the minds of the British and French foreign offices but I would be willing to bet my boots that they are happy over the diversion the U. S. State Department has got in Guatemala. And if it should prove enough of a diversion to direct Foster Dulles' energies away from Indo-China and Malaya, it should make the American people happy, too. Because a "crisis" in Guatemala is something we can take in stride. We would be back in the good old Coolidge days with the Marines having the situation in hand, and a chicken in every pot.

Mark Price Joins Lester, Ryons & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Mark B. Price has become associated with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges. Mr. Price in the past was an officer of G. Brashears & Co. with which he was associated for many years.

Gordon M. Gifford has also joined the staff of Lester, Ryons & Co. He was previously with Bateman, Eichler & Co.

Mitchum, Tully Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Ellsworth Tuplin has been added to the staff of Mitchum, Tully & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John C. Quinn has become associated with Walston & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Business Outlook Encouraging, But Challenging

By WALTER E. HOADLEY, JR.*

Economist, Armstrong Cork Company, Lancaster, Pa.

Picturing the next two to five years as an "interim period" between two booms, Dr. Hoadley gives as reasons for current slide off in business activity: (1) plentiful supply of consumers goods; (2) slackening in rate of new family formation; (3) reduced capital outlays, and (4) need for adjustments in agricultural production. Predicts only a moderate further business turndown.

An unusual amount of uncertainty and confusion about the business outlook exists at the present time. While conflicting forecasts are always to be found even among skilled analysts, such differences of opinion now appear to be quite pronounced. Pessimists, or prophets of gloom, find confirmation of their views in every adverse development, however small. Optimists now read into the slightest upward tilt of any economic barometer strong indications of a new general upsurge in business activity. Most people find themselves in the middle between these extreme views and understandably confused.

W. E. Hoadley, Jr.

Our toughest job these days is to maintain or regain perspective toward the economic situation. At the moment attention in government and business seems to be heavily concentrated on very current and near-term developments. As a result it's not too surprising that many people seem to have lost their sense of economic direction.

The best method by which to gain perspective amidst changing current economic developments—and I commend it to you—is to step back and away from the deluge of day-to-day reports of business changes and take a longer look at where business is going — national business, local business, and your particular business.

I recognize fully the limitations of economic forecasting and certainly admit that I have no foolproof crystal ball. Nevertheless, there is no escape from forecasting every decision rests, explicitly or implicitly, upon some forecast or projection of what lies ahead. As a matter of record, moreover, it is often possible to forecast longer-range developments with greater accuracy than very short-term developments. This is because fundamental trends typically are more readily discernible than sporadic changes brought about by political and psychological as well as economic influences.

In my opinion, too much time is now being spent watching—and waiting—for the economic horizon to clear. The present drive among business analysts to find and document statistically the "bottom" of the current readjustment seems rather shortsighted to me. Regardless of what the next reading of any economic barometer may show, the economic future poses great challenges to business leadership. It is essential that more time be devoted to gaining perspective on longer-range developments and to positive actions to insure sound and enduring economic growth in this country.

Since my plea is for perspective, I would like to direct our attention briefly to some underlying trends of importance to business, and then, against this longer-run backdrop, to consider what lies more immediately ahead for business.

At no time could American business leaders look forward with greater confidence to strong growth and expansion of our economy than at present. Not too many years ago there was widespread concern about stagnation. But few individuals will now question that our economy has strong growth characteristics. The population growth story is well known. We can anticipate the 1960's and 1970's with confidence because the individuals are alive today who will then be forming families in unprecedented numbers. Evidence of the rapid rise in number of children abounds on all sides, and in a very few years the number of teenagers will begin to set new records.

Equally important to national economic growth as more population are gains in the living standards plus the ability of industry to provide them. Recent marked increases in family income, important advances in the educational level of the American people and the tendency of many individuals to adopt a shorter-term outlook on life because of the H-bomb and other similar developments, all point to strong determination by the American people to increase their living standards substantially over the years ahead. In addition, the major forces of competition and incentive operate effectively across business to insure a stream of new products and better values for the consuming public.

All of these powerful forces will combine by the end of this decade or certainly by the middle-1960's to provide the economic basis for another much higher boom period, far greater than that which has been experienced during recent postwar years.

Long Range Outlook

Certainly the longer-range outlook is encouraging. But as convincing as the underlying growth trends in the economy are, some important temporary weaknesses over the period just ahead cannot be ignored. Despite great national economic strength and widespread public and private determination to minimize fluctuations in business activity, there is no reason to believe that the business cycle has been eliminated.

I like to refer to the next few years as an "interim period" between two booms. I am not forecasting serious economic depression nor even too much further business down-turn. But I do foresee a continuing period of "test" for individual products, processes, managements, and prices.

Why does the nation face an "interim period" of economic test and challenge? For several reasons: (1) despite strong demands everywhere for "more" goods and services, the urgency to buy among consumers and business organizations has been materially reduced by the elimination of shortages and reductions in defense and war material re-

Continued on page 50

*An address by Dr. Hoadley before the 2nd General Session of the 42nd Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., April 27, 1954.

The Pockmarked Labor-Management Scene

By ROBERT C. BASSETT*

Former General Counsel of Labor, Hearst Newspapers, And Now Publisher of the Milwaukee "Sentinel"

Describing today's national labor-management scene as pockmarked with anomalies and contradictions, labor relations expert lays situation to: (1) low moral standards of labor union leaders; (2) featherbedding by unions; (3) secondary boycotts, and (4) strikes called without the democratic process. Concludes the moral turpitude that has led to growth of dangerous monopoly power of labor unions can one day engulf the system, and cannot be curbed without restoration of a moral way of life. Calls for amendment of Taft-Hartley Act on basis of fairness, not expediency.

Today, in a world frantically struggling to outlaw the violence of war between sovereign nations, we stand idly by at the ghastly bombings of the homes and families of some conscientious workers who insist on doing an honest day's work against the featherbedding rules of their union.

Robert Bassett

Today in a nation whose greatness partly rests upon our equality of opportunity to rise from messenger boy to corporate president, by our own inaction we permit some unscrupulous union to destroy the business and livelihood of a wounded war veteran by picketing his customers into withdrawing their business simply because this little man who owns and drives his one and only truck refuses to join that union.

In a land dotted everywhere with churches and with jails, we find a blind apathy to disclosures that millions of forgotten little men in our vast union structures are being robbed by a few contemptible bosses who handle union welfare funds as if they were their own personal property.

In the face of the greatest material prosperity ever known in one country, we see hundreds of thousands of businesses, large and small, being tossed into insolvency by the unreasoning upward pressure on labor costs, while our government stares at a hopeless debt incurred in part under the organized pressure of labor and other groups bent upon selfish redistribution of the wealth, regardless of consequence to the continued existence of our free enterprise system.

Why? Why is today's national labor-management scene so pockmarked with anomalies and contradictions?

The Cause of the Evils

Far be it from this practical laborer in the vineyard of union problems to preach a sermon, but I have no alternative but to suggest that the answer lies deeper than our daily cries for profit, deeper than our conflict over managerial prerogatives, far deeper than the simple desire of organized labor to overbalance the shabby treatment received by the worker from many employers during the first quarter of this century.

The answer, I suggest, must include the vast immorality which seems to have invaded this generation. The moral law which lies at the very roots of civilization seems to have become an exercise for Sundays only.

Perhaps the time has come for us to cease our glib legal talk of featherbedding, of secondary boycotts, of strike votes, and rather examine our national conscience in an effort to find the cause of the evils which draw us together today. Let us briefly analyze a few of these current burning issues on the labor-management scene.

It is common knowledge that graft, extortion, racketeering and gangsterism have permeated the ranks of organized labor far more heavily than some are willing to admit. Selfish and power-lustful racketeers have been exposed in recent brief hearings by Congressional committees under the chairmanship of Congressmen Hoffman, Smith and Bender. A few such union leaders have sought refuge under the Fifth Amendment, a few have admitted their crimes, and a few have been sent to jail. The surface has hardly been scratched. Businessmen have been shaken down for years. Tribute has been paid to avoid "trouble." Individual union members have been robbed of the funds which they have built up out of their own earnings. One union at least has used its mortuary fund to finance strikes. Some unions have used these welfare funds simply to control the conduct and obedience of their members. In his message on the Taft-Hartley Act, the President called for legislation to "protect and conserve" these union funds, and yet the Smith Bill in the Senate has failed to make any such provision. Of course these practices must be rooted out by governmental investigation and legislation. Of course welfare funds of all kinds should be made subject to the joint control and other provisions of the Taft-Hartley Act, as well as of the insurance laws of the several States. Of course, the individual worker, the employer, the public and the unions themselves must be saved, forcibly if necessary, from the few jackals who have sullied the labor movement. But action must not stem from any management desire to blacken the name of the labor movement, nor any collective bargaining advantage which might accrue. The stench must be eradicated because it offends the nostrils of morality and undermines the fundamental decency of the labor-management relationship. Those men in management who have paid kickbacks and tribute should examine their own moral fiber. Virtue is not a one-way street. The union leader must learn his great responsibility to his membership and to the public. Laws cannot be effective without moral willingness to abide by them. Last, but not least, the legislator must have the moral courage to face the problem, not with an eye on the ballot box, but with a conscience guided by the simple principles of decency.

Problem of Featherbedding

The problem of featherbedding is draped in no different gown. The Musician's Union adds unconscionable costs and destroys workers' morale by forcing the employment of stand-by bands. In almost every major newspaper in the country the Typographical Union forces the resetting of type for ads already run in the paper, only to have the reset type thrown away, adding millions to the cost of consumer goods and tearing down the sense of decency of its members who must engage in such deceit. The Teamsters, with almost irresistible economic pressure, load our trucks and vehicles with so-called helpers whose chief occupation is to assist the driver in wearing out the seats of their respective pants. Bricklayers and millions of other workmen perform a ridiculous minimum quota per day, stretching it out over the required hours to the point where they must hate to look into the honest faces of their wives and children when they return home. Labor-saving tools and techniques have been barred from industry by union refusal to use them. Congress tried once to remedy this situation, but the Supreme Court virtually struck down the law. Will this or any succeeding Congress or Legislature have the moral courage to enact the law which they and we know is needed? The question is not one of costs or economics alone. We in business all prate too much about the horrible impact of these practices upon our profit and loss statements. Let us all, management, labor, and lawmaker alike, face the real issue — we should be against stealing! We should want with all of our hearts, to restore a sense of morality and decency to the area of labor-management relationships!

The moral issue is no less obscure in the secondary boycott. This device of the devil heaps upon the innocent third party the sins and quarrels of the primary disputants. Through its use, the union forces irreparable economic loss upon employers and their employees who are in no way associated with the labor dispute other than through their innocent relationship of customer, supplier or simply by-stander working on the same lot. Deprivation of services to the public is not the least evil involved. The boycott is a thug's blackjack which forces unwilling employees into unions, and helpless employers into insolvency. It destroys the freedom of choice in our economy, and sometimes prevents the individual from exercising his right to work at a job of his own choosing. In the spectacular New York newspaper strike of last December, the boycotting unions who were not on strike refused to handle even news stories and advertising coming from the struck newspapers, thus blacking out from all printed news the largest city in the world, violating the constitutional guarantee of Free Press, costing the primary and secondary employer newspapers over $5 million, and destroying the vital Christmas business of helpless advertisers like the department stores. None of us in this labor business are panty-waists. We all recognize the inevitability of occasional conflict. But most of us prefer a fair fight, and few of us like the bully or the gang which beats up the innocent women and children who are caught in the switches. In his Taft-Hartley Message, the President said that "the true secondary boycott is indefensible and must not be permitted." Supplement that statement with an earlier one by Senator Taft to the effect that no witness before Congress had shown any difference between various kinds of secondary boycotts, and the conclusion that all are bad is obvious. Unfortunately, the President was misled into recommending the legalization of secondary boycotts of farmed-out work and at construction sites. The Smith Bill in the Senate provides for such legalization, as does a tentative House Committee Bill. Those proposals should be rejected. On the other hand, Senator Schoeppel of Kansas has introduced a bill (S 2989) which would correct many of the loopholes in the law. Except as just mentioned, the House tentative version does likewise. Of course we should support these strengthening provisions, and the Congress should accept them. Once again however, the issue is not the economic welfare of the primary union or employer involved. It is not a question of bargaining advantage or of dollars and cents to the quarreling parties. Such legislation is imperative because it is the only known way to protect the innocent, to outlaw the economic blackjack, to preserve the individual rights of third party employees, and to protect the public —in short, to preserve morality and decency in a system which otherwise permits restricted economic warfare.

And so it is with other urgent Taft-Hartley issues today. For example, the right to a strike vote is not a necessity for the employer, but it becomes a matter of moral decency when we think of the millions of nameless union members and their wives and children who suffer through the deprivations of a strike called without democratic process by power-mad union leaders.

Similarly, to curb communist domination of unions, we need thorough legislative study, followed by such effective action as a subversive activities control board; it becomes morally necessary to prevent society from committing political and economic self-destruction.

Outside the Taft-Hartley area the same compelling need appears time and again. For example, the current drive for the guaranteed annual wage does not partake alone of the great humanitarian elements ascribed to it by the CIO. It is well recognized as a cover-up for the unconscionable elevation of unemployment benefits and costs at the local government level, and unfortunately some persons in high places have fallen for the ruse. If successful, it could mean the construction of a Frankenstein monster of local government costs and individual law evasion of more horrible proportions than even Frankenstein dreamed.

The Increasing Burden of Social Security Benefits

In the same field we find the imminence of increased Social Security benefits coupled with a rise in the taxable base, spurred on by union political pressure, which only compounds the felony of a so-called security insurance system which is neither security nor insurance, and which will one day build another monster of such gigantic financial proportions that both unions and government will become its abject slaves. Many American businessmen haven't the courage to speak out against it. Worse, too many of our Congressional friends have already admitted that their votes on Social Security will be an offering to the Fall elections. I say without fear or equivocation that morality is imperative at home, in the union hall, in the company's front office, and in government alike. Each of us must share the responsibility.

I rise, then, to indict those in labor, management and government who conduct themselves outside the moral code. The great issues on the national labor-management scene today are only evidences of the greater underlying weakness. True, that factor does not stand alone in a thorough analysis, but it looms so large in any thoughtful attack upon the riddle of organized labor that it cannot be ignored.

This very moral turpitude has led to the growth of a dangerous union monopoly power which can one day engulf the system. Monopoly is abhorrent to our American way of life, but monopoly cannot be curbed without restoration of the moral way of life.

I challenge the Congress to amend the Taft-Hartley Act by the rule of fairness, not expediency, and to preserve between management and labor a balance of economic power as well as of public responsibility. I challenge every union leader to act in the unselfish interest of all. I challenge each of you in business and industry to so conduct yourselves as to merit the ever-growing prosperity of the American system.

It is imperative that our American system of capitalistic free enterprise be preserved!

*An address by Mr. Bassett before the 42nd Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., April 27, 1954.

Four Groups Expected To Bid on Kentucky Turnpike Bond Issue

FRANKFORT, Ky., May 25—Details concerning Kentucky's initial 40-mile toll turnpike route and its financing through the proposed issuance of $38,500,000 of Turnpike Revenue Bonds, were explained here today by Governor Lawrence W. Wetherby, Highway Commissioner William P. Curlin, and representatives of Glore, Forgan & Company, fiscal advisors to the Kentucky Department of Highways.

The public information meeting held at the State Capitol today was attended by more than 50 investment bankers and security dealers from Kentucky's principal cities and from Cincinnati, Ohio.

Governor Wetherby emphasized that primary consideration of the Kentucky turnpike project has been designed to relieve local traffic conditions and is entirely independent of toll turnpike projects now under consideration by adjacent or other states.

The Governor and some of his associates have conducted similar information meetings recently in New York City and Chicago.

Sealed bids for $38,500,000 Turnpike Revenue Bonds (series 1954) of the Commonwealth of Kentucky, dated July 1, 1954 and maturing July 1, 1994, will be opened on June 8 at 10:00 o'clock in the morning at the office of the Commissioner of Highways in the State Office Building in Frankfort, Kentucky.

The bonds are to be issued for the purpose of paying the cost of the proposed turnpike which will extend from Louisville to Elizabethtown, Kentucky, and it is expected that the turnpike may be open to traffic by Jan. 1, 1956.

According to Glore, Forgan & Company, it is understood there are now four groups that have each formed accounts to bid for these bonds. These groups are headed by A. C. Allyn & Company, Blyth & Company, Halsey Stuart & Co. Inc., and Union Security Company-C. J. Devine & Co. Each account will contain the names of investment firms from all over the country who have shown an interest in this financing, and it is expected that immediately upon the opening of the bids on June 8, announcement will be made of the group submitting the highest bid. The bonds will be delivered in definitive form on or about July 1, 1954.

Gardner Chiles on Trip To East Coast

Gardner Chiles, Denault & Co., Russ Building, San Francisco, is making his annual tour of the East Coast. He will spend considerable time at Chicago, St. Louis, Boston and New York City consulting with leading investment bankers, brokers and dealers.

Financial Side of Our Economy

By AUGUST IHLEFELD*
President, Savings Banks Trust Company, New York City

In pointing out transition from a sellers' to a buyers' market is of fundamental importance to our financial institutions, Mr. Ihlefeld evaluates the impact of recent economic changes on various segments of the economy. Reviews basic changes in commercial banking and other financial institutions, which he says are in a strong financial position. Holds reverse is true of Federal Government's situation, and discusses recent Federal Reserve developments. Looks for a growing volume of Treasury deficit financing, but indicates a plentiful supply of available funds for investment and a declining demand for long-term capital. Concludes, if business activity falters, it will not be due to weakness of financial side of the economy.

Business activity has been the center of attention in the economic field in recent months. There has been considerable concern expressed about the declining trend in business. Less has been said about the effect it will have on the financial side of our economy. Yet, the transition to a buyers' market from a sellers' market, which has been under way since last summer, is having profound effects on our money and capital markets. These effects which will continue in the months ahead are of direct and fundamental importance to all of our financial institutions.

August Ihlefeld

To evaluate the impact of these changes requires at least a brief analysis of the financial position of commercial banks, corporations and the government which will determine Federal Reserve policy, Treasury operations and the supply and demand for credit and capital in the months ahead. Along with this analysis I shall give you an outline of probable developments in credit and money management, debt management and the credit and capital markets.

Basic Changes in Commercial Banking

Commercial banking has undergone many changes in our times. The stock market boom of the twenties enabled large corporations to finance themselves so easily through the capital markets that most of them became independent of bank loans. As a result, the commercial banks had to turn to investments as a way of life.

The depression of the thirties was characterized by a sharp contraction in loans, while investments of commerical banks in United States Government securities were expanding and other investments were holding relatively steady. In June of 1933, investments in Federal Reserve member banks were 92% of loans. The World War II period of the early forties, with its tremendous deficit financing, did bring about an increase in loans, but there was a far greater expansion of investments of these commercial banks in United States Government securities, with the result that at the 1945 year end, investment held were more than three and one-half times loans.

Omitting the valleys and peaks of depression and war periods, we still find there has been a persistent upward trend in the percent of investments to loans in the Federal Reserve member banks. Investments in these banks rose from 31% of loans in June 1920, to 39% in June 1929. By the end of last February member bank investments had reached 113% of loans. The great growth of time deposits during the past 30 years, of course, gave added impetus to the rising proportion of securities in commercial bank portfolios.

This trend toward investments was temporarily reversed with the increase in lending to finance the post-World War II boom, but it is now getting under way again. Loans and discounts have been shrinking and there is little reason to expect, from the present outlook any appreciable upturn except seasonally. On the other hand investments have begun to expand, and current indications —especially the continuation of deficit financing by the United States Treasury—point to a prolongation of this expansion. All this means increased competition for high grade securities.

Strong Present Financial Position

An outstanding and indeed comforting feature of the business readjustment is the strong position of our financial institutions.

Banking, in particular, is in a very strong financial position. There have been no banking difficulties of any consequence for many years. The problem of over-extended financial institutions, which was so characteristic of previous severe declines in business, has not arisen. As a result, there has been no forced liquidation of loans and reduction of the money supply as in previous business readjustments. On the contrary, the money supply may be expected to increase because the commercial banks are in a position to meet not only the credit needs of trade and industry, but also the additional money requirements of the government. As such needs will be met largely with credit expansion, increase in the money supply is inevitable.

The stock market, regardless of justification for present price levels, is not a serious problem to banking as in previous readjustments. The end of the business boom was not caused by a break in the market; nor has it been followed by a break in the prices of equities. Bank credit is not being used on any consequential basis to support stock prices. In fact, loans for the purchase of common stocks are small, both absolutely and relatively. The present 50% margin requirement on stocks is high; at least, historically speaking, and it could be reduced if the need should arise. In the meantime, as this margin does not have to be restored if prices drop, and as it is considerably higher than the banks would otherwise require, margin calls with their forced sales will not be a problem.

The growing purchase of equities by insurance companies, pension funds, trust funds, and mutual savings banks has added basic investment strength to high quality equities as these purchases are made with real savings. I cannot too strongly emphasize that such purchases involve no bank credit at all, and thus are far different from much of the purchasing of the 1920's.

Corporations are also in a strong financial position today. Their net working capital is close to $93,000,000,000 as compared with only $68,600,000,000 only five years ago.

The financial position of leading financial institutions such as insurance companies, and of course our mutual savings banks which have unparalleled financial strength, could be analyzed in detail but time does not permit. Let me, instead, summarize the private sector of our financial system by saying that it is in strong position: no difficulties have occurred and none are anticipated.

The Federal Government, in contrast with private financial institutions, is not in an especially favorable financial position. There was no overall decrease in the public debt during the 1946-53 period, one of the greatest boom periods, we have ever had. Although our public debt is very large, and heavy refundings lie ahead, still larger deficits must be expected. In fact, it now looks as if the Federal **budget** deficit for the fiscal year ending June 30, 1955, might reach a much larger figure than the $3 billion that was anticipated at the beginning of January, this year. This financial position of the United States Treasury will have an impact even greater than usual on the money and capital markets for the next few months.

Policies of the Reserve Authorities

There has been no secret about Federal Reserve policies since last May. The Federal Reserve authorities have announced their aims in unequivocal terms at every opportunity. Their announced and obvious primary aim is to prevent the present business decline from becoming too serious. Just as obviously, no matter what might be said to the contrary, their secondary aim is to assist the Treasury in its refundings as well as its coming new financing. And, now, with the growing Federal deficit and the growing demands that "something be done" about the increase in unemployment, they have a third responsibility, namely, to keep in check the inflationary pressures which are building up. The traditional central bank weapons are at their disposal; but the desirability and utility of these weapons vary widely under present circumstances.

Lowering the discount rate, for example, has little more than psychological impact, under current conditions as banks are not using the discount window at the Federal Reserve Bank on any consequential basis. Furthermore, as you know, a reduction in the discount rate does not directly increase the supply of loanable or investment funds. But, it does encourage a lowering of interest rates generally and thus favorably affects the market price of high-grade bonds.

Lowering reserve requirements, on the other hand, would directly, and immediately, increase the free reserves of the commercial banks. Such an increase in the lending and investing capacity of the commercial banks would increase the demand along a wide front for mortgage loans. It would directly increase the demand from banks for short- and medium-term government securities; also, for tax-exempts. Indirectly, but nonetheless powerfully, it would stimulate home construction as well as public works programs. As all of these effects are earnestly desired by the Administration, it would seem to be only a question of time until reserve requirements are lowered both on time deposits and on demand deposits for banks throughout the country.

Federal Reserve System Open Market Account purchases other than Treasury bills do not seem likely on any consequential basis, under present conditions. With the Treasury 3¼s crowding a price of 110, and all other government bond issues selling above par, it would be difficult to justify such purchases. This is a specific reason for expecting that any further easing of money and credit by the monetary authorities will probably be through reduction in bank reserve requirements.

Probable Treasury Policy

Treasury policy in the coming months must be oriented to the growing volume of deficit financing. Declining revenue because of declining business activity and the growing tax cuts and increasing social security expenditures inevitably means a larger deficit. The anti-deflationary pressure of deposit expansion will be secured by financing this deficit through the issuance of securities which will be bought by the commercial banks, such as has been done in recent financing. It does not seem reasonable to expect that this stimulating effect will be overlooked in later offerings; therefore, further new issues suitable for commercial banks may be expected unless business conditions change materially for the better. Of course, there might be a token long-term issue to prevent long-term rates from declining too far. In such case, the quantity offered would, of course, be fitted to that purpose and it would not have to be too large an offering to have the desired effect.

The Treasury, in addition to the June refunding, has to refund before the current year end around $9 billion of the December 2s of 1952-54 and nearly $16 billion of Treasury notes and certificates, to say nothing of the roll-over of Treasury bills and provision for tax notes and other non-marketable obligations maturing. But this should be no great problem with interest rates declining and other investment opportunities decreasing. Competitive conditions in the capital market will, of course, influence Treasury decisions. In particular, the expanding volume of tax-exempts and their growing proportion in commercial bank portfolios, could directly affect Treasury actions.

Supply and Demand in the Short-Term Market

Based on the foregoing analysis of the more important financial factors, and estimates of probable Federal Reserve and Treasury policies, it will now be comparativley easy to arrive at reasonable conclusions as to the outlook in the credit and capital markets.

In the short-term funds market, the basic supply outlook is for an increase in loanable funds through the lowering of reserve requirements, and over the very near term through the return of currency from circulation up to the vacation period.

On the demand side, there are important factors of decrease which must be taken into account. To be specific, lower business volume, consumer credit repayment, inventory reduction, and elimination of the excess profits tax will reduce the demand for loans and discounts. There might even be some reduction in credit demands from modest price declines a little later in the year, although this is by no means certain.

Factors which will increase the demand for loans would be headed by the acceleration of payment of corporate taxes. For example, the tax liability on the books of non-financial corporations at the end of 1953 had reached the huge total of $19 billion. This was double the liability so evidenced at the end of 1949. And, now the further acceleration recommended by the President, so that by 1959 one-half of the corporate tax liability

Continued on page 43

*An address by Mr. Ihlefeld before the Savings Banks Officers Forum, Group Four, New York City, May 18, 1954.

THE MARKET . . . AND YOU

By WALLACE STREETE

The overhead resistance in the 325-26 area stalled the stock market again for a while this week, leaving it pretty much up to individual issues to work their way up or down the ladder without much "bull market" help. Rails offered little help, either, although they are poised in an area where it wouldn't take too much strength to test the 1953-52 top.

* * *

Blue chips mostly rested, although some light pressure was enough at times to drive General Electric off a bit hard and even staid American Telephone had some momentary weak spells. But recovery was as prompt as the pressure was spotty. Among the other quality issues, du Pont was somewhat prominent in resisting the pull either way, while Allied Chemical showed a mild inclination to dip when an easier tone was prevalent.

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Dividend News

Some of the individual swings were directly traceable to dividend news, including sell-offs by Celanese on a trimmed payment and Deep Rock Oil on stock in lieu of cash. Detroit Steel was also among the dividend casualties when directors took no action.

* * *

American Woolen's recent erratic history continued when Textron, which is seeking control of the company, offered several points above the market for offerings totalling up to 100,000 shares which would increase its holdings by a third more. The price level of the issue, however, has been such recently that no historic records were set although it did post a new high for this year above 22. This compares with a 1953 high of past 27, with 37 in 1952 and nearly 47 in 1951.

* * *

Some Issues Registering Declining Highs

Celanese, as a matter of fact, has a similar record of declining highs since 1951 which have carried it from 58 to below 18. The halving of the dividend was sufficiently anticipated so that the issue held, on the immediate news, a fair margin above its year's low—the postwar low, incidentally—in the 16 bracket.

* * *

Both American Woolen and Celanese had plenty of company among the other soft-goods issues. For one not in the group that has a similar pattern there is United Fruit, which has fallen a bit from the staid ways it followed before political unrest started in Central America. At the current level, United is some 20 points below the best of 1952 and 30 points under its 1951 peak. Hovering at the poorest price of 1953-54 recently, it means that virtually all of the progress since its 1946 split has been cancelled out. It is one of many illustrations around to give the lie to the story told by the averages, that "prices" are the highest since 1929.

* * *

Among the aircrafts Grumman stands out in that it probably is the sole member of the major airframe producers yet to post an all-time high. The best price of the year reached by the issue has been a shade above 28 which approximated last year's best and is a few points under the highest reading of 1952. It showed no great disposition to get in line this week, probably because the division wasn't overly popular generally. A part of this might have been due to a series of market reports cautioning against too much enthusiasm for the group on the basis of non-recurring profits that look good at the minute. This classic example of a feast and famine line in the pre-war days is one of the segments of big business that hasn't what might be called a "normal" profit base from which to start calculations.

* * *

Secondaries Searched

The search among the secondary issues for those that might be ready to make a move continued and some of the low-priced issues came in for spotty attention at intervals with long strings of Avco, or Allegheny Corp., or Republic Pictures, taking over the tape momentarily. But it hasn't been too worthwhile so far and the market students who maintain that no bull market can end without an explosive windup of rampant speculation are still waiting.

* * *

But while such a play is considerably overdue in some views, so is a correction of worthwhile proportions after the 70-odd point advance since last September. A large amount of caution is rampant in the expectation that the correction is imminent, but none of the selling spells seem to generate any follow-through. Instead, a rather sizable body of bargain hunters are lurking a point or so under the market and they swing into action on setbacks and quickly cancel them out. The ranks of sold-out "bulls" waiting for a considerable decline before bargain-hunting are growing to the crowded stage.

* * *

There has been recently what the market analysts call a deterioration of leadership. Whether this is a signal or not, the fact remains that the most active issues are somewhat different after a long spell during which New York Central, Radio, General Motors and American Telephone were regulars in top positions on the list. Recent most active issues have been such as Greyhound, Texas Instruments, Equitable Office Building, Illinois Terminal—even lowly Benguet Mining which has the unenviable title of being the Stock Exchange's most regular "penny" issue in the under-$1 bracket where it occasionally is joined by Lehigh Valley Coal.

* * *

The somewhat general expectation of a pickup in rail business after the first quarter was one of the disappointments that kept the carrier shares subdued. With the April reports starting to arrive, revenues are still running markedly behind last year although some of the internal measures taken to cut costs have had a beneficial effect on the profits statements. It is again partly a case where the action of the rails is crucial and any successful assault by them on the high of last year some two points away could revive the industrials.

* * *

While the senior section of the list has succeeded recently in nudging its high along the route by narrow margins, it mostly has been a one-day-a-week performance for some three weeks now.

* * *

The Atomic Play

Utilities in this quiet way have fared well in forging as a group to the best showing in nearly a quarter of a century. Somewhat outstanding in the section has been Duquesne Light which continued this week to push to new highs, in part due to the fact that this utility is actively working toward commercial utilization of atomic energy.

* * *

The prime atomic energy issues, i.e. the companies that mine uranium, have had to take to the sidelines after recent popularity. Instead it has been such as Duquesne and Anaconda Copper which have taken over the "atomic" play, the latter on the announcement this week that its ore-processing work for the government would be enlarged significantly.

[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.]

Harlow Curtice Cites Factors of Optimism

President of General Motors tells stockholders of factors contributing to an over-all health of the economy.

Harlow H. Curtice

Addressing, at Wilmington, Del., on May 21, the annual meeting of shareholders of the General Motors Corporation, of which he is President, Harlow W. Curtice decried pessimistic talk of poor business, and cited the following facts on which an optimistic outlook is predicated:

"While unemployment was reported to have reached a peak of 3,725,000 in March, a drop of 260,000 was reported for April. This drop was partly seasonal, but it would appear to comfirm the viewpoint that the rise in unemployment has been halted and that it is likely to decline even further in the months ahead.

"Too little attention is given to the level of employment, which is now reported to be in excess of 60,500,000, exclusive of personnel in the armed forces. This compares with 61,000,000 a year ago and 58,500,000 in 1950 when things were also considered booming. While current employment is not at a record level, it is at the best level ever attained at this time of year with the exception of 1953.

"Here are some other factors that are contributing to the overall health of the economy:

"Consumer savings are at a record high, and the rate of saving in the first quarter was higher than a year ago.

"Consumer disposable income has been running higher than last year.

"So has consumer spending.

"Goods now are being consumed at a faster rate than they are being produced.

"Investment expenditures are being maintained at a high level comparable to 1953.

"Total construction expenditures in the first four months established a record.

"The gross national product holds to a rate very near last year's all-time high level, despite a substantial decline in defense spending. This indicates that the nation is readjusting from a part-war to a peace economy on a very sound, orderly basis.

"All of these economic indicators serve to reinforce my conviction, which I first expressed last January, that 1954 will be a good year for business generally and a good year for the automobile business in particular.

"As for General Motors, my forecast of last January still stands: 'General Motors volume of sales in physical and dollar terms in 1954 should not be far from the high level attained in 1953.'"

With J. K. Mullen Co.

(Special to The Financial Chronicle)

DENVER, Colo. — Donald M. Campbell is now with The J. K. Mullen Investment Company, U. S. National Bank Building.

Sterling Exchange Rate Holds Up

By PAUL EINZIG

Dr. Einzig explains causes of recent firmness in sterling exchange, and states there is no reason to believe that the British Treasury ever considered adopting a system of a "floating pound." Sees no intention of British Government to widen the official limits of the sterling-dollar rates.

LONDON, Eng. — One of the main reasons for the firmness of sterling during April and the early part of May was the widespread belief that the British Government decided to widen the limits within which the sterling-dollar rate is allowed to fluctuate. Under the Bretton Woods Agreement the government is under obligation to prevent sterling from depreciating or appreciating by more than 1%. On the basis of the sterling-dollar parity of $2.80 the permissible limits would be $2.772 and $2.828. In fact the actual limits, established in November, 1951, when free dealings in the London foreign exchange markets were resumed, are $2.78-$2.82.

Dr. Paul Einzig

According to persistent rumors, it was the government's intention to widen the limits to 10% on either side of sterling-dollar parity. This would mean that sterling would be allowed to appreciate up to $3.08 and to depreciate to $2.52. To effect this change would require the consent of the International Monetary Fund. Some time ago that institution expressed its willingness to agree to a return to the "floating pound" which would be allowed to fluctuate without any officially declared limits. Its consent to such drastic departure from the basic Bretton Woods principle of exchange stability was, however, based on the assumption that the convertibility of sterling would be restored at the same time. There is no reason to believe that the International Monetary Fund would be in favor of sacrificing stability without the compensating advantage of convertibility.

In any case, there is no reason to believe that the Treasury seriously considered at any time to adopt the system of the floating pound—even with its fluctuations limited within a range of 20%—unless and until it is ready to restore convertibility. The persistent rumors of an imminent widening of the range of fluctuations were categorically denied. It is true, governments always deny impending changes of the exchange value of their currencies right to the moment when the changes can be announced officially. But on the present occasion it is safe to accept the official denial. Not only does the Treasury not intend to widen the range to 10% each way, but it does not even contemplate the widening of the margin to the full permitted limit of 1% each way.

It is true, the Commonwealth Plan provides for a return to the floating pound, but it is part of the plan of returning to convertibility. The idea was that it would be easier to defend sterling, once it has become convertible, if the Treasury is not under obligation to maintain it within narrow limits. There has never been any question of removing those limits, or even widening them substantially, so long as sterling remains inconvertible.

The origin of the rumors that the government intends to widen the limits of the sterling-dollar rate is the persistent buying pressure on sterling which, in the absence of official intervention at $2.82, would have caused the rate to rise considerably. But there is no reason to believe that the Treasury views with disfavor the influx of gold resulting from the official sales of sterling in an effort to prevent its appreciation. Indeed, when announcing the unexpectedly favorable gold figures for April, Mr. Butler, Chancellor of the Exchequer, appeared to be very pleased. Even though the influx of "hot money" is causing concern in official circles, they are unlikely to disorganize the price structure by allowing sterling to appreciate by some 9%. Such an appreciation would necessarily be temporary, so that the fall in the price level it would entail would be followed by a rise. No government would be keen on going out of its way to bring about such unnecessary price fluctuations.

Nor would the exchange fluctuations themselves be viewed with favor. In face of German and Japanese competition an appreciation of sterling would impose an additional handicap that would be most unwelcome. And a subsequent depreciation would go a long way toward undermining confidence in sterling.

The reason why a widening of the limits to 10% on either side of parity was the popular forecast is that, under the Bretton Woods Agreement, member governments are entitled to change their parities to that extent without having to obtain the International Monetary Fund's consent. So it was assumed that, since they can change their parities to that extent, they could equally well change their exchange rates up to 10%, without changing the parities. This is not, however, the official interpretation of the rules. Moreover, under the rules the 10% up to which changes of parities are permitted is reckoned from the original parities. In the case of sterling the original parity was $4.02, so that the limits up to which its parities can be changed without the Fund's consent are about $3.62-$4.42. This means that at $2.80 the parity is already well under the permissible lower limit, so that there could be no further devaluation without the Fund's consent.

Whether or not sterling will be made more elastic when its convertibility is restored remains to be seen. But it is safe to take it for granted that no such step will be taken prior to the restoration of its convertibility.

R. P. Sackett Admits

James McKenna, member of the New York Stock Exchange, will become a partner in Ray P. Sackett & Co., 71 Broadway, New York City, members of the New York Stock Exchange, on June 1 and the firm name will be changed to James McKenna & Co.

L. B. Howell Joins Delafield & Delafield

Delafield & Delafield, 44 Wall Street, New York City, members of the New York Stock Exchange, announce that L. Bennington Howell is now associated with them in their Investment Advisory Department.

Ohlandt, Milt, Young and Plumridge Join New York Hanseatic Corporation

Open Boston Branch

John D. Ohlandt, Jr.

Samuel B. Milt

T. R. Young

Theo. E. Plumridge

Alex. W. Moore

Frederick S. Moore

New York Hanseatic Corporation, 120 Broadway, New York City, announces that John D. Ohlandt, Samuel B. Milt, Theodore R. Young and Theodore E. Plumridge are now associated with them in their trading department. All were formerly with Eastern Securities Inc.

New York Hanseatic Corporation also announces the opening of a branch office in Boston, Mass., at 84 State Street, with direct telephone wire to their New York office. The new office will be under the management of Alexander W. Moore and Frederick S. Moore, formerly of Eastern Securities Inc.

The corporation has also established direct wires to Ames, Emerich & Co. Inc., Chicago, Ill.; Ball, Burge & Kraus, Cleveland, Ohio, and Kramer, Makris & Co., Houston, Texas.

Purchasing Agents More Optimistic

Majority of Business Survey Committee of the National Association of Purchasing Agents see gradual improvement in general industrial activity for third consecutive month, but state buying policy is of a conservative short range type, and is expected to continue so because of current easy availability of materials.

A composite opinion of purchasing agents who comprise the Business Survey Committee, of the National Association of Purchasing Agents whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, New Haven, Conn., holds that general business activity tended to improve in May at approximately the same moderate rate that prevailed in the previous month. For the third consecutive month, those reporting increases in orders and production top the decreases by a comfortable margin. May shows the lowest number reporting decreases since last June. Industrial material prices are firm but have failed to follow the trend to strengthen that was reported in April. The price softening appears to be in the fabricated items more than in basic materials. Purchased material inventories, though still on the down trend, indicate that correction has been completed by the majority, as 64% report holding to present or moderately increasing stocks. Employment trend is slightly up. Buying policy is of a conservative short range, and is expected to continue that way with the existing easy availability of materials.

Robert C. Swanton

Over-all, the statistics and the comments reported show purchasing executives, barring strikes or international disturbances, to be optimistic for a steady, gradual improvement in industrial business for some time to come.

Commodity Prices

Industrial materials prices have failed to show the strength reported in March and April. The markets cannot be called soft. Most declines are reported in the fabricated products where keen competition is causing marginal concessions to be made in moving stocks of maintenance and other non-productive supplies. Basic materials prices are considered firm at this time, and no sharp movement either way is looked for in the immediate future.

Inventories

Unworked purchased material inventories continue the down trend, but at a much slower pace than during the past several months. There has been a slight increase in the number reporting additions to stock, and a substantial increase in those reporting no change. General comment is that inventories can be held at a low point because of short procurement lead time and large warehouse stocks of many items. A few report taking in extra steel as a hedge against a steel strike. Turnover ratios are much better with lower stocks and frequent replacement.

Employment

The lowest number, 27%, since last September, show declining payrolls in May. Most of these are the result of a reduced work week or temporary furloughs. As against this trend, several report rehiring of layoffs of January and February. Reports indicate improved labor-management relations, with strike agitation not receiving employee approval. All classes of labor are available in most areas.

Buying Policy

Still conservative and predominantly in the "hand-to-mouth" to 60-day range. Upward escalation of prices has about disappeared except in large capital equipment contracts, and price decline protection is more freely offered. While Purchasing Agents are mildly optimistic, it is expected that a short-range procurement policy will continue so long as most materials remain easily available.

Canada

Canadian order books have increased more than in the States. Production is a little better. Prices are about the same. Inventories are higher and employment is about on a par. Buying policy is somewhat more extended. In agreement with the opinions of buyers in the United States, Canadian Purchasing Agents are optimistic for continued improvement in industrial business.

Life Company Assets Up $1.5 Billion in First Quarter of 1954

Companies now hold over $35 billion of corporate securities and $21 billions of mortgages.

New capital in the amount of $1,448,000,000 was made available for the national economy in the first quarter of this year through the increase in assets of all U. S. life companies, according to the Institute of Life Insurance. This is at an annual rate of nearly $5,800,000,000, compared with the 1953 total of $5,167,000,000.

Total new investments of the life companies in the first three months of the year, including this new capital and also funds from maturities, replacements and sales, were $3,654,000,000, compared with $3,312,000,000 in the corresponding period of 1953.

Corporate securities comprised $1,101,000,000 of the first quarter's new investments. This was, however, $70,000,000 less than corresponding acquisitions in the first quarter of 1953, due largely to a $215,000,000 decline in the purchase of industrial and miscellaneous bonds. Holdings of corporate securities on March 31 were $35,053,000,000, an increase of $658,000,000 in the quarter.

New mortgages acquired in the first three months totaled $1,056,000,000, only $21,000,000 less than in the like period of last year. Mortgage holdings on March 31 were $23,769,000,000, up $494,000,000 from the start of the year.

New policy loans made in the first quarter were 32% greater than a year ago, totaling $178,000,000, but old loans were paid off in large volume so that loans outstanding March 31 were $2,956,000,000, up only $62,000,000 in the first quarter.

Two With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Oswald A. Blumit and Peter A. Jones have joined the staff of Investors Planning Corp. of New England, Inc., 68 Devonshire Street.

White, President of N. Y. Sec. Analysts

William R. White, stock market analyst of Hornblower & Weeks, was elected President of the New York Society of Security Analysts.

William R. White

He succeeds Sidney B. Lurie, of Paine, Webber, Jackson & Curtis. Other officers chosen at the annual election held at Schwartz Restaurant were: Nathan Bowen, Goldman, Sachs & Co., Vice-President; W. Sturgis Macomber, Reynolds & Co., Treasurer; and Donald H. Randell, Home Insurance Co., Secretary.

Mr. White, who was financial news editor of the New York "Evening Post" for many years before joining Hornblower & Weeks, is a director of the National Federation of Financial Analysts Societies and has served as Vice-President of the local society for the last year. Previously he was program Chairman and has been active in the society's affairs for several years. Mr. White is a member of the Society of the Silurians Inc., an organization made up of men who worked on New York newspapers 25 or more years ago.

In addition to officers, five members were elected to the Executive Committee: Philip K. Anthony, of Kuhn, Loeb & Co., Lawrence R. Kahn of E. F. Hutton & Co., Walter Maynard of Shearson, Hammill & Co., Nicholas F. Novak of Drysdale & Co., and John Stevenson of Salomon Bros. and Hutzler.

Twin City Bond Club to Hold Picnic June 17th

MINNEAPOLIS, Minn.—The Twin City Bond Club will hold its 33rd annual picnic on June 17 at the White Bear Yacht Club at White Bear Lake, Minn. The outing will be preceded by a cocktail party for members and guests in the Junior Ball Room of the Nicollet Hotel, Wednesday evening, June 16 from 6 to 9 p.m.

Scheduled for the day at the Club are a golf tournament, horseshoe tournament, tennis tournament, bridge tournament, swimming and boating. Also planned is a very special entertainment.

Reservations should be sent to K. C. Joas, Smith, Barney & Co. Tariff for guests $25; for members, $1, plus $3 for the cocktail party, and $6 for the picnic without golf; $8 for picnic with golf.

Members of the Picnic Committee are: C. M. Webster, General Chairman, J. M. Dain & Company; cocktail party, S. Jay Marsh, Woodard-Elwood & Company; transportation, Oscar M. Bergman, Allison-Williams Company; tennis and horseshoes, Willys P. Jones, Allison-Williams Comapny; golf, Wallace K. Fisk, John Nuveen & Co., St. Paul; special prizes, Robert A. Krysa, Harold E. Wood & Co., St. Paul; registration, Robert S. McNaghten, Williams-McNaghten Co.; publicity, Charles J. Rieger, Merrill Lynch, Pierce, Fenner & Beane; entertainment, Maynard W. Rue, J. M. Dain & Company; bridge tournament, Irving J. Rice, Irving J. Rice & Co., St. Paul; prizes, George A. McDonald, First National Bank; prize solicitation, J. Lowell Driscoll, Merrill Lynch, Pierce, Fenner & Beane, and B. B. Knopp, First National Bank of St. Paul.

The announcements of the picnic have been printed in the form of a very handsome bond.

L. J. Werschkul Sons In New Larger Quarters

PORTLAND, Oreg. — L. J. Werschkul & Sons have announced the removal of their offices to new and larger quarters in the United States National Bank Building, in which they have been located for some time. The new offices have been laid out with a most attractive color scheme, modern lighting and enormous windows.

Kansas-Nebraska Nat. Gas Shares Offered

An underwriting group, headed by Cruttenden & Co., Chicago, and The First Trust Co. of Lincoln, Neb., are offering publicly an issue of 10,000 shares of $5 cumulative preferred stock (without par value) of Kansas-Nebraska Natural Gas Co., Inc., at $101 per share, plus accrued dividends from April 1, 1954. Concurrently, the company is offering to its common stockholders of record May 21 the right to subscribe on or before June 2 for 85,090 additional shares of common stock (par $5) at $23 per share on the basis of one new share for each 10 shares held. Any unsubscribed common shares are being offered to employees at the same price. The common stock offering is also underwritten by the same group of investment bankers.

The net proceeds from the sale of the abovementioned securities, together with working capital, funds from operations and approximately $4,500,000 to be raised by the sale of debentures (which are proposed to be sold by July 1, 1954 to institutional investors) will be used for construction of additional facilities to increase Kansas-Nebraska's system capacity from 188,000 MCF to 206,000 MCF.

Kansas-Nebraska Natural Gas Co., Inc. is an operating public utility company engaged in the production and purchase of natural gas in the States of Oklahoma, Kansas, Nebraska and Colorado, and in its transmission and wholesale and retail distribution in the States of Kansas and Nebraska, and retail distribution in Colorado. The company produced approximately 16% of its total gas requirements in 1953.

J. E. Call Co. Formed

SALT LAKE CITY, Utah—Jack E. Call is engaging in a securities business from offices in the Phillips Petroleum Building under the firm name of J. E. Call & Company.

Bond, Richman Branch

PATERSON, N. J.—Bond, Richman & Co. has opened a branch office at 138 East 30th Street under the direction of Max Shapiro.

Corp. Bond Traders Elect Abbe Pres.

Richard F. Abbe

Richard F. Abbe of Shearson, Hammill & Co., of New York has been elected President of the Corporation Bond Traders Club of New York. Mr. Abbe is Past President of the Security Traders Association of New York and was formerly a member of National Association of Security Dealers District 13 Committee.

J. O. Jordan, III, With Hill Richards & Co.

SAN FRANCISCO, Calif.—Hill Richards & Co., 155 Montgomery Street, announced that James O. Jordan, III, has joined their San Francisco office as Manager of the Bond Department. For the past four and one-half years Mr. Jordan has been associated with Heller, Bruce & Co. Prior to that he was Assistant Manager of the Bond Department of California Bank in Los Angeles. He is a Lieutenant Commander in the U. S. Naval Reserve, a member of the San Francisco Bond Club; the Street Club; the Press and Union League Club; Security Traders Association and the Guardsmen.

Joins Bear, Stearns

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Sylvester M. Dillmann has become associated with Bear, Stearns & Co., 135 South La Salle Street. He was formerly with Hornblower & Weeks and Paul H. Davis & Co.

Boland With White, Weld

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Raymond H. Boland has become associated with White, Weld & Co., 231 South La Salle Street, Mr. Boland was formerly with Stone & Webster Securities Corporation and Blyth & Co., Inc.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A thin and highly professional government market is being moved about rather readily by the trading fraternity. Quoting up and quoting down of prices of many Treasury issues, in not a few instances, represents the bulk of what is going on at times. The market is still in the process of making homes for the new note issue, which continues to go into strong hands. Switches from the older outstanding securities into the new money obligation is still going on even though the pace has been slowed quite a bit.

Sellers have been appearing here and there in the longer-term 2½s with the proceeds, according to reports, being put into tax-exempt obligations. The talk about changes in reserve requirements of the deposit banks still persists, even though each Thursday so far has been a day of disappointment for those that have been waiting for the announcement to be made. When there is a change in reserve requirements, it most likely will come at a time so that some element of surprise will be involved.

Reserve Banks Help Finance Note Purchase

It seems as though there will be no change in reserve requirements of the commercial banks until the Treasury comes into the market again for deficit financing purposes. The Federal Reserve Banks in the past week used "open market operations" for the first time since March 24 to give help to the money market, especially to the New York City and Chicago banks which have been on the light side as far as excess reserves have been concerned. There was need for additional funds on the part of the large commercial banks in the Central Reserve City areas in order to assimulate the new issue which was being offered by the Treasury. Accordingly, Federal came into the market and made available funds, which were used by these deposit institutions mainly to take up the allotments which had been made to them in the 1⅞% note.

To be sure, "open market operations" can have a very definite influence upon the trend of the money markets and it does give greater flexibility of action than is the case when reserve requirements of the commercial banks are changed. However, the effectiveness of "open market operations" takes more time because it is not as quick as would be the case if there were to be a change in reserve requirements. The fact that substantial sums of money can be made available at once through a change in reserve requirements is the important factor in such an operation as far as the money markets are concerned.

Large Treasury Borrowing in Prospect

The Treasury will end the current fiscal year with a sizable deficit somewhere between $3½ and $4 billion, but the recent financing operation has taken care of supplying the money that will be needed to meet this deficit. However, with the new fiscal year which starts on July 1, there will really be a need for very large amounts of money to finance the contemplated deficit. It is estimated that at least $10 billion will have to be raised in the last six months of 1954, which means that the commercial banks will have an important role to play in this operation. Even though the business pattern continues to show a flattening out as far as the decline is concerned, it is not expected that there will be any important change in monetary policy. There will have to be more tangible evidence over a longer period of time about the way in which business is going before the monetary authorities will be inclined to modify the current easy money program.

The inflation fear appears to have been well relegated to the background because of the ample supply of goods and services and unless there is a repetition of the pre-Korea psychology, with its resultant effect upon prices, there should be no need for any important change in monetary policy. An easy money market with an ample supply of credit so that the needs of commerce and industry are well taken care of appears to be what the powers that be are endeavoring to bring about.

Bulk of Borrowing to Be Short-Term

On the other hand, the deficit of the government must be financed and it is not expected that this will be done at a high interest rate. In the first place, a substantial part of the deficit will be taken care of by tax anticipation issues which should not be too much of a burden as far as the cost of carrying them is concerned. A sizable amount of the deficit will be financed through the sale of securities to the commercial banks, and in order to do that there will have to be a relaxing in reserve requirements especially among the large money center institutions. However, action on reserve requirement, when it does come, will most likely be all embracive, so that the smaller banks will also share in it even though they now have the bulk of the excess reserves. A token long-term offering could be made to keep the prices of the outstanding issues from getting out of line on the upside.

With MacNaughton-Greenawalt & Co.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Lynn H. Clark has become affiliated with MacNaughton-Greenawalt & Co., Michigan Trust Building, members of the Detroit and Midwest Stock Exchanges.

Now Branch Manager

Newburger, Loeb & Co., members of the New York Stock Exchange, have appointed Lewis H. Miller Associate Manager of the 931 Madison Avenue branch (at 74th Street), New York City. Mr. Miller has been with Newburger, Loeb & Co. since 1950.

Securities Salesman's Corner

By JOHN DUTTON

Stay on the Beam

Occasionally, I receive letters from friends who pass along ideas to me that are worth repeating in this column. Once again, Larry Moorman, Vice-President of National Securities & Research Corp., who is well known to the many dealers throughout the south who are retailing shares of National Funds, has sent me something that I believe is very worthwhile passing along. Here goes:

"Have you ever started talking to a client about an investment designed to provide better than average dependability; conservation of purchasing power; better than average income; more buying power—and then have the interview bog down, or get completely off the track, because the client wanted to talk about market levels, appreciation, growth, conservation of dollars, defense on the down-side or some other off the beam topic?

"As you gained experience, you learned to keep the interview confined to finding the problem and the proper solution. You used the right tool for the right job. You did not try to drive nails with a saw. It doesn't take much experience in the investment business to know that no one investment can do all things equally well. In other words, you can't invest, speculate and be defensive with the same dollar. If you must do all these things it will be necessary to split your money into three parts and select the proper investment for each part. This way you keep it simple and avoid confusion.

"Some of you may remember Doug Laird. He is a grand salesman and a stickler for simplicity. A pencil, a piece of paper on a corner of a prospect's desk and Doug was in business. There never was any confusion because the first thing Doug did was to draw a pie chart—a circle divided into three sections—to pin point the problem. One section had a dollar mark in it. This represented reserves, backlog, or dollar equivalent. The second section was labeled gain and the other section income. It was soon discovered how the man was currently invested, or balanced, and just where he wanted to put his next money. Questions brought this out. They developed the problem. No security or investment was mentioned until the need was discovered."

* * *

Keep it simple—find out what the prospect wants—if he doesn't have a clear idea in his mind help him find it. Then stick to the point. That's the prescription and it is going to be more important than ever during the next year or so to have an understanding with your clients on this sort of a sound foundation. The way it looks confidence is returning, the public is beginning to stir, Profit talk is in the air, and it could well be that there will be a broad upward move in the market.

Recently clients who have held sound dividend paying securities that have not participated in the rise in the price of some of the specialties and blue chips have become a bit restless. The urge to speculate is beginning to reappear. It is very easy for a securities salesman to take the lines of least resistance and go off the track. The quickest way to more business during a period of rising confidence is to sell short-term profits, quick turns, and to allow your accounts to downgrade their lists. This is also a sure way to run into trouble that will come along sooner or later.

The average security buyer who is a non-professional investor doesn't know how to set up a sound program of investments—after he has one he forgets to keep it in good repair—and when a broad bull market starts you must continually remind him that bull and bear markets come and go but his need for income goes on until the end of his days, and then his family will need it. Without capital there is no income. Without a sound program no investor can look forward to the future with confidence and have peace of mind.

Larry Moorman is right—keep it simple—sell what the customer needs—after you help him determine those needs stick to the point. Don't let him forget it. In a period when reaching for speculative profits is something that you will have to talk about and recognize every working day, there is still a lot to be said for Doug Laird's pie chart. I'd cut a corner off — say about 10% for some and a bit more for others and say, "OK that's fine, we'll see what we can select that looks like a good speculation. How about cutting off a corner for that. I'd suggest about 10% for speculative stocks. Doesn't that sound about right to you?" Then stick to it. The only customer that ever gave me a hard time was the one with whom I didn't have an understanding. And you have to keep reminding them too.

Boston Analysts to Hold Annual Meeting

BOSTON, Mass. — The Boston Security Analysts' Society will hold their 8th Annual Meeting, to be held on June 1, 2, and 3. The program includes:

JUNE 1

2:00-3:00 p.m.—Choice of:

"The Business Situation" by Charles C. Abbott, Professor of Finance, Harvard Business School.

"The Paper Industry" by William H. Chisholm, Vice-President, Oxford Paper Company.

3:00-4:00 p.m.—Choice of:

"Which Industries" by Armand G. Erpf of Carl M. Loeb, Rhoades & Co.

"The Oil Industry" by Winfield H. Perdun of Smith, Barney & Co.

4:00-5:00 p.m.—Choice of:

"Money Rates" by Sidney Homer of Scudder, Stevens & Clark.

"Canadian Securities" by William T. Moran of Greenshields & Company, Montreal.

6:30 p.m.—Annual Dinner.

"The Future of Atomic Energy in Industry" by Gordon Dean, Former Chairman of the Atomic Energy Commission and now associated with Lehman Brothers.

JUNE 2 — (All Day Field Trips)

Choice of:

1. Dewey & Almy. Photon, Inc.
2. Polaroid Corporation. Ultrasonic Corporation.
3. Boston Edison. Gillette.

JUNE 2 and 3 (2 Day Field Trip)

Oxford Paper Co.
Maine Central Railroad.

New Hardy Branch

Southampton, N. Y.—Hardy & Co. has opened a branch office at Meetinghouse Lane & Main Street under the management of Lester T. Doyle, a partner in the firm.

Public Utility Securities

By OWEN ELY

United Gas Corporation

United Gas Corporation is the second largest natural gas system, consolidated 1953 revenues of $209 million comparing with Columbia Gas System's $232 million. Part of the system's gas requirements are produced by Union Producing Company and transmission is handled by another wholly-owned subsidiary, United Gas Pipe Line Company, while the parent company takes care of retail distribution. Duval Sulphur & Potash Company is also controlled through ownership of nearly 75% of the common stock.

The entire system serves part of Texas, Louisiana and Mississippi, extending into southern Alabama, to Pensacola in the northwestern part of Florida, and to the international boundary at Laredo, Texas. In addition to natural gas, subsidiaries are also engaged in the production of crude oil, recovery of natural gasoline and other liquid hydrocarbons through natural gasoline plants, cycling plants and by condensation, and the production of sulphur and potash. System operations include considerable wholesale business.

Union Producing Company is engaged in exploration and development of lands for the production of natural gas, oil, etc., and owns 634 gas wells plus an interest in 514 other gas wells. It also owns 455 oil wells and has an interest in 191 other oil wells. These wells are located in 93 fields in Texas, Louisiana, Mississippi, Oklahoma and Arkansas. Reserves approximate 4.3 trillion cubic feet compared with the 22.5 trillion of reserves of supplying companies. Last year total reserves increased about 1 trillion cubic feet after the sale of 1 trillion cubic feet of gas.

United Gas Pipe Line Company purchases all of its gas requirements, operates plants for the extraction of natural gasoline, etc., and transports gas to cities, towns and industries and to connections with other pipe line companies. It owns and operates 1,254 miles of field lines and 8,040 miles of main transmission lines. Sales are made to the distribution divisions of United Gas Corp., other distribution systems and pipe line companies, power plants, oil companies, pulp and paper mills, chemical plants, synthetic rubber plants, cement and lime companies, aluminum plants, sugar refineries, brick and tile companies, glass companies and other industries in the states of Texas, Louisiana, Mississippi, Alabama and Florida.

The distribution divisions of the parent company deliver gas to residential, commercial, industrial and other customers in 309 cities, towns and communities and in rural areas in Texas, Louisiana, and Mississippi. They own and operate 10,876 miles of distribution and service lines and at the end of the year served 465,254 customers.

Duval Sulphur & Potash is engaged in the mining of sulphur at Orchard Dome in Fort Bend County, Texas, and the mining and processing of potash from leases in Eddy County, New Mexico.

United Gas Corp. is not affected by the recent Panhandle decision of the Federal Power Commission since there has always been "arms-length bargaining" between it and the producing subsidiary with respect to gas purchases. In other words the gas purchased from Union Producing Company (which company had been in existence prior to acquisition of control by United Gas Corp.) has been on the same cost basis as gas purchased from other producers. While last year the subsidiary supplied slightly less than one-quarter of the System sales, the fact that its earnings have not been regulated on an "original cost" basis has improved the system showing.

Thus far the system has not been hurt by the price squeeze in gas. However President McGowen, in a recent talk before the New York Society of Security Analysts, expressed some apprehension that if the rise in the field price of gas should continue further (some recent contracts as high as 25c per mcf. have been reported) producers might "price themselves out of the market." He mentioned plentiful supplies of coal in Alabama and lignite in Texas. Of course in northern areas where cost must include perhaps 20c more for transportation, the danger from competing fuels might be even greater, depending largely on shipping costs for coal or oil.

The capital structure of United Gas is simple — 57% long-term debt and 43% common stock equity—and the ratios at the end of 1954 are expected to be 55% and 45% respectively. Plant account includes a moderate amount for gas plant acquisition adjustments (being amortized through 1962 at the rate of $1,502,655 per annum) and there may be some intangibles in the plant of Union Producing Company.

Mr. McGowen estimated 1954 earnings at $2.18 (vs. $1.99 in 1953) assuming that the company can work out the rate cases now before the FPC (with revenues collected under bond). If earnings reach this level and the FPC problem is out of the way, he felt that there might be a possibility of an increase in the present $1.25 dividend rate. In the first quarter of 1954 77c a share was earned compared with 72c on a smaller number of shares in the same period of 1953.

The company does not plan any financing for this year; if necessary a bank loan will be used. The construction program is tapering off—only about $43 million cash will be required this year, it is estimated, about half the average for the years 1951-53. As of Jan. 1, the company had cash assets of $53 million, and it is estimated that this will dip to $35 million at the year end, with the balance of construction funds provided by depreciation, depletion and retained earnings.

The stock is currently selling on the New York Stock Exchange around 32 to yield 3.9%.

LETTER TO THE EDITOR:

Sees Overpopulation in East a World Problem

Robert N. Tuller, New York Investment Banker, gives his impressions of a round-the-world trip, which included Japan, the fringe of China, Thailand, Indonesia and India.

Editor, Commercial and Financial Chronicle:

After 25 years prosecuting the municipal bond business, I left New York City on this world trip dedicated to the principle that my purpose was one of pleasure. Consequently, I have not studied the economic aspects of any one country in a manner which would qualify me to write an article on that country's governmental securities. However, one cannot travel through such countries as Japan, a fringe of China, Thailand, Indonesia, or India without feeling intensely about them, their problems, and our problems in relation to them.

Robt. N. Tuller

The outstanding impression I have is the problem of POPULATION! Our efforts to aid these peoples with food or clothing or shelter are destined to be relatively futile *until* and unless their problems of population in relation to resources and productivity are solved. America does not begin to have the expendable resources to aid these peoples in a traditional manner. Such well-intentioned efforts would be as effective as attempting to extinguish an oil well fire with a bucket of water.

And so I would say to the many and various research foundations dedicated to the welfare of humanity that they concentrate some effort on placing in the hands of these peoples some simple and effective method by which they may correlate and adjust their physical numbers to the productive possibilities of their economies. Until one has seen the living conditions of these teeming millions, one cannot understand why the problems of disease, poverty and ignorance are not just simply a matter of, say, penicillin, subsidy, and education. The control of population as an objective would apparently not be contrary to religious taboos, though such are legion.

The average simple man is too close to the subsistence level not to appreciate the fact that with fewer numbers there would be more to divide. I have been met by kindness and courtesy everywhere, even among the poorest, and yet I have never witnessed such contrast and disparity between the many poor and the few rich.

We can truthfully help these peoples only by teaching them to help themselves control their numbers. They are not interested as a mass in our political ideologies, nor will they be. The struggle of life versus death is too close to permit of such luxuries. It is amusing to read much more in their newspapers about the hydrogen bomb than appears relatively in our own. But the literate wonder and fear what we are going to do with it. My Kashmir friend asked me in all sincerity whether it was true, as he had heard, that the United States had given the hydrogen bomb to Pakistan for such use as the Pakistani might wish to make of it. I told him that while it was not given to the United States citizen to know much at this time about atomic force, I did think I could reassure him that we had not given the bomb to Pakistan.

I think we should ponder on the fact that many of the so-called riches of the East, such as rubber, oil and tin, for example, are only riches because of the Western Industrial Revolution. They will never have the same value to these peoples as to us until they are industrialized, but there is another political force at large in the world which undoubtedly appreciates such values and would be completely ruthless in getting them. However, until the Industrial Revolution progresses as far behind the Iron Curtain as it has in Europe and the United States, the loss of these sources of wealth will not be to their relative gain.

Communism would have no qualms in solving my concern with over-population via the gun or planned famine. Let us hope that such a force is not ready to move before the Asiatics come to know their own proper potentialities.

At this writing, I am only a little more than half way around the globe, but I feel certain that my remarks will apply equally from the Himalayas on through the Appenines.

ROBERT N. TULLER.

Robert N. Tuller Co.,
25 Broad Street,
New York City.

Northern Trust Group Offering $9,830,000 Dallas School Bonds

Northern Trust Co. of Chicago heads a syndicate offering $9,830,000 Dallas, Texas, Independent School District, 4%, 2½% and 1% bonds, due June 1, 1955 to 1974, inclusive. The bonds are offered at prices scaled to yield from .80% to 2.90%, according to maturity.

Other members of the offering group include: The First National Bank of Chicago; Goldman, Sachs & Co.; Kidder, Peabody & Co.; Alex. Brown & Sons; Dean Witter & Co.; The Boatmen's National Bank, St. Louis; W. E. Hutton & Co.; First National Bank in Dallas; Bache & Co.; Stern Bros. & Co.; The Milwaukee Company; Tripp & Co., Inc.; Rand & Co.; Shelby Cullom Davis & Co.

Why Atomic Energy Act Should Be Amended

Jerome D. Luntz, Editor of "Nucleonics" magazine, published by the McGraw-Hill Publishing Company, says changing Atomic Energy Act to facilitate industrial participation is timely and constructive.

In a prepared statement presented to the Joint Congressional Committee on Atomic Energy on May 10, Jerome D. Luntz, Editor of "Nucleonics," a magazine published by the McGraw-Hill Publishing Company, urged enactment of the bill pending in Congress to facilitate participation of industry in all kinds of nuclear power developments. The highlights of Mr. Luntz's statement follows:

Jerome D. Luntz

(1) A survey of industrial reaction to the proposed legislation, conducted by "Nucleonics" magazine with the technical assistance of the Atomic Industrial Forum among 351 industrial concerns and key professional people, (just completed) shows overwhelming support for revising the law substantially along the lines of the Cole-Hickenlooper bill.

(2) Changing the Atomic Energy Act now to facilitate industrial participation is timely because of the intense interest of industry in all kinds of nuclear power plants.

(3) The proposed bill would represent an interim change. Further changes in the legislation will be necessary as the atomic energy industry develops.

(4) The Government should play a positive role in disseminating nonsecret atomic energy information to industry and to the public.

(5) One application of nuclear power that may be pursued by industry this year if the Act is changed as proposed in this session of Congress is the construction and sale of "package" nuclear power plants for location in high-cost-power areas.

(6) Two proposed revisions of the Act relating to punishment for disclosure of classified information, may create an atmosphere of intimidation and harassment and may inhibit the desired dissemination of information.

James Felchlin on Trip To Chicago and N. Y. C.

James A. Felchlin, Resident Manager at San Francisco for F. S. Smithers & Co., New York City, will take an extended trip of several weeks to Chicago and New York City, accompanied by his wife, Sybil, who is making the trip with him for the first time.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

David B. Stern will retire as an officer of A. G. Becker & Co. Incorporated May 31.

Peter C. Wright-Clark retired as a limited partner in Ross, Blanchard & Co. April 30.

Annual Meeting of Chicago Inv. Analysts

CHICAGO, Ill.—The Annual Meeting of the Investment Analysts Society of Chicago will be held on June 10, in conjunction with the last luncheon meeting of the season. Purpose of the meeting is to provide for the election of officers, and members of the Board of Governors, for the fiscal year 1954-1955.

The Board of Governors has appointed a Committee on Nominations consisting of J. Parker Hall, Chairman, University of Chicago; Hartman L. Butler, Jr., Duff, Anderson & Clark; Ed. K. Hardy, Jr., The Illinois Company; Arthur J. O'Hara, Northern Trust Co., and Richard H. Samuels.

The Nominating Committee, having duly met, has proposed the following nominations for officers for the fiscal year 1954-1955:

President—William G. Maas, White, Weld & Co.

Vice-President—J. C. Knotter, American Associated Insurance Cos.

Treasurer—Thomas F. Duffy, Northern Trust Co.

Secretary—Lucian B. Wilkinson.

Board of Governors—One-year term (to replace J. C. Knotter who is resigning because, by virtue of being an officer, he will be an ex-officio member of the Board): J. Franklin Bickmore, Boettcher & Co.

Three-year terms: Philip C. Biggert, Scudder, Stevens & Clark; Wayne R. Bennett, Continental Illinois National Bank & Trust Co.; William C. Norby, Harris Trust & Savings Bank.

Public Representatives Of N Y Stock Exchange

Keith Funston, President of the New York Stock Exchange, has announced the re-appointment of the three Public Representatives—John Sloan Dickey, Clarence Francis and Charles R. Hook—to the Exchange's Board of Governors.

Dr. Dickey is President of Dartmouth College and has served as a public governor since May, 1953; Clarence Francis, Chairman of General Foods Corporation, has been a public governor since May, 1952, and Charles R. Hook, Chairman of Armco Steel Corporation, was first elected in May of last year.

The office of Public Governor of the Stock Exchange was created in 1938 to bring to the Board of the Exchange a closer understanding of the public viewpoint and interest. The Board is composed of 28 other governors, the Chairman and the President of the Exchange.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Le Roy E. Moore has become connected with State Bond & Mortgage Company, 28 North Minnesota Street.

E X E C U T I V E   C O M M I T T E E

CHAIRMAN

R. R. Gilbert, Jr.
First National Bank in Dallas

VICE-CHAIRMAN

Edward Rotan
Rotan, Mosle & Cooper, Houston

VICE-CHAIRMAN

W. Wallace Payne
First of Texas Corporation, San Antonio

SECRETARY-TREASURER

Hugh D. Dunlap
Binford-Dunlap, Inc., Dallas

EXECUTIVE SECRETARY

R. B. (Brud) Smith
Dallas

NINETEENTH ANNUAL MEETING

Texas Group

INVESTMENT BANKERS ASSOCIATION OF AMERICA

DALLAS, TEXAS

MAY 9-10-11th, 1954

C O M M I T T E E M E N

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Underwood, Neuhaus & Co., Houston

W. Lewis Hart
Austin, Hart & Parvin, San Antonio

Thomas Beckett
First Southwest Company, Dallas

W. C. Jackson, Jr.
First Southwest Company, Dallas

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Omar Briggs, *Securities Commissioner of the State of Texas;* Joseph Neuhaus, *Underwood, Neuhaus & Co.,* Houston; W. C. Jackson, Jr., *First Southwest Company,* Dallas; P. B. (Jack) Garrett, *Texas Bank & Trust Co.,* Dallas; W. Wallace Payne, *First of Texas Corporation,* San Antonio

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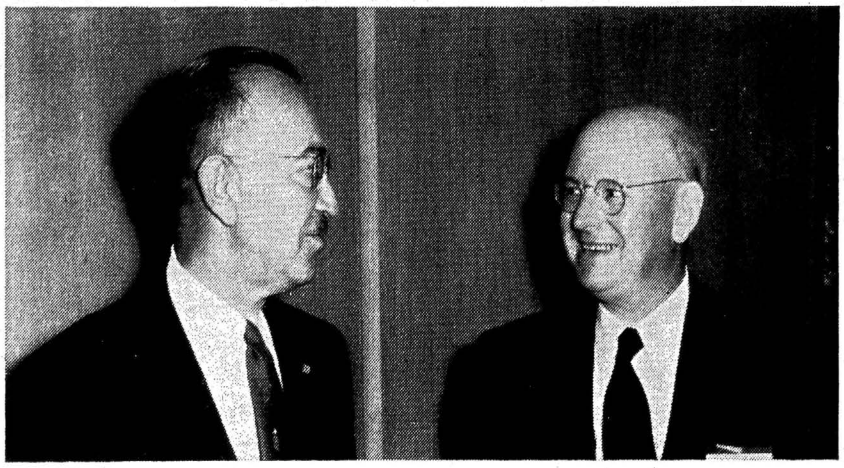
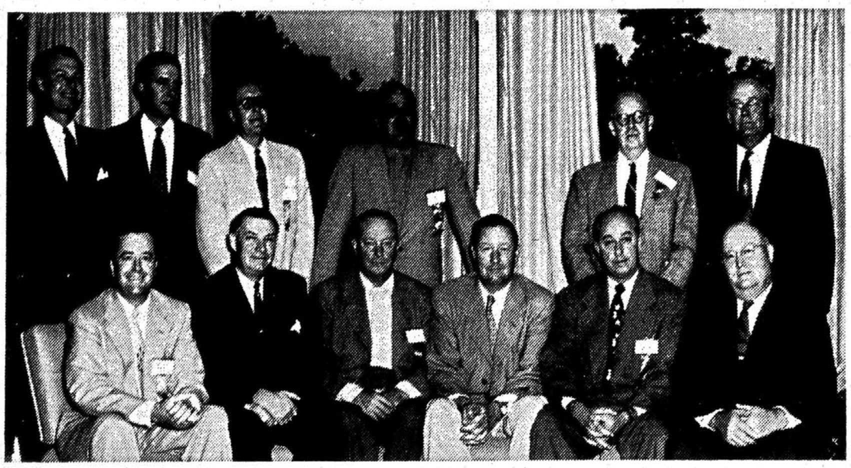
Mr. & Mrs. Delton Bennett, Jr., *First of Texas Corporation,* Dallas; Mr. & Mrs. W. Wallace Payne, *First of Texas Corporation,* San Antonio; Mr. & Mrs. C. L. West, *Russ & Company, Inc.,* San Antonio



Phillip J. Clark, *Amos C. Sudler & Co.,* Denver; David Barnes, *Ranson-Davidson Company, Inc.,* San Antonio

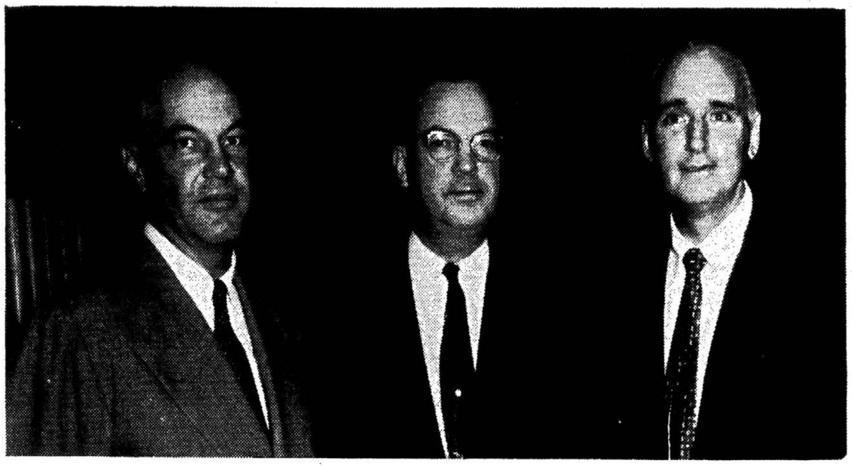
William J. Corbett, Jr., *Burns, Corbett & Pickard, Inc.,* Chicago; A. V. (Jack) Lewis, *First National Bank of Ft. Worth;* Harold H. Spink, *A. C. Allyn & Co.,* Chicago; Robert M. Gardiner, *Reynolds & Co.,* New York; George B. Wendt, *First National Bank of Chicago;* Fred Deaton, *E. F. Hutton & Company,* Dallas; J. Marvin Moreland, *J. Marvin Moreland & Co.,* Galveston, Texas



Some of the Rauscher, Pierce Gang: Standing: Taylor B. Almon, Dallas; Morris A. Dudley, Dallas; Lewis Richardson, Tyler, Texas; Ed Volz, San Antonio; Harland Mayes, Dallas; E. C. Hawkins, Houston. Seated: Arnold J. Kocurek, San Antonio; John L. Canavan, Dallas; John H. Rauscher, Sr., Dallas; Charles C. Pierce, Dallas; James S. Carroll, Dallas; Louis J. Kocurek, San Antonio

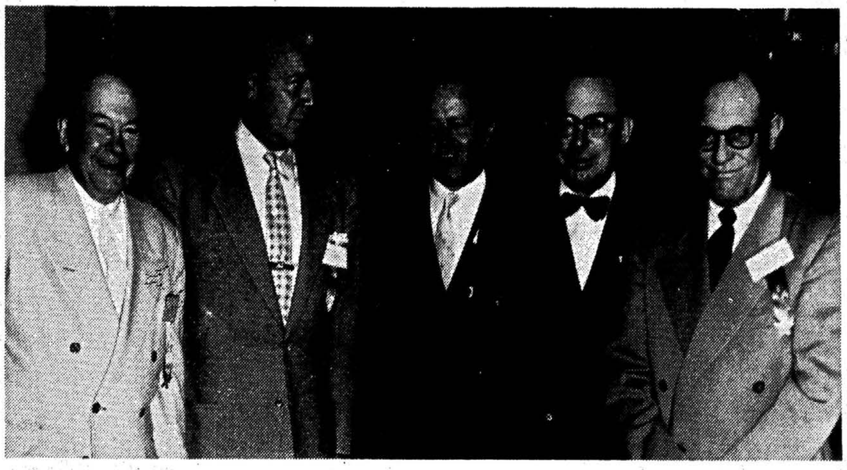
Mr. and Mrs. W. Lewis Hart, *Austin, Hart & Parvin*, San Antonio; Mr. and Mrs. Francis I. Abshire, *J. R. Phillips Investment Company, Incorporated*, Houston; Mrs. Paul J. Fagan; F. Vincent Reilly, *Commercial & Financial Chronicle*, New York; Paul J. Fagan, *National Association of Securities Dealers, Inc.*, Dallas

Mr. & Mrs. William G. Hobbs, Jr., *Russ & Company, Inc.*, San Antonio; Mr. & Mrs. Charles A. Schoeneberger, *Central Republic Company*, Chicago; Charles J. Eubank, *Charles J. Eubank Co.*, Waco, Texas; Mrs. Winton A. Jackson; Mrs. Thomas Beckett, Dallas; Winton A. Jackson, *First Southwest Company*, Dallas; Mr. & Mrs. Landon A. Freear, *William N. Edwards & Co.*, Ft. Worth



Annapolis Reunion: W. A. (Ted) Taylor, *E. F. Hutton & Company*, Dallas; A. McIntyre Leary, *Barrow, Leary & Co.*, Shreveport, La.; Ed Bernet, Jr., *Schneider, Bernet & Hickman*, Dallas

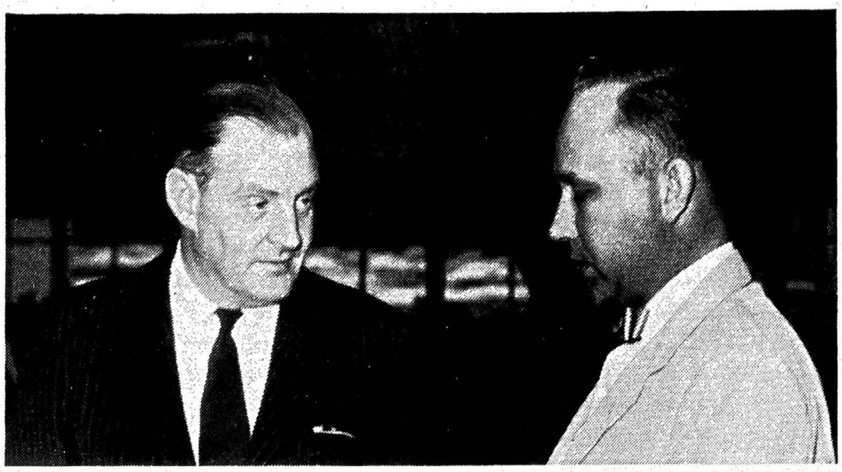
H. Frank Burkholder, *Equitable Securities Corporation*, Nashville; Lloyd B. Hatcher, *White, Weld & Co.*, New York; Edward D. McGrew, *Northern Trust Company*, Chicago; William J. Mericka, *Wm. J. Mericka & Co., Inc.*, Cleveland



J. E. W. Thomas, *Keith Reed & Company*, Dallas; Raymond R. Wilson, *Union Securities Corporation*, New York; R. R. Rowles, *Rowles, Winston & Co.*, Houston; Hugh Bass, *Keith B. Reed & Company*, Dallas; Henry Keller, *Keller & Ratliff*, Ft. Worth

Kenneth S. Johnson, *Indianapolis Bond and Share Corporation*, Indianapolis; Charles L. West, *Russ & Company, Inc.*, San Antonio; Wallace Payne, *First of Texas Corporation*, San Antonio; Oscar M. Bergman, *Allison-Williams Co.*, Minneapolis; Edward Edelman, *Locke, Locke, & Purnall*, Dallas

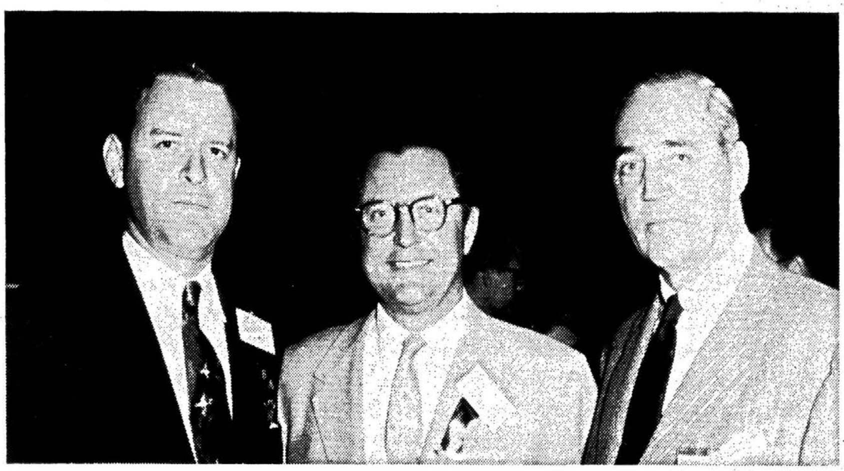
Harry Ratliff, *Keller & Ratliff*, Ft. Worth; Mr. & Mrs. A. V. Lewis, *First National Bank of Ft. Worth;* Carroll H. Little, Jr., *C. H. Little & Co.*, Jackson, Tenn.



D. E. Walton, *Ft. Worth National Bank*, Ft. Worth, chairman of tour committee of Texas Group of the I. B. A., confers with Harvey Gaylord (left), *Bell Aircraft Corporation*, prior to group's tour through company's Ft. Worth helicopter plant.

On tour of Bell Aircraft Corporation helicopter plant at Ft. Worth: F. Vincent Reilly, *Commercial & Financial Chronicle*, New York; William H. Cooley, *Television Shares Management Corporation*, Chicago; Paul A. Just, *Television Shares Management Corporation*, Chicago; Phillip J. Clark, *Amos C. Sudler & Co.*, Denver; William J. Corbett, Jr., *Burns, Corbett & Pickard, Inc.*, Chicago; Hiram F. Bright, *Harris Trust & Savings Bank*, Chicago; A. McIntyre Leary, *Barrow, Leary & Co.*, Shreveport, La.; Robert M. Gardiner, *Reynolds & Co.*, New York; Avery Rockefeller, Jr., *Dominick & Dominick*, New York; Quitman R. Ledyard, *Equitable Securities Corporation*, Nashville

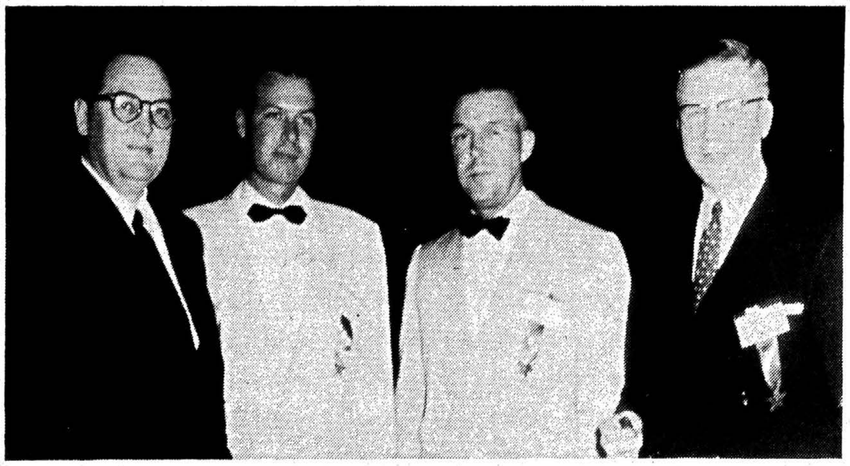
Gordon B. Whelpley, *Goldman, Sachs & Co.*, New York; Mr. & Mrs. John W. Turner, *Eppler, Guerin & Turner*, Dallas; Dean P. Guerin, *Eppler Guerin & Turner*, Dallas; Harry L. Arnold, *Goldman, Sachs & Co.*, New York



Frank K. Fisk, *Garrett & Company*, Dallas; Edmond L. Brown, *Garrett & Company*, Dallas; Paul A. Just, *Television Shares Management Corporation*, Chicago

Mr. & Mrs. Ed Bernet, *Schneider, Bernet & Hickman,* Dallas; Mr. & Mrs. Ed Rotan, *Rotan, Mosle and Cooper,* Houston; John P. Henderson, *M. E. Allison & Co., Inc.,* San Antonio

Mr. & Mrs. Eugene D. Vinyard, *Central Investment Company of Texas,* Dallas; Mr. & Mrs. Lewis F. Rodgers, *Central Investment Company of Texas,* Dallas; Mr. & Mrs. Claude C. Boothman, *Dumas, Huguenin & Boothman,* Dallas; Mr. & Mrs. W. E. Knickerbocker, *McClung & Knickerbocker,* Houston



O. P. Decker, *American National Bank & Trust Company,* Chicago; Taylor B. Almon, *Rauscher, Pierce & Co.,* Dallas; Munson McKinney, *Rauscher, Pierce & Co.,* Dallas; Oscar M. Bergman, *Allison-Williams Company,* Minneapolis

Arthur J. C. Underhill, *Arthur Wiesenberger & Co.,* New York; Mr. & Mrs. George Rooker, *Keith Reed & Company,* Dallas; Bill Estes, *R. J. Edwards, Inc.,* Dallas; Mrs. Pat O. Humphreys, Dallas; W. R. Benzing, *Granbery, Marache & Co.,* New York; John W. Turner, *Eppler, Guerin & Turner,* Dallas

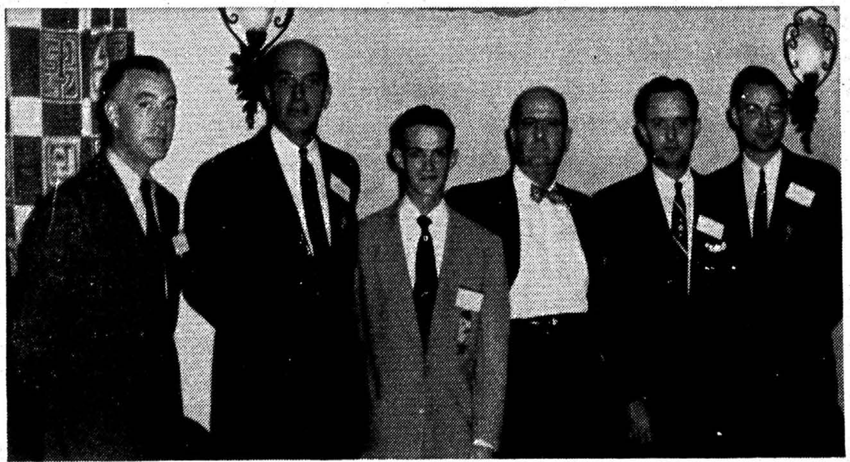
Dana T. Richardson, *Underwood, Neuhaus & Co.,* Houston; Wilbur Frederking, *Fridley & Hess,* Houston; Ed Franklin, *Dittmar & Company,* Dallas; Jack P. Brown, *Dallas Union Securities Company,* Dallas; Jesse A. Sanders, Jr., *Sanders & Newsom,* Dallas; Harry I. Prankard, *Lord, Abbett & Co.,* New York; D. Acheson Keeler, *Lord, Abbett & Co.,* Dallas; Wilbur Hess, *Fridley & Hess,* Houston

Louis B. Henry, *Henry-Seay & Co.,* Dallas; Mr. and Mrs. Joe W. Ellis, *First Southwest Company,* Dallas; Mr. and Mrs. D. E. Walton, *Ft. Worth National Bank,* Ft. Worth; William H. Seay, *Henry-Seay & Co.,* Dallas; O. Roy Stevenson, *Ft. Worth National Bank,* Ft. Worth

Mr. & Mrs. Ray Condon, *B. J. Van Ingen & Co., Inc.,* Chicago; Mr. & Mrs. Francis I. Abshire, *J. R. Phillips Investment Company, Incorporated,* Houston; Mr. & Mrs. Fred J. Bolton, *Lentz, Newton & Co.,* San Antonio

Mr. & Mrs. John Bryce, *Garrett and Company,* Dallas; Mr. & Mrs. Walter Kline, *Garrett and Company,* Dallas; Mr. & Mrs. Steve Denning, *Garrett and Company,* Dallas; Mr. & Mrs. Edmond L. Brown, *Garrett and Company,* Dallas

Nicholas F. Roberts, *Republic National Bank of Dallas*; Avery Rockefeller, Jr., *Dominick & Dominick*, New York; John H. Rauscher, Jr., *Rauscher, Pierce & Co.*, Dallas; W. Rex Cromwell, *Cromwell & Co.*, Dallas; Sam Johnson, *Southwestern Securities Company*, Dallas; James D. Murphy, *Shearson, Hammill & Co.*, Houston



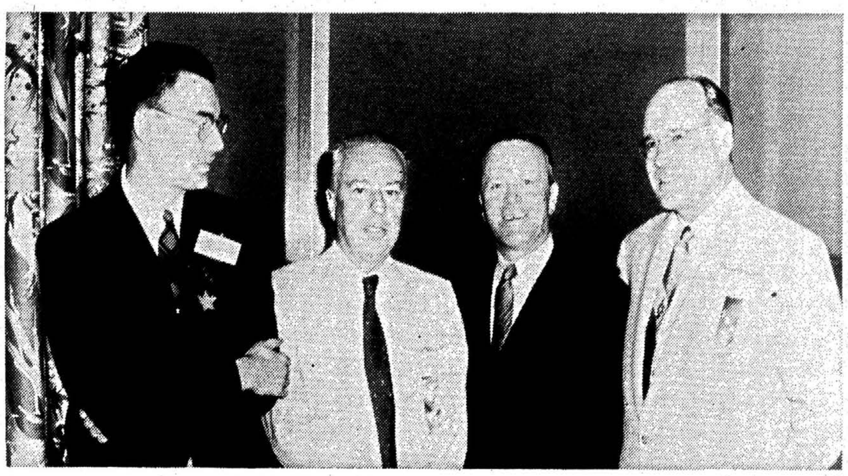
William F. Parvin, *Austin, Hart & Parvin*, San Antonio; Quitman R. Ledyard, *Equitable Securities Corporation*, Nashville, Tenn.; Carroll H. Little, Jr., *C. H. Little & Co.*, Jackson, Tenn.; W. Travis Sikes, *Dewar, Robertson & Pancoast*, San Antonio; Claude O. Boothman, *Dumas, Huguenin & Boothman*, Dallas; Marshall Schmidt, *Drexel & Co.*, Philadelphia

Mr. and Mrs. Lockett Shelton, *Republic National Bank of Dallas*; Jack C. Payne, *Republic National Bank*, Dallas; Mrs. John L. Canavan, Dallas; Newell S. Knight, *Mercantile Trust Company*, St. Louis; John L. Canavan, *Rauscher, Pierce & Co.*, Dallas

Mr. & Mrs. Keith Congdon, *R. A. Underwood & Co., Inc.*, Dallas; Mrs. Murray W. Moore; Mr. & Mrs. R. A. Underwood, *R. A. Underwood & Co., Inc.*, Dallas; Murray W. Moore, *Murray W. Moore & Company*, Dallas

Vincent Newman, *Allan Blair & Company*, Chicago; Mr. and Mrs. Charles A. Schoeneberger, *Central Republic Company*, Chicago; Mrs. R. E. Whitlock; Mrs. Vincent Newman; Robert E. Whitlock, *James C. Tucker & Co., Inc.*, Austin, Texas; Mr. and Mrs. J. Marvin Moreland, *J. Marvin Moreland & Company*, Galveston, Texas

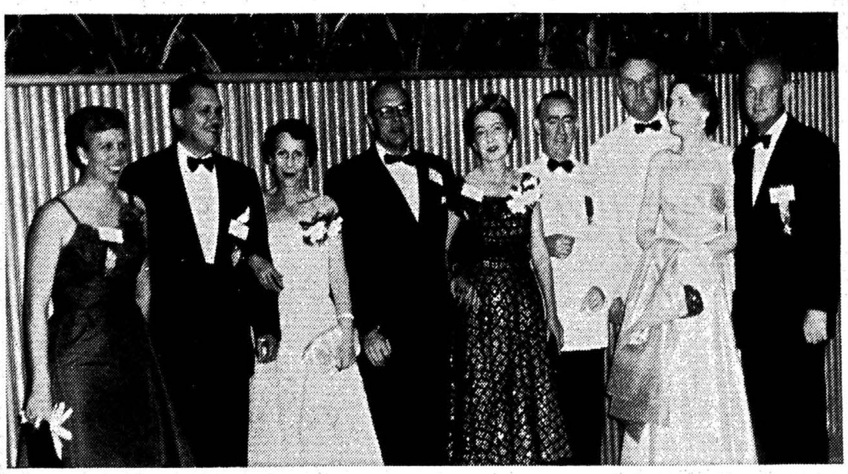
Mr. and Mrs. Maurice Hatcher, *First National Bank in Dallas*; Mr. and Mrs. Fritz Stewart, *Southwestern Securities Company*, Dallas; Arnold J. Kocurek, *Rauscher, Pierce & Co.*, San Antonio; W. G. Inman, *John Nuveen & Co.*, Chicago; Morris Dudley, *Rauscher, Pierce & Co.*, Dallas; Robert Gil Tucker, *R. A. Underwood & Co., Inc.*, Dallas; Arthur E. Kirtley, *First Boston Corporation*, Chicago



Marshall Schmidt, *Drexel & Co.*, Philadelphia; Hal H. Dewar, *Dewar, Robertson & Pancoast*, San Antonio; Russell R. Rowles, *Rowles, Winston & Co.*, Houston; John D. Williamson, *Dittmar & Company*, San Antonio

Ed Muir, *Russ & Company, Inc.*, San Antonio; Jesse R. Phillips, *J. R. Phillips Investment Company, Incorporated*, Houston; Omar Briggs, *Securities Commissioner*, State of Texas; Charles C. Pierce, *Rauscher, Pierce & Co.*, Dallas; C. Willard Houser, *American National Bank*, Austin; Joseph R. Neuhaus, *Underwood, Neuhaus & Co.*, Houston; Reginald MacArthur, *Kenower, MacArthur & Co.*, Detroit; Hugh Dunlap, *Binford-Dunlap, Inc.*, Dallas

William P. Smallwood, *First Southwest Company,* Dallas; Mrs. Joseph R. Neuhaus; John Brandenberger, *J. Marvin Moreland & Company,* Houston; Charles I. Francis, *Texas Eastern Transmission Co.,* Houston; Mrs. William P. Smallwood; Mrs. C. Rader McCulley; Joseph R. Neuhaus, *Underwood, Neuhaus & Co.,* Houston; C. Rader McCulley, *First Southwest Company,* Dallas



Mrs. W. A. Jackson, Dallas; Mr. & Mrs. W. C. Jackson, Jr., *First Southwest Company,* Dallas; Mr. & Mrs. James F. Jacques, Jr., *First Southwest Company,* Dallas; Edwin J. Markham, *Wertheim & Co.,* New York; Mr. & Mrs. Lockett Shelton, *Republic National Bank of Dallas;* Thomas Beckett, *First Southwest Company,* Dallas

Dean P. Guerin, *Eppler, Guerin & Turner,* Dallas; Mr. & Mrs. William Seay, *Henry-Seay & Co.,* Dallas; Mr. & Mrs. A. C. Black, *Henry-Seay & Co.,* Dallas; Mr. & Mrs. John W. Turner, *Eppler, Guerin & Turner,* Dallas

P. B. (Jack) Garrett, *Texas Bank & Trust Co.,* Dallas; Lewis Miller, *First National Bank of Chicago;* R. R. Gilbert, Jr., *First National Bank in Dallas*

Wm. J. Lau, *J. M. Dain & Company*, Minneapolis; Gus Nelson, *Texas National Corp.*, San Antonio; John C. Hecht, *Dempsey-Tegeler & Co.*, Los Angeles; Tom Kemp, *Dempsey-Tegeler & Co.*, Los Angeles; Floyd W. Sanders, *White, Weld & Co.*, Chicago; John J. Fosdick, *Russ & Company, Inc.*, Houston

Tim H. Dunn, *Southwestern Securities Company*, Midland, Tex.; Mr. and Mrs. Hugh Bradford, *Southwestern Securities Company*, Dallas; John S. Hilson, *Wertheim & Co.*, New York; Mrs. Sam Johnson, Dallas, Tex.; E. Michael Growney, *Joseph McManus & Co.*, New York; Mrs. Glenn Sheppard, *Southwestern Securities Company*, Dallas; Graham Walker, *Joseph McManus & Co.*, New York; Mrs. C. Rader McCulley, Dallas

Jesse R. Phillips, *J. R. Phillips Investment Company, Incorporated*, Houston; Mrs. P. J. McNeel, San Antonio; Mr. and Mrs. J. Marvin Moreland, *J. Marvin Moreland & Company*, Galveston; Paul W. Fairchild, *First Boston Corporation*, Chicago; Mr. and Mrs. William G. Hobbs, *Russ & Company, Inc.*, San Antonio

Marquette de Bary, *F. S. Smithers & Co.*, New York; Reginald MacArthur, *Kenower, MacArthur & Co.*, Detroit; Lewis F. Lyne, *Mercantile National Bank*, Dallas; Mrs. W. C. Jackson, Jr., Dallas; Rollin C. Bush, *National City Bank*, New York; Lewis W. Pollok, *Eddleman-Pollok Co.*, Houston

Mary Fuess, *First National Bank in Dallas;* Chris Lowery, *Merrill Lynch, Pierce, Fenner & Beane,* Dallas; Mrs. Mavoline Cottingam, *Rauscher, Pierce & Co.,* Dallas; Mrs. Winifred Scott, *Texas Bond Reporter,* Dallas; Brud Smith, *Texas Bond Reporter,* Dallas; Mandy Denham, *First Southwest Company,* Dallas

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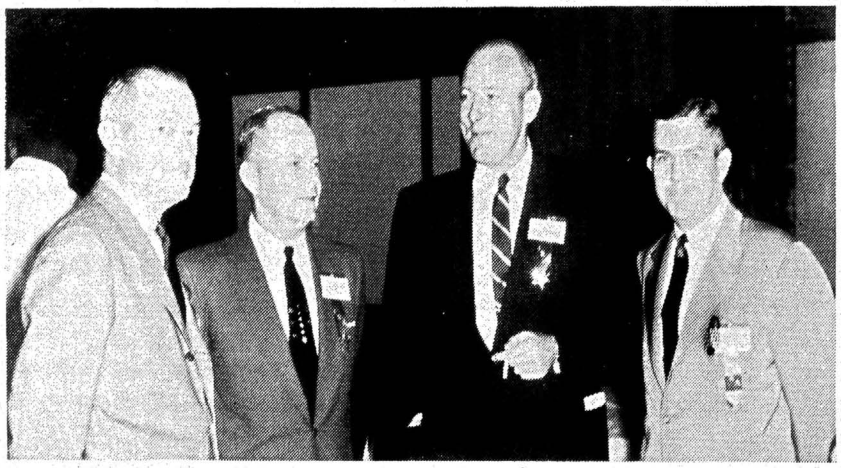
Ed Muir, *Russ & Company, Inc.,* San Antonio; William A. Parker, *Incorporated Investors,* Boston; Mrs. Ed Muir; Charles Devens, *Incorporated Investors,* Boston

Mrs. Raymond V. Condon, *B. J. Van Ingen & Co., Inc.,* Chicago; George B. Wendt, *First National Bank of Chicago;* Mr. & Mrs. Fred J. Bolton, *Lentz, Newton & Co.,* San Antonio; Mr. & Mrs. Joseph R. Neuhaus, *Underwood, Neuhaus & Co.,* Houston; Mr. & Mrs. Phillip R. Neuhaus, *Underwood, Neuhaus & Co.,* Houston; Mr. & Mrs. Leslie L. Lentz, *Lentz, Newton & Co.,* San Antonio; Alfred J. Stalker, *Kidder, Peabody & Co.,* New York

Mr. and Mrs. Clarence E. Sample, *Mercantile National Bank*, Dallas; Mr. and Mrs. Clarence R. Hendricks, *William N. Edwards & Co.*, Ft. Worth; Mr. and Mrs. Wm. N. Edwards, *William N. Edwards & Co.*, Ft. Worth

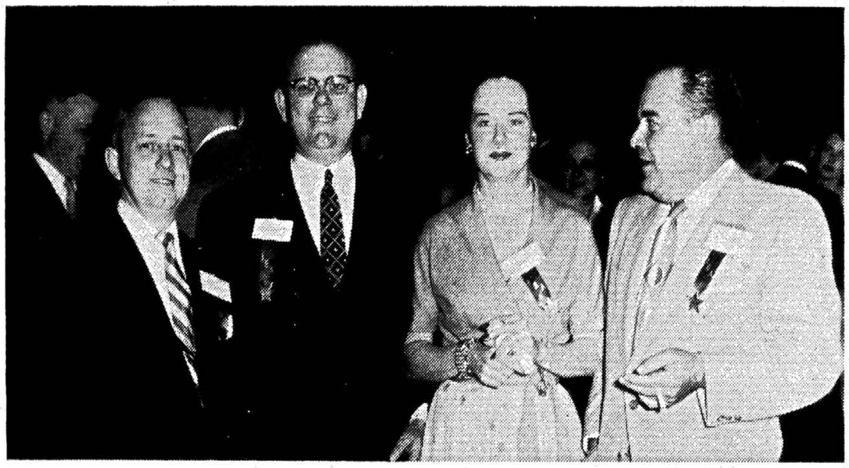
Mrs. Keith Congdon; Nelson Waggener, *Walker, Austin & Waggener*, Dallas; Keith Congdon, *R. A. Underwood & Co., Inc.*, Dallas; Mrs. W. Perry McPherson, Dallas; Mrs. Lockett Shelton, Dallas; Mr. and Mrs. Manley A. Hagberg, *M. A. Hagberg & Co., Inc.*, Dallas



Lewis F. Rodgers, *Central Investment Company of Texas*, Dallas; W. E. Knickerbocker, *McClung & Knickerbocker*, Houston; Ed Rotan, *Rotan, Mosle and Cooper*, Houston; Lewis W. Pollok, *Eddleman-Pollok Co.*, Houston

Charles E. Kimball, *Wellington Fund*, Dallas; Mr. and Mrs. John B. Cornell, Jr., *Distributors Group, Incorporated*, Dallas; Mr. and Mrs. Stephen E. Case, *Shearson, Hammill & Co.*, Dallas; Gus Nelson, *Texas National Corp.*, San Antonio; Edward H. Keller, *Texas National Corp.*, San Antonio

Walter M. Bader, *First Southwest Company*, Dallas; Mr. and Mrs. Scan Hilger, *Dallas Rupe & Son*, Dallas; Mr. and Mrs. G. Harold Pearson, *Rauscher, Pierce & Co.*, Dallas



Byron Sayre, *John Nuveen & Co.*, Chicago; Mr. and Mrs. Keith B. Reed, *Keith Reed & Company*, Dallas; Ed Volz, *Rauscher, Pierce & Co.*, San Antonio

Mr. and Mrs. R. R. Gilbert, Jr., *First National Bank in Dallas;* Mr. and Mrs. Thomas Beckett, *First Southwest Company*, Dallas

R. A. Underwood, Jr., *R. A. Underwood & Co., Inc.*, Dallas; Jack Dickson, *First National Bank in Dallas;* Ted R. Alexander, *Texas Bank & Trust Co.*, Dallas

Continued from page 6

Blue Sky Problems in the Public Financing of Oil and Gas Ventures

Differences of opinion are often resolved by compromise, but the estimate, in the last analysis, must be approved by the Commission's experts. It is evident that the selection of an expert is one of the most important decisions made by any prospective issuer of such securities. Unless the expert's reputation is established beyond question it is perhaps well to clear his qualifications with certain of the regulatory agencies, which will ultimately be required to determine the accuracy of his computations.

The reserve estimates submitted by experts on behalf of issuers whose securities are registered under the Act are accepted by most state commissions without more than casual scrutiny. The problem, however, remains a troublesome one for issues sought to be qualified under state securities statutes which have been accorded an exemption from registration under the Act.

The diverse nature and multiplicity of the problems involved in any multistate blue sky effort may perhaps best be illustrated by reference to certain specific state requirements.

In many states, the issuer who desires to make an initial offering to its own stockholders is confronted with the further requirement of registering as a dealer.[11] In certain other states having this same requirement, however, such a transaction may be exempt when an offering is made by an issuer solely to its own stockholders and does not involve the payment of a commission or other remuneration. Unfortunately, however, this exemption has been held in a great majority of states not to apply to an offering underwritten on a standby basis. The denial of this exemption can apparently be ascribed to the fact that in this type of an underwriting the compensation of the underwriter is usually computed on the basis of the entire issue, and not merely on the unsubscribed portion to which the underwriter is committed. Certain states have already taken action to correct this situation which is based upon a rather technical statutory construction. Illustrative of this trend is Section 4B of the newly enacted Securities Law of the State of Illinois which specifically exempts such standby offerings.

The Illinois Securities Law,[12] prior to the enactment of the new and completely revised Act, had perhaps the questionable distinction of being the most cumbersome and obstructive law of its kind. Securities sought to be registered in Illinois were divided into four inflexible categories, each with its separate requirements. The application to qualify such securities was required to be both executed and acknowledged in the State of Illinois. The issuer seeking registration of its securities was required not only to file a formal consent to submit to the jurisdiction of the courts of Illinois, but was further compelled to qualify to transact business in that state and to thereafter withdraw after the offering was consummated. An offering made by or on behalf of the issuer not in business for at least five years was automatically determined to be a Class D or "speculative" security and the submission of an appraisal of all of its properties was a condition precedent to registration. This procedure was inflexible, and on one occasion produced the anomalous situation of compelling a large gas transmission corporation which had not been in existence for the requisite period, to submit an appraisal of all its extensive properties, despite the fact that its earnings pattern and financial stability had been definitely established.[13]

The securities law of Connecticut presents a variation in its regulatory approach, for although it is a fraud type of statute which customarily is only directed to the licensing of dealers, it nevertheless requires the qualification of oil and mineral securities.[14]

The statutes of certain states permit the Securities Administrator, in his discretion, to require the posting of a surety bond to guarantee compliance with its provisions. A few states, such as Alabama, require the posting of a bond without exception and whether or not the issue sought to be qualified was registered under the Federal Act. The Alabama statute, however, has been recently revised to exempt issues registered under the Act from this onerous requirement.[15]

The state of Kansas requires that all applications to qualify securities in that state be filed by a Kansas attorney.[16] Although such a statute evidently has the endorsement of a substantial part of the Kansas Bar, the requirement is an example of another petty nuisance confronting interstate distributors of securities.

Another rather disconcerting problem relates to the exercise of the authority permitted Securities Administrators under many state statutes to pass upon the investment quality of the issue ought to be registered. There is virtually no legislative standard to guide the state official in making such determination and, although this authority is on the whole exercised with appropriate restraint, some unusual situations have been known to occur. The State of Iowa, on one occasion refused to qualify a fully registered underwritten issue of preferred stock of a large gas transmission corporation although it had permitted the sale of its common stock only a year previously. It might be added that the financial position of the issuer was at all times extremely satisfactory. This situation merely illustrates the imponderable factor which necessarily exists in such regulatory procedures.[17]

The diverse advertising requirements of the several states also warrants consideration, for most jurisdictions require the submission and approval of all material by the state regulatory agency. The publication of a standard announcement type of advertisement which includes the names of nonregistered dealers has in some instances been held to violate state statutes. The use of the restrictive or hedge clause indicating such a publication is made only on behalf of registered dealers and does not insure compliance with all state statutes. The problem is reglatively simple if the advertisement is confined within the boundaries of one state but is somewhat more formidable when viewed in connection with the interstate circulation of newspapers and magazines. Obviously, the matter is one which compels the institution of a uniform practice.

The distribution of identifying statements and preliminary prospectuses permitted under Rules 131 and 132 of the Securities Act initially presented a rather substantial problem, for in some states the use of these "red herring" prospectuses was held to constitute an offering in violation of state statutes. Fortunately, the sympathetic treatment given this matter by State Administrators by the promulgation of permissive regulations, or by amendment of statute where required, resolved the difficulty in most jurisdictions. Certain of the states, however, still prohibit this practice and extreme caution is required in the distribution of this material so as not to violate the statutes of such states.[18]

The requirements of state qualification procedures with respect to securities registered under the Securities Act are substantially different and less formidable from those applicable to issues exempt from registration under Regulations A and B. This can be attributed in part to the extensive disclosure required of registered issues and is indicative of a more complete integration of Federal and state procedures.[19]

The financing of small scale oil and gas corporate ventures, requiring capital not in excess of $300,000,[20], is often accomplished through the use of the exemption from registration provided by Regulation A. This procedure has the decided advantage to the issuer in the promotional stage, of avoiding the full disclosure requirements, as well as the rather substantial expense, incident to a registration effected under the Act.

The Regulation A exemption may be obtained with relative ease by simply filing a Form of Notification and offering circular in triplicate with the regional office of the Securities and Exchange Commission in which the issuer's principal place of business is located.[21] This offering circular, the use of which has now been made mandatory, fails to provide more than cursory information relating to the issuer of the securities. The issuer moreover is not required to furnish an estimate of reserves or to supply any other geological information; and only those issuers in the promotional stage are even required to include a brief description of the properties to be operated or developed. In addition to uncertified financial statements covering a two-year period, the offering circular must disclose the offering price, underwriting commissions or discounts, the purpose for which the proceeds received from the sale of securities will be used, and certain other information relating to material transactions with promoters, directors and officers of the issuer.[22]

It is evident that compliance with the procedure prescribed under Regulation A presents little difficulty to a prospective issuer. Nor does it furnish any substantial safeguards to the investing public.

The public distribution of fractional undivided interests in oil and gas rights offers another method employed in certain states to finance small gas and oil ventures. Although defined as securities by both Federal and state statutes, and subject to their respective procedures, these oil and gas interests are specifically excluded from the exemption provided for by Regulation A. This type of offering however, is accorded an exemption from registration in an amount not exceeding $100,000 pursuant to Regulation B.[23]

The exemption is not available to any offering—other than those representing a participation in a landowner's royalty interest—unless the operating lessee retains a minimum working interest of 20% in the property under development. The recently modified Rule 314 however, eliminates such restriction with respect to issues that do not exceed $30,000, provided the smallest interest offered for sale is not less than $300.

The Regulation B exemption is further conditioned upon the filing of an offering sheet with the Commission but can in no event be obtained by any person who is a dealer as defined in the Securities Exchange Act unless such person is registered.[24]

The information required to be included in this offering sheet is prescribed by Rule 330 and varies depending upon the nature of the oil and gas interest offered for sale. The disclosure requirements however are rather detailed and not unlike that called for in Form S-10, which is the appropriate form of use in connection with the registration of fractional undivided interests in oil and gas rights. The geologist's report may be included in the offering sheet but has not been made mandatory. Rule 328, however, does prohibit the use of any information relating to an estimate of oil and gas recoverable from the property involved unless such an estimate is included in the offering sheet.

The offering sheet prescribed by Regulation B further requires the incorporation of the proposed instruments of conveyance and a rather detailed map of the property to be developed and certain adjacent properties which indicate the extent and results of any prior exploration.

A copy of the offering sheet is required to be delivered to every potential investor prior to the consummation of any sale, and Regulation 320 (d) provides that the offerer deliver to the purchaser satisfactory evidence of the validity of title which he is to receive.

The relatively slight use made of Regulation B in the financing of oil and gas ventures must be attributed in large measure to the less stringent requirements and the larger exemption provided by Regulation A, as well as a rather pronounced preference of both dealers and the investing public for corporate securities.[25] Another factor in this trend has been the more extensive use of the intrastate transactions involving a restricted number of investors which are exempt both under the Federal Act and under the statutes of the majority of states.

A review of the qualification procedure prescribed under the Texas Securities Act will serve to demonstrate the varied requirements applicable to registered and exempt offerings.

The filing of a uniform application is the initial step in the qualification of registered corporate securities. Although this form of application was adopted by the National Association of Securities Commissioners for use in connection with offerings other than oil and gas issues, its use is nevertheless permitted in Texas to qualify all securities.

In the state of Texas the qualification procedure relating to registered issues is further simplified by the acceptance of a copy of the prospectus filed with the Securities and Exchange Commission in lieu of the plethora of required exhibits.[26] This eliminates the troublesome problems involved in the establishment of the reserve estimates; for the geologist's computation included in the prospectus is invariably accepted by the state regulatory agency without further question.

The application to qualify securities which are exempt either under Regulation A and B, or by virtue of their intrastate character, requires the submission of more detailed information than that sought of registered issuers. There are numerous exhibits which also must accompany the application including financial statements, property maps, geologist reports and property appraisals.

All issuers of securities, whether or not registered, are required to file a formal consent to submit to the jurisdiction of the courts of Texas, and an additional certificate evidencing the continued corporate existence in good standing which has been authenticated by an appropriate official of the issuer's state of incorporation.[27]

The application to qualify an unregistered issue is unquestionably given a more meticulous scrutiny by the Securities Commissioner than that given to a registered counterpart.

A permit to offer the securities for sale in Texas is issued if in the opinion of the Securities Commissioner upon due consideration of the application, "the proposed plan of business of the applicant appears to be fair, just and equitable and the securities which it proposes to issue . . . will not work a fraud upon the purchaser."[28]

The distribution of all securities must be effected through registered dealers. If the issuer participates in the offering of its securities, it too is required to register as a dealer unless such distribution is exempt under Section 3(c) of the Texas Securities Act as "a distribution only to its stockholders and without the payment of any commissions." It has been held, however, that an underwritten issue on a standby basis, which is initially offered by an issuer to its stockholders, does not fall within the purview of this exemption if the underwriters' commissions were either directly or indirectly predicated upon the entire issue.

The state procedure is comprehensive and permits the exercise of a further substantial control over the more speculative type of securities. The amount of promotional securities may be reviewed by the Securities Commissioner who may require the revision of a proposed plan of financing in this respect as a condition to the issuance of a permit. A regulation has been promulgated to supplement this procedure which prohibits the issuance of promotional securities in excess of 20% of authorized capital. The promoters of any such corporate issue are also compelled to subscribe for at least 10% of invested capital and are further required to deposit such shares in escrow, to be held subject to the direction of the Secretary of State until the other shareholders receive a specified return as dividends.[29]

There is little doubt but that the exacting requirements of the Texas Securities Act imposes a rather substantial restraint upon the financing of the promotional oil and gas venture. The effect of this arduous procedure, however, may sometimes be avoided by resort to the exemptions prescribed by Sections 3(e), (j), (k), and (l) of that Act. The most frequently used exemption is that accorded by Section 3 (j) which permits a domestic corporation under certain conditions to issue and sell securities to not more than 25 persons. The use of this exemption although not limited in amount, is restricted to corporations incorporated under the laws of Texas and must necessarily by a wholly intrastate transaction. Although the existence of rather substantial amounts of speculative money in this region permits the financing of many promotional oil and gas ventures by reason of this and similar exemptions, large scale acquisitions of capital require the use of the multistate distributive mechanism.

Attention is called to the fact that the Texas Securities Act does not contain a "private offering exemption" as that exemption is understood under the Federal Act. Section 3(j), as stated, applies only to domestic corporations—not to individuals or to foreign corporations. The broad definition of the term "security," appearing in the Texas Act, is sufficient to include an assignment of an oil and gas lease, an oil payment, a royality interest, and would seemingly cover any and all types of

Continued on page 38

Continued from page 37

Blue Sky Problems in the Public Financing of Oil and Gas Ventures

interests in an oil and gas lease, but does not apply to the granting of the original lease by the lessor nor does it apply to a "shooting permit."

The oil operator who sells interests in a lease is by definition an "issuer." Also, he is by definition a "dealer" unless the transaction comes within one of the exemptions contained in Section 3. I submit that it is obviously impracticable for the ordinary oil operator in carrying on his business to register and secure the permission of the Securities Commissioner to the issuance of the "security" that would be involved in the typical drilling deal. Subsection (k) of Section 3 (exempting, under certain conditions, the sale of an interest in any partnership, pool, or other company, not a corporation) is inadequate to cover the ordinary drilling deals as the same are usually drafted with primary consideration being given to income tax consequences. Subsection (c) of Section 3 (dealing with personal investments) affords a limited field for exempt operations — not, however, sufficiently broad to cover the multitude of every day transactions of individuals who are entitled to equally favorable consideration to that accorded domestic corporations by Subdivision (j) of Section 3, heretofore mentioned.

Section 30 of the Texas Securities Act makes it a felony with a fine of $1,000 or imprisonment for not more than two years, or both, for any dealer to sell or offer for sale any security which is not registered under the Act. Section 33(a) provides that every sale or contract of sale made in violation of the Act. is voidable at the election of the purchaser, who shall be entitled to recover from the seller, in an action at law upon tender in proper form to the seller of the security sold, together with the amount of all dividends, interest or other income and distributions received by the purchaser from such security, **the full amount paid by the purchaser** with interest from the date of the purchase. The limitation period is two years from the date that the purchaser had knowledge that the sale was in violation of the Securities Act or when he should in the exercise of ordinary care have discovered that the sale was in violation of the Securities Act or when he should, in exercise of ordinary care, have discovered that the sale was in violation of the Act. Any operator who does not comply with the registration provisions of the Act has no assurance that he will be permitted to retain that which he has received in payment and may find himself obligated to return with interest the purchase price for the interest sold in the lease. There are no cases reported where an action has been brought by a purchaser to rescind the transaction. This may be because of the nature of the individuals who are engaged in the oil business or it may be because of ignorance of the stringent provisions of the statute. However, Sellers have not been loath to use the dealer registration requirements of the statute to escape paying commissions for sales of leases which in good faith should have been paid. This "free ride" provision poses a serious problem for the legitimate operator. The broad provisions of the statute encompass a field far beyond what is needed in the regulation of the securities affecting the oil and gas business and could seriously hamper the prosecution of bona fide legitimate oil operations in this state.

In my opinion, it would be most difficult to defend an action brought by the ordinary investor to recover the purchase price in any deal. All the participant would have to allege was a violation of the Act and it would be encumbent upon the seller to either prove compliance or a valid exemption. Numerous bona fide deals are daily made in the Texas oil industry which are technically a violation of this Act. However, there are only two or three instances where an attempt has been made to register such securities with the Securities Commissioner. Ordinarily where a deal involves the sale of an interest with a well to be drilled thereon, the papers are drafted so that the minimum amount is attributed to lease cost and the residue is for the purchaser's share of the cost of drilling the well either on a turnkey or straight participating basis. This, of course, is done to give the purchaser the intangible deduction and to capitalize the least possible amount. If the court would look at the transaction in that light, then the purchaser's recovery would in most cases be small. However, in such a case it would be difficult for the buyer to defend against the contention of the purchaser that he paid X dollars for an interest in the lease with a well drilled thereon. Obviously, if the lease was worthless, the purchaser would not hesitate in making this contention from a tax standpoint.

The Securities Act was passed to protect innocent investors, but not to hinder legitimate oil and gas operations nor to provide the knowing investor with a "free ride." It would appear that the Act should be amended to exclude from its operations the sale of interests in oil and gas leases where there is no general public offering. This can be accomplished by an exemption similar to the exemption contained in Section 3 (j) as there would not appear to be any sound reason why a domestic corporation could sell securities to not more than 25 people but exclude individuals from the same type of operation. Certainly the oil and gas business is a vital portion of the economy of this state and the Securities Act could have a decidedly deterrent effect upon the industry if purchasers avail themselves of the rights given under Section 33(a).

It is, of course, virtually impossible to review all the problems involved in an extensive blue sky operation. Perhaps the most that can be achieved by an attempt at broad coverage of this field is to delineate the nature and scope of the basic problems which exist under both Federal and state procedures.

The cumulative effect of the several securities statutes on the distributive mechanism cannot be underestimated. The investing public must be accorded adequate protection. It is equally compelling, however, that investment funds be permitted to flow freely into industry.

The effectiveness of the modern investment mechanism depends in the last analysis upon speed in distribution. The interest of the public necessarily requires that a compromise be achieved between the protection of the investor and the maintenance of an expeditious procedure to distribute securities.

The problems presented by the co-existence of state and Federal securities legislation would appear to warrant investigation to determine the necessity and desirability of the continued operation of state regulatory procedures.

The enactment of additional Federal legislation superseding state authority has been suggested by certain students in this field as the most effective method of removing the rather substantial impediments which are now imposed on the interstate distribution of securities. This approach presents a serious constitutional question which involves the extent to which the paramount authority of the Federal Government over interstate commerce can encroach upon the rights of the states to legislate for the welfare of their citizens.[30] Aside from other inadequacies inherent in a single Federal procedure, it is submitted that such a completely centralized control over the investment mechanism is a substantial and undesired step in the direction of a regimented economy.

Unfortunately, a large number of blue sky problems exist only by reason of the failure of the states to completely integrate their regulatory procedures with the Securities Act. It is difficult to justify state statutes whose regulatory approach is predicated upon a full disclosure which nevertheless requires an issuer to file a detailed application accompanied by supporting documents setting forth the identical information contained in the Registration Statement. There does not appear to be any valid reason why even those states which purport to pass upon the investment quality of securities can not make a determination on the basis of the information required by the Federal Act. The states could readily accomplish this simplification of blue sky procedures by permitting the qualification of securities to be made on the basis of the information contained in the Registration Statement.

This approach will permit a more expeditious distribution of securities without sacrificing any protection of the investing public or disturbing the existing regulatory spheres occupied by the Federal and state governments. Indeed, state administration of other securities statutes might be considerably facilitated and improved if the services of the technical staff of the Securities and Exchange Commission were made available for consultative purposes. This recommendation is particularly applicable with respect to gas and oil securities inasmuch as many of the states are without the services of a competent petroleum engineer or geologist to assist in the evaluation of an application to qualify such securities.

There is little doubt but that the state regulatory procedures continue to perform a useful function to the extent that Federal legislation fails to evaluate the investment quality of securities. The exemptions from registration under the Securities Act and wholly intrastate transactions also provide a broad area for the states to exclusively exercise their regulatory functions. The states perform further and extremely useful services in connection with the licensing of dealers and the regulation of the issuance and distribution of promotional securities.

A review of state securities legislation in the light of the results achieved completely justifies the existence of such statutes. The need is compelling, however, for the states to more fully integrate their regulatory efforts with the Securities Act. If this can be accomplished, the salutary purpose of this type of legislation will be achieved without placing an undue burden upon the efforts of legitimate business to acquire necessary capital.

A substantial effort has been made by the states to correlate their procedures with the Securities Act and the trend continues definitely in this direction. There remains, however, a compelling need for a uniform securities statute to eliminate the diverse and often anomalous requirements existing in the several states.[31] The responsibility devolves upon such articulate groups as the American Bar Association and the National Association of Securities Administrators to take the initiative to secure the enactment of an adequate uniform state statute, and such further legislation as may be required to complete the integration of state and Federal procedures.

The enactment of such a comprehensive program will not however result in a final solution of all problems in this field. It remains essential that the effect of the regulatory efforts on the distributive mechanism be constantly reappraised. This will permit the prompt enactment of such corrective legislation as may be required and tend to promote the acceptance of new and more efficient distributive techniques by regulatory agencies.

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1 The private placement is a term which relates to all non-public offerings, but usually applies to sales effected to insurance companies and other similar institutional investors. Although this type of distribution was originally limited to high grade debt securities, recent amendments to the laws of most states now permit such companies to invest in unsecured obligations as well as preferred and common stocks; see Mendel, Institutional Investment Through Private Placement of Corporate Securities, 53 Columbia Law Review 804-816.

The Statistical Bulletin of the Securities and Exchange Commission (Feb. 1954) estimates that private placements approximating $3,370,672,000 were effected in 1953.

2 State securities statutes antedated the enactment of the Securities Act of 1933 by more than twenty years. The first such state statute was enacted in Kansas in 1911. Similar legislation was rapidly enacted in other jurisdictions and in 1919 thirty-two states had enacted legislation regulating the distribution of securities.

3 For general discussion see Wright, Correlation of States Blue Sky Laws and The Federal Securities Act, 26 Cornell Law Quarterly 258-295; Smith, State Blue Sky Laws and The Federal Securities Act, 34 Michigan Law Review 1135-1166; Smith, Relation of Federal and State Securities Laws, 4 Law and Contemporary Problems 241-255.

4 Examples of this type of law may be found in Maryland and New Jersey. The New York statute commonly referred to as the "Martin Act" which is purportedly a fraud type of statute also requires the licensing of dealers.

5 Examples of this type of law may be found in the states of Connecticut, Maine and Pennsylvania.

6 This type of statute is rather rare and exists in only a few western states, including Wyoming.

7 Examples of this type of law may be found in the states of Illinois, Indiana, Texas, Ohio, Nebraska, Michigan and Wisconsin.

8 15 U. S. C. 77r(18).

9 See Commerce Clearing House, Blue Sky Reporter, Vol. 1, pages 485 et seq.

10 See Lobell, Revision of the Securities Act, 48 Columbia Law Review 313-340.

11 Examples of this type of statute may be found in the states of Indiana and Texas.

12 Illinois Revised Statutes, Chapter 121½, Sec. 96-137; the foregoing statute was completely revised by the enactment on July 13, 1953 of the Illinois Securities Law of 1953 which became effective on Jan. 1, 1954.

13 Texas Eastern Transmission Corporation (offering of common stock in March 1952).

14 General Statutes of Connecticut, Revision of 1949, Chapter 288, Secs. 6010 et seq.

15 Code of Alabama 1940, Title 53, as Amended, Sec. 1 and 12 (3).

16 General Statutes of Kansas, 1949, as Amended, Sec. 7-104.

17 Texas Eastern Transmission Corporation. Its common stock was qualified for distribution in Iowa in March 1952, but its Preferred stock, 5.50 First Preferred Series, offered in August 1952 was refused qualification. The corporation, however, was permitted to withdraw its application without prejudice.

18 Commerce Clearing House, Blue Sky Reporter Vol. 1, page 481 et seq.

19 See Bloomenthal, S.E.C. Aspects of Oil and Gas Financing, pages 49-88; Meer, Oil Finance and the Securities Law, October 1951 Texas Law Review 885-903; Doss, Judicial Interpretation of Texas Securities Law, 2 Baylor Law Review, pages 38-53.

20 A bill to amend the Securities Act is pending in Congress (H. R. 7550-S. 2846) which will increase the exemption provided by the Act from $300,000 to $500,000.

21 Rule 218.

22 Rule 219.

23 Rules 300 and 310.

24 Rule 312.

25 19th Annual Report of the Securities and Exchange Commission (1953) indicates that for its fiscal year ending June 30, 1953 securities sought to be exempted under Regulation B amounted to a mere $1,678,898, whereas Regulation A offerings relating to oil and gas securities for a similar period amounted to $38,797,997.

26 The Laws of Texas of 1935, Chapter 100, as Amended, Sec. 5.

27 Ibid Sec. 6.

28 Ibid Sec. 8.

29 See Regulations dated Aug. 1, 1952 issued by the Securities Commissioner of the State of Texas and approved by the Secretary of State.

30 *Hall v. Geiger-Jones Co.* (1917) 242 U. S. 539.

31 See Commerce Clearing House Blue Sky Reporter, Vol. 1, page 492. A Uniform Sale of Securities Act was first approved in 1929 by the National Conference of Commissioners on Uniform State Laws and the American Bar Association. The Act, however, was withdrawn from consideration at a conference of Commissioners held in August 1943 and was referred to the Public Law Act Section for further study with authority to draft a new act. No substantial progress has been made to date to secure the enactment of any such uniform statute.

With Lloyd D. Fernald Co.

(Special to THE FINANCIAL CHRONICLE)

HOLYOKE, Mass.—Kenneth R. Bunce is now associated with Lloyd D. Fernald & Co., Inc., Holyoke National Bank Building. He was previously with Hayden, Stone & Co.

B. C. Morton Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Samuel Goodman has been added to the staff of B. C. Morton & Co., Penobscot Building.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — Earl O. Ormseth is now with State Bond & Mortgage Co., 28 North Minnesota Street.

Joins Pasadena Corp.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Ralph W. Barnard is now connected with the Pasadena Corporation, 234 East Colorado Street.

With FIF Management

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—W. J. Smilie, Sr. has become connected with FIF Management Corporation, 444 Sherman Street.

Continued from page 7

Some Occupational Diseases of Bankers

cheers and inebriates, and cursed his grandson, Canaan, because he refused to cover the old man's naked bones. Every age has had a different slant on the idea of alcohol, but as long as things ferment (and this is a natural process) the spirit of old Noah still walks abroad. Today we have specialists in the bar business as in many other professions. Some mix drinks that will make you fight your grandmother, and one more will put on the finishing touches, and then all women are beautiful and life is a primrose path to fame.

Seriously speaking, no man-made laws will ever obliterate the curse of Old John Barley Corn. Self control comes only with civilization. We in this country are only half civilized. Excessive use of alcohol is poison — every civilization has had it's own peculiar customs and men in all ages have drunk the draught that kills. It's not that they like the taste, but it shuts man out from himself, and he gets tired of his own company quicker than the society of a stranger, for when he talks to himself, he learns little by listening.

Nutrition

This subject, as you know, is my hobby. I think America is the worst fed nation in the world. Eighty percent of the food consumed by the average American is unfit for human consumption. There are two reasons why this is so. In the first place our farmland has been mined year after year and most of the land in America today is poor land, and poor land grows poor food that makes poor people who are sick. The food grown on poor land is poor in vitamins, minerals and enzymes, and the proteins are of poor quality. Unfortunately, the use of chemical synthetic fertilizers does not make land rich, and although our capacity to produce these fertilizers is almost unlimited, our lands are becoming poorer every year. Fortunately a new movement in agriculture, the organic movement, is rapidly gaining headway. Many of our best agriculturists are at long last learning that the fertility of the soil can only be restored by returning organic matter back to the soil. The Texas Research Foundation in a few short years has proved that the way to restore the depleted black lands of Texas to a fertile state is to put them back into grass.

The second reason why our nutrition is so poor is because we no longer eat natural food. Natural food simply means food that still has in it the natural vitamins, minerals and enzyme that nature put there; but 80% of what we eat has had them all taken out or destroyed in the processing and packaging. Fifty percent of the caloric intake of the average American comes from three things: white sugar, white flour and the hydrogenated fats. Not one of these three is fit to eat. White sugar will make you fat and its use upsets the chemical balance of the body. Too much sugar and starch in a meal causes a relative hyperglycemia, that is, too much sugar in the blood. This is quickly followed by a hypoglycemia—not enough sugar in the blood. During these periods of hypoglycemia, our resistance to disease is lowered, we become fatigued, nervous and irritable and the heart muscle suffers. Our daily bread has been degerminated, that is the kernel, where all the vitamins and enzyme are found has been removed. Nearly all the other cereals have also been degerminated. We get only the endosperm or starchy part. This leaves us fat and sick. Our eggs are infertile, our fruits and vegetables have been canned and these foods do not contain the vital nutrients so necessary for good nutrition.

Emotional

Worry, fear, anxiety, hate, envy and jealousy—these emotions are the great killers. They cause conflict and tension and this tension leads to heart disease, high blood pressure, fatigue and even suicide.

Our modern inventions in communication and transportation have in some ways simplified the tasks of our executives, but they have also added to their woes. Today the world of business is too big. The successful executive must be a hard driver with great stamina. He must be able to make decisions quickly because his world is bounded not by his city limits, but literally by the ends of the earth. One trouble with a man, who has the type of driving energy needed for such a job, is that he cannot shut it off, he cannot calm down, he must keep driving hard even on his days off. On his vacation such a man surrounds himself with other hard driving human dynamos and go-getters. Together they hunt or fish too strenuously. In the evening they may play poker for high stakes and often they smoke and drink too much. They have an inability to rest. During their working days they even discuss business at mealtime and some even take it home with them at night. The brain of man was not made for such constant energy! The Creator never intended us human beings to work steadily all day and into the night. I doubt if He gave many of us a nervous system built to stand up to such abuse. Materialism, the constant urge to make more money, can ruin your health.

Suggested Program

In recent years many banks have become interested in the health and happiness of not only their executives, but all their employees. Many of them have bought group hospital insurance policies, some deducting a part of the premium from the payroll, some even paying all the premium. This is a fine idea of course, but it is a negative approach. It is like locking the gate after the horse has been stolen. Simply paying for the treatment of disease has very little preventive value.

Other banks and industries are now insisting that their executives and in some instances all their employees have a yearly physical examination. Last year 36 leading companies sent their top executives to a clinic at White Sulphur Springs, W. Va., for one week. There they had a complete physical examination in an unhurried, calm atmosphere. They went through the Clinic in the mornings and played golf and relaxed in the afternoon. All modern scientific tests were made and they were advised how to live and what to do to prevent future disability.

An outstanding example of a bank that has pioneered in this field of employee health is the Seamans Bank for Savings in New York. They instituted the program in 1941 with a clinic in Brooklyn. Their goal was long range health maintenance. They recognized the need for a positive approach and that most company programs fell far short of accomplishing preventive therapy. Just a prepaid hospital insurance policy is inadequate. The big loophope in most so-called health insurance plans is that the individual waits for the outward symptoms of disease to occur before submitting to diagnosis and treatment.

Prior to 1941 this bank had relied, as many other industries had, on just a "Company Doctor" who used to come in one afternoon for two hours to see employees by appointement on a basis of a retainer fee. The inadequacy of this system led the directors to work out the new program. The initiative in instituting the progarm—a significant point—came from the bank. The clinic has become the "family doctor" of all the employees. The medical reports are kept confidential. They are not given to the President of the bank, but only to the personnel director. The virtues of the "family doctor" is being recognized once more both by industry and the medical profession. Not only do all the employees from the President to the janitor get a complete yearly physical examination, but they also get a psychiatric examination. Their family problems are explored, and all of this is kept on a voluntary basis and the dignity of the individual is never forgotten. This bank is convinced that this program of health maintenance benefits both the bank and the employee, increasing efficiency, reducing absenteeism, improving morale and resulting in better healtn for the personnel. A complete story of this plan can be found in the August, 1950 issue of the "Texas Bankers Record," your own magazine, and may I say here that if you do not keep every issue of the "Texas Bankers Record," for the library of your bank, you are making a grievous error. The first page by "PHIL" is worth the price. The whole magazine is beautifully edited and you should never throw one issue away.

This plan of the Seamans Bank for Savings could be and should be adopted by every bank in America. Of course, it would have to be modified to suit the needs of smaller institutions, but it is up to the banks to take the initiative. The leadership in undertaking programs of this nature has to be provided by industry. I can promise you that the medical profession stands ready to cooperate. After all, both of us, business and the medical profession, are eager to find a way to stop that monster, socialized medicine. This sort of plan, I feel, would go a long way toward solving the problem.

It seems to me that health should be the usual thing instead of the unusual thing. As we have said before practically everybody in the country is sick with one thing or another. The answer to this problem of illness, when solved, will no doubt be simple.

The cause and cure of polio and cancer may very well turn out to be a very simple matter. I have read that it is not in the nature of things for any one man to make a sudden violent discovery; science goes step by step and every man depends on the work of his predecessors. Newton with true humility said that he was able to see so far because he stood on the shoulders of others.

Some facts cannot be proved in the sense that modern science demands. Modern science says if you cannot prove beyond any question that this or that is true then we cannot believe what you say, and very definite standards for scientific proof have been established. In my opinion this very idea is unscientific. Just as physicians have been forced to have faith in the existence of unobservables as being in the nature of things, so we are forced to have faith in the reality of unobservable mental and spiritual phenomena.

Twenty years ago certain things were considered to be positively scientifically proven facts. Today, we know better. I believe today certain very simple rules of health are true although, with present methods, we have no pure scientific proof of them; but do not be too sure that always we must have proof before we can believe—for somewhere in the beginning has been laid a stone of faith in the temple of truth, and without this stone the tower falls and there is confusion of tongues.

I would suggest to you a few simple rules that, if followed, would help each of you to live to be a hundred years of age. This is not an impossible feat. Most other animals in this universe, if left in their natural habitat, barring accidents, live to be 10 times the number of years from birth to puberty. Accordingly man could expect to live to be 110 or 120 years of age. Indeed, there are places, in the so-called uncivilized world, where man does this very thing. The Hunza's in India live to be 110 and die with their own teeth in their mouths. There was a time when people did without dentists, but when man began losing his teeth, a way was found to put them back, and unless we get back to natural food grown on fertile soil, the toothless age is here to stay, and man's mouth will become as round as a bung hole in a barrel.

A Few Simple Health Rules

(1) The first simple rule is to have a complete physical examination every year and do not be afraid to tell your doctor all about your troubles. If you do not have a family doctor, you should get one, and you should not hesitate to discuss your problems with him.

(2) The next rule that I offer is to be temperate with all your vices. The human body, so wonderfully made, and with such a tremendous ability to regenerate itself, can withstand small doses of poisons without disaster. Tobacco and alcohol in excess are certainly poison and you must be temperate in their use. For that individual who goes all out in everything he does, perhaps complete abstinence, is his only solution to this problem.

The indiscriminate use of insecticides and pesticides, and the use of chemical preservatives in our food, can only be dealt with by National Legislation. . . . There is now a committee in Congress to investigate this peril, but so far the preponderance of testimony has been given by the chemists who make and sell these poisons. Our pure food and drug law will remain a farce until the voice of an enlightened and enraged public is heard.

(3) You should eat natural food grown on fertile soil and it should be fresh. The place to get your vitamins is from the kernel of the grain. Therefore, you should eat only whole grain cereals. This means whole wheat flour, home ground meal, brown rice and regular oatmeal. White sugar, white flour and hydrogenated fats should be omitted as much as possible. At the present time in many places this is difficult to do. Therefore, I advise that you include raw wheat germ in your daily diet.

(4) Another simple rule that I would like to suggest is an attitude of imperturbability. Imperturbability means coolness and presence of mind under all circumstances, calmness amid storm, clearness of judgment in moments of grave peril, immobility, and impassiveness. Some people are born with this quality, but to you who are not so fortunate, may I suggest that you can cultivate this quality and in a measure attain it. And there is a mental equivalent to this bodily endowment. A calm equanimity is the desirable attitude. A clear knowledge of our relation to our fellow man is indispensable. One of the first essentials in securing a good natural equanimity is not to expect too much of the people amongst whom you dwell. Acceptance of the other fellow as an individual with rights and opinions of his own and also with his im-perfections, is one of the ways that we stop conflict and tension in our own lives.

(5) You must learn to maintain a happy healthy attitude. You cannot afford to get mad. Hate, envy and jealousy cause conflict that leads to tension, and too much tension interferes with the pursuit of happiness, but it is the price we pay for being only half civilized. Dr. Norman Peale has said that Americans don't know how to overcome tension. This is probably the most nervous generation of Americans who ever lived. The patron saint of the Irish is St. Patrick; of the English, St. George; the patron saint of Americans is St. Vitus. The American people are so tense and keyed up, that it is impossible to put them to sleep even with a sermon, but the human body is a steed that goes freest and longest under a light rider, and the lightest of all riders is a cheerful heart. Your sad or morose or embittered or preoccupied heart settles heavily in the saddle, and the poor beast, the body, breaks down the first mile. Indeed the heaviest thing in the world is a heavy heart. The brain wears out much quicker from worry than from work. Once there was an old negro woman who had nine children. Her husband died, her house burned and one of the children broke his leg. She was asked how she managed to hold up so well with all this trouble. Her answer was that "I'se had trouble befo' and I has learned that you jus' has to wear your clothes loose." If we could just learn to wear our troubles loose! There are some conflicts that we must accept. We must learn to practice the three A's: Acceptance, Approval and Adoration, or love; instead of condemn, cuss and criticize. We cannot violate God's Natural Law of Love.

Habakkuk, one of the minor prophets, was known as the doubting prophet. He cried out to the Lord about all the violence and strife before him. He could not understand why the righteous were surrounded and overcome by the wicked. He complained that the law has been slacked, and judgment doth never go forth; but in the end he finally saw the light, and with a happy joyous heart he cried: "I will rejoice in the Lord. I will joy in the God of my salvation." Gentlemen, the rules for a happy, joyous and healthy attitude can be found in the Sermon on the Mount.

William Everit Burnet

William Everit Burnet, senior partner of W. E. Burnet & Co. died at his home, 32 Brookside Road, West Orange, N. J., Wednesday evening after a brief illness. He was 79.

W. Everit Burnet

Mr. Burnet was born Jan. 15, 1875 in East Orange, N. J., and lived in the Oranges most of his life. He entered the securities business in 1892 and organized the firm of Alexander Burnet Company in 1912. In 1920 the firm was merged into Strong, Sturgis & Co. and became W. E. Burnet & Co. in 1927. Mr. Burnet had remained active in the business until a very short time before his death.

Mr. Burnet was a director in the Puerto Rico Sugar Co. and the Central Romano Corporation and in 1945 and 1946 he was Chairman of the Stock Exchange Committee for the finance campaign of the Greater New York Councils, Boy Scouts of America.

Mutual Funds

By ROBERT R. RICH

THE RISE in security prices and record sales have been responsible for the sharp rise in assets of the United Funds investment group this year, Cameron K. Reed, President of United Funds, Inc., told stockholders at the annual meeting in Kansas City.

"The policy of staying fully invested has given the four funds in the investment group substantial increases in net assets in view of the steady rise in the stock market," Reed said.

He told shareholders that cash sales of the various funds are averaging "more than $2 million a month" and the face value of periodic plan sales also are running "well in excess of $2 million a month."

Total assets May 15 amounted to $140,400,000, representing a gain of more than $40 million since the last annual meeting and up from $112,611,549 reported at the start of the year.

In discussing the investments of United Income Fund, United Accumulative Fund, United Continental Fund and United Science Fund, Reed said that there has been a concentration recently in the purchase of electronic, paper, rubber, oil, chemical and utility stocks.

He said the net asset value of the United Income Fund has advanced 25% since the low point of the stock market last fall; United Accumulative is up 26%; United Continental up 31%, and United Science up 30%.

"I see nothing in the picture at this time that will arrest the further substantial growth of the four investment funds in our group," Reed said.

All directors were re-elected.

INVESTMENT changes of Nation-Wide Securities Company, Inc. during the first half of its fiscal year, Sept. 30, 1953 to March 31, 1954, included the purchase of 2,000 shares of Boeing Airplane, 2,300 Long Star Gas, 2,000 May Dept. Stores, 3,400 Mead Johnson, 1,700 Ohio Edison, 5,000 Oklahoma Naural Gas, 4,000 Reynolds Tobacco, 2,000 Southern California Edison and 3,000 United Shoe Machinery.

Sales of common stocks included 1,000 American Gas & Electric, 1,000 Bethlehem Steel, 1,500 International Paper and 3,000 West Penn Electric.

Stocks eliminated were Allis-Chalmers, Armstrong Cork, Chrysler, Congoleum-Nairn, Duquesne Light, Falstaff Brewing, Goodrich, Interlake Iron, Marshall Field, McGraw-Hill, Pacific Lighting, Pfeiffer Brewing and Ruberoid.

BLUE RIDGE Mutual Fund's report to shareholders for the first 1954 quarter shows a gain in value, both for the three months and for the 12 months ended March 31. The per-share value on that date was $9.95—$10.27½ as adjusted for the 32½c payment from capital gains on Feb. 15, 1954 and a gain of about 9% over the $9.45 per share value at the 1953 year-end. Adding back total distributions of 50½c from capital gains in the 12 months ended March 31, the Fund has a 7.2% gain over the year, compared with a 4.1% gain for the Dow-Jones Composite Average.

George A. Sloan, President of Blue Ridge Mutual Fund since operations began on June 28, 1951, made the following comment on the investments owned on March 31, 1954:

". . . holdings of stocks in dynamic industries such as the fields of air conditioning, electronics, and atomic energy were increased during the first quarter of the year. The majority of the Fund's investments continue to be in high quality common stocks which are characterized by relatively stable earnings and dividends."

Commonwealth Distributing Mutual Fund Manual

North American Securities Company, sponsors of Commonwealth Fund and Commonwealth Stock Fund, has begun distribution to its dealers of a loose-leaf manual designed to give mutual fund retailers essential reference information on mutual fund operating information, regulatory and tax information, trust information, sales aids and sample forms for executing orders.

COMMON STOCK additions since March 23, 1953 are shown below for the Atomic Development Mutual Fund. Total asset value was $1,103,184 as of April 23, 1954:

500	Algom Uranium Mines, Ltd.
400	Amer. Potash & Chemical Co., class B
2000	Centre Lake Uranium Mines Ltd.
200	Climax Molybdenum Co.
500	Gunnar Gold Mines, Ltd.
100	Homestake Mining Co.
50	Lindsay Chemical Co.
1000	Pronto Uranium Mines, Ltd.
200	Rand Mines Ltd.
1500	Rix-Athabasca Uranium Mines, Ltd.
100	Vanadium Corp. of America
100	Abbott Laboratories
1000	Atomic Instrument Co.
300	Beckman Instruments, Inc.
300	Consolidated Engineering Corp.
100	General Dynamics Corp.
600	Metal Hydrides, Inc.
400	Victoreen Instrument Co.
500	Vitro Corp. of America
100	Allis-Chalmers Mfg. Co.
700	Blaw-Knox Co.
100	Grinnell Corp.
300	Harshaw Chemical Co.
300	Mallinckrodt Chemical Works, class A
100	National Lead Co.
200	Phillips Petroleum Co.
200	Union Carbide & Carbon Corp.
300	Westinghouse Electric Corp.

THE EATON & HOWARD plan for accumulative investing has been changed so that now each deposit of $250 or more, together with any cash balance in a shareholder's account, will be invested on the day of receipt. Formerly, except for initial deposits of $250 or more, such amounts were invested quarterly. The bank will send dealers a duplicate copy of all acknowledgments of deposits, as well as confirmations of purchases made.

National Forecasts Peak Business For Next 12 Months

The nation's economy over the next 12 months should enjoy a high business activity and maintenance of employment and personal income at levels only slightly lower than the peaks of last year, it was predicted yesterday in the annual report of National Securities Series for the fiscal year ended April 30, 1954.

"For 450 years, the American economy has been growing — in size, in volume and in strength," the report stated. "There is no reason to believe that, after allowing for intermediate changes in trends, in the long view, the economic curve will not continue upward," it added.

The corporation based its forecast on a continued high level of business activity, employment and personal income over the next 12 months on "powerful long-term sustaining forces in the economy."

These forces include the high level of government defense expenditures which are expected to continue for an indefinite period; additional goods and services needed to provide for our constantly increasing population; the continued near record level of expenditures for plant and equipment to make this production possible and reduce costs; technological advances, which accelerate obsolescence and open new vistas for numerous new products; the large construction backlogs for needed highways, schools, hospitals and other public facilities, and the substantial financial position of consumers.

Total net assets of the funds increased to $162,021,914 in the year ended April 30, 1954 from $122,021,914 at the close of the previous fiscal year. Distributions from net investment income amounted to $9,590,113 on April 30 last, compared with $7,207,885 a year ago; the number of shareowners advanced to 84,281 from 65,822, and the number of shares outstanding of the funds climbed to 31,452,790 from 23,459,060.

"During the recent year, each of the seven National Securities Series of funds paid four quarterly distributions of net investment income," Mr. Simonson reported. "And on April 26, 1954 just prior

Continued on page 53

D. G.'s "V. P." OK, Says H.R.A.

After months of thorough testing in all kinds of "sales weather," Herbert R. Anderson, President of Distributors Group, underwriter for Group Securities' mutual funds, reports that mutual fund dealers and their sales representatives have proven the effectiveness of the Distributors Group "Visual Presentation," a large-sized, story-telling display book used by salesmen in their discussions with prospects. A similar sales device has been used successfully by salesmen in the life insurance industry for a number of years.

"Reports from the field are proving the effectiveness of our Visual Presentation in actual retail calls," Herbert Anderson, President of Distributors Group, stated. "The key to its effective use appears to be largely in the degree to which a salesman will go after the entire account on the basis of an over-all long-term financial program — rather than just make a sale of fund shares."

Mr. Anderson added, "In a number of instances more experienced, old-time securities men find that the Visual is particularly helpful in contacting new accounts where, for the first time, they may be aiming at the sale of themselves as financial advisers.

"Salesmen that are new to the business also report its helpfulness—and a somewhat surprising result has been the value that has been reported by men, experienced in other types of securities, but new to the mutual fund field.

"All those using the Visual have reported its helpfulness in 'keeping on the track,' avoiding distractions, and in having something with which an interrupted interview can be returned to the subject without disadvantage."

The Distributors Group Visual Presentation was one of the several "sales systems" introduced into the securities field almost simultaneously some months ago. These "systems" actually represent a new approach on the part of the securities business to its new, and perhaps most important, market—the middle-class individual who has never before in his life owned a share or bond in a business corporation.

The use of the Visual Presentation involves a two-step program. The mutual fund representative first discusses with his prospect the over-all advantages of long-term financial planning and the importance of an objective in such planning. The second step, in this business, is to show how shares of a properly-selected mutual fund can serve the investor best as the "equity" component in his over-all financial program.

The Visual Presentation display book, sometimes called the "VP" or "VEEP," is said to solve the mutual fund dealer's problem because it gives him a device which will standardize the sales presentation by his salesmen. And instead of being incidental to the financial presentation — as most mutual fund sales literature actually is—the "VP" represents a comprehensive approach.

FOR

MR. ____________

AND FAMILY

MRS. ____________

PREPARED BY ____________

DATE ____________

TOOLS TO BUILD WITH

1. AMOUNT OF CAPITAL NOW AVAILABLE FOR INVESTMENT:

Sources:	AMOUNT
Cash	$
Bonds	
Other	
TOTAL	$

2. AMOUNT OF INCOME NOW AVAILABLE FOR MONTHLY INVESTMENT $ ______ per mo.

I. YOUR CURRENT FINANCIAL PICTURE

A. Cash
- 1. Total available $
- 2. Less Emergency Reserve $
- Balance $

B. Face Amount of Insurance (to protect your family in the event of premature death) $

C. Approximate Value of Home $
- Amount of Mortgage currently outstanding $

D. Fixed-Income Assets
- (1) Government Bonds $
- (2) Cash Value of Life Ins. $
- (3) Mortgages Owned $
- (4) Other $

E. Variable Income Assets (Market Value)
- (1) Individual Stocks $
- (2) Mutual Funds $
- (3) Other $

II. PURPOSES OF INVESTMENT *(CHECK ONE OR MORE)*

A. Building Capital For:
- (1) Retirement ☐
- (2) Education ☐
- (3) Other ☐

B. Income for Current Expenses ☐

PROPOSED INVESTMENT PROGRAM

in the Funds of Group Securities, Inc.

CAPITAL TO BE INVESTED IN:

FUNDS	PURPOSE	AMOUNT
The Fully Administered Fund		$
The Common Stock Fund		
The Low Priced Stock Fund		
The General Bond Fund		
The Institutional Bond Fund		
INDUSTRY CLASSES		
TOTAL		$

PERIODIC INVESTMENT PLAN:—FOR INVESTMENT OF CURRENT INCOME

FUND	PURPOSE	INITIAL AMOUNT	MONTHLY AMOUNT
		$	$
TOTAL		$	$

FINANCIAL KEY: The basis for Distributors Group's "Visual Presentation" is the financial planning work-sheet shown above. On this large-sized pad, the mutual fund retailer works out for the individual investor a "custom-planned" investment program based upon the investor's current financial picture, the purposes of his proposed investments, and the tools he has to complete this program. Mutual fund dealers, and their salesmen, are given these work-pads and the "Visual Presentation" display book by Distributors Group.

Continued from page 10

Whither Television?

UHF, UHF will be dead and gone by the time color really blossoms. Personally, I believe color sets will come down in price much faster than this, because it will be unnecessary to have what, in the colorful language of one of your local citizens, was called a "Rube Goldberg" set-up.

I know some of the things that are in store. Assuming a $5 increase in glass bulb cost, a 21" rectangular Lawrence tube can be made in quantity for only about $15 more net set cost than a black-and-white tube. It should work down to no more than eight circuit tubes than a black-and-white. It could go into conventional black-and-white cabinets. This would mean less than $75 increase in retail price over black-and-white.

I know of no other tube for which I have been able to calculate less than $125 to $150 increase in retail sales price under quantity production. This difference arises because in the single-gun Lawrence tube the color selection takes place very close to the plane of the screen and is not subject to the interference adjustments which must be made at the expensive part of the marketing system, that is, far away from the mass production factory.

It is to be hoped that no one will get the idea that color will be a cure-all to all the industry's economic ills. Let me remind you that the three motion pictures which figured most prominently in the April Academy awards were all in black-and-white.

(5) **The elimination of the intermixture of VHF and UHF stations in the same community.**

There has been every prospect for this proposal to get a good play in the Washington hearings and good prospect of it helping in opening up the sale of UHF sets. It would of course be heartily opposed by those who have the only VHF channel in an otherwise UHF community.

But Senator Bricker has thrown a large monkey wrench into these gears by introducing a bill discussed under heading (9) later, accompanied by these words, "we have reason to believe that many of these failures are due to the fact that the stations were **denied programs** by the various operating networks."

If the testimony taken at the hearings should indicate that this latter statement is the real problem of UHF then this proposal would not solve it.

(6) **Reallocation of the FM band and other bands between 88 and 174 megacycles to provide more VHF channels.**

This is not the solution to the set problem as it might at first appear. Only a minor proportion of the existing sets have continuous tuning over the entire band. The other sets tune by clicking in the channels. They would need modification to receive these new channels as well.

(7) **Authorize booster and satellite stations to fill holes in UHF coverage patterns;** and

(8) **Three Technical changes in the UHF situation:**

(a) Requirements of higher minimum power for UHF stations.

(b) Suspension of grants in VHF band or in both VHF and UHF band.

(c) Changes in existing UHF authorizations increasing coverage.

None of these seems to be a solution of either the UHF set problem or the one proposed by Senator Bricker. They would make a UHF grant more valuable if it was otherwise economically and technically feasible.

(9) **Promulgation of additional chain broadcasting rules in order to assist stations in obtaining network programs.**

Senator Bricker, Ohio Republican, gave a complete surprise to the industry when he filed, on May 13, a bill to put networks under FCC supervision. Senator Bricker is a conservative of the Taft type and not usually given to increasing the power of government bureaus. His bill would give the FCC the same powers over networks that they have over stations to insure that they operate in the public interest. The Senator is Chairman of the powerful Senate Committee on Interstate and Foreign Commerce. Although not technically on the agenda of the Potter hearing now going on, it is going to be in front of them anyway. The fact that the Senator stated to the Senate in introducing his bill that "if the FCC is unable or is hampered in carrying out (its) objective because of lack of authority then Congress must act accordingly," indicates he really means it.

This could be an orderly though probably only a partial solution to the UHF station problem.

Permanent Cures of the Problem

The next three proposals constitute what I would classify as permanent cures to the problem stated by Senator Bricker.

(10) **Reassignment of all VHF grants to channels in the UHF band.**

This is a drastic proposal which has many proponents. I doubt if it is at all feasible to require the public to convert their sets except for color and over a long period of time. I would not pay too much attention to it as an immediate solution.

(11) **Stations to have rights to all programs by bidding for them when they are offered in any market.**

This is a sure but drastic remedy and probably not a likely one at this stage of television's development. However it was the one which the motion picture industry finally reached after some 15 years of litigation and government interference. I don't know that **anyone** is especially happy with it although there are certainly indications it is changing the economic outlook for many units of the motion picture industry.

The same solution will happen in the television industry if there is a long and widespread campaign of complaints to Washington about inability to obtain programs by a number of holders of station licenses, as there was by their counterparts in the motion picture industry.

(12) **The adoption of rules and standards for pay television operation of stations.**

We finally come to what seems to be a logical way both of developing televison to greater possibilities and of furnishing income in which the UHF stations would be bound to share. Some of the proponents of this idea have even proposed that use of pay television be limited to the UHF stations.

A check about two weeks ago indicated that the only petition before the FCC asking for authorization of this service was filed in 1952 by the Zenith Radio Corporation. During 1953, a group of UHF operators and grantees asked that the FCC authorize speedy action on the subject. A news item a few days ago carried the story that a California station had also filed a petition.

About a year ago, a member of the House Interstate Commerce Committee filed a bill in the House asking that where broadcasts were received on home sets for a fixed fee, the operators be designated as common carriers. They would thereby be subject to rate regulation. The FCC was asked to comment on this situation and by a memorandum dated May 6 the Commission did so. They said in effect that they had considered the matter at some length, had considered the original bill authorizing broadcasting and in their unanimous opinion pay television was a broadcast service rather than a common carrier service. They expressed no opinion on the merits of radio or television which must be paid for, but stated they believed they had the power to authorize it, if after further study, they considered such action desirable.

It is now many years since the first promotion for pay television was started by the Zenith Corporation and Commander McDonald here in Chicago. It is at least three years since International Telemeter Corporation started on their campaign of information on the subject. It has been a period of little response from Washington but as stated above some fruit finally appeared on the tree on May 6 and the situation holds possibilities, under the pressure of the UHF problem, of ripening rather rapidly.

The present need is clear. The problem of falling revenue, from the standpoint of the sports *entrepreneur*, is a keen one.

What System Will Be Adopted

It is impossible to leave this situation without some comment as to which of the proposed systems is likely to be adopted. I am sure none of the proponents understand everything the others are talking about, they seem to differ mainly in the proposed methods of collection with, at least at first, the proposals arising as follows:

Phonevision—pay after seeing.
Telemeter—pay as you see.
Skiatron—pay before you see.

As I understand it now, Phonevision claims it has systems embracing the other two ideas, while Skiatron has moved to a pay-after-seeing basis as well.

A complete system of successful pay television must involve:

(a) Secure coded transmission both sight and sound.

(b) Practical method merchandising entertainment.

(c) Be economical in cost of apparatus.

As regards item (a) Secure coded transmission — I doubt if anyone has a monopoly or can obtain one. Telemeter has some unique developments it isn't talking too much about.

Item (b) is Telemeter's strong point. It believes it has a strong patent position on the following characteristics:

(1) Variable instantaneous pricing.

(2) Cash operation with coding.

(3) Recording accounting and programs identity information.

(4) Barker sound for selling programs.

(5) Credit storage.

(6) Simple cash collection system.

We have just finished an interesting test in Palm Springs which has been rudely criticized by certain people on the grounds that too many wealthy people live there. They forget the words of the old song, "Where there's wild men there must be wild women." And where there are rich people there must be poor people to keep their lives smooth. All the grades of wealth and culture exist in Palm Springs and since it is on an Indian Reservation, some that are very scarce elsewhere. The reaction of all are being carefully followed. Telemeter feels certain no practical commercial pay television can exist without infringing some of the area its ideas cover.

With regard to item (c), economical apparatus; need more be said than that 28,000,000 sets times $10 is $280,000,000, times $50 is $1,400,000,000. Its results will be in terms of the lower goal. The possibilities of reward available are worth the effort. Telemeter is working toward the lower goal. The way is difficult but we hope to get there.

Meanwhile there is no millenium in sight in television. To any one who thinks there is I refer him to the "Fables of La Fontaine." Wherein the following couplet is found:

"If Jove gave us each which we wish we had
even then our complaints would drive him mad."

NYSE Study Shows Larger Institutional Buying

Banks, insurance companies, and investment trusts and other institutional investors account for 25% of volume of transactions on March 17 and March 24.

The third of a series of surveys of stock transactions on the New York Stock Exchange was conducted on March 17 and March 24 of this year. The survey was made by the partners, voting stockholders and registered representatives of the member firms and corporations of the Exchange in cooperation with the Department of Research and Statistics and the Stock Clearing Corporation. The latter corporation tabulated the more than 50,000 detailed reports filed in connection with the two-day survey.

Methods and Definitions: The transaction-analysis sheets and general procedures used in the survey were essentially the same as in the preceding surveys. Again, as in 1953, the geographic origin of a customer's order was determined by the location of the customer's residence and a transaction was determined to be either cash or margin on the basis of each separate transaction regardless of the type of account through which it was processed.

The following basic definitions are the same as those used in preceding studies:

(1) **Public Individuals:** Persons other than members or member firm partners of the New York Stock Exchange or non-member broker/dealers and institutional investors.

(2) **Public Institutions:** Non-member broker/dealers, insurance companies, banks (including orders placed by individuals through banks), investment trusts, educational and charitable institutions, corporations, fiduciaries, etc.

(3) **Trading Transactions:** Transactions which have been or probably will be closed out within a 30-day period plus all reported short sales and purchases to close out short sales.

(4) **Investment Transactions:** All transactions other than "trading transactions." Investment transactions are subdivided into:

(a) Short-term investment—a transaction which has been or probably will be closed out between 30 days and six months.

(b) Long-term investment—a transaction which has been or probably will be closed out in not less than six months. All transactions where income return was the principal reason for purchase are also included.

PART I

Summary of Findings

Coverage: Again, due to the outstanding cooperation of member firms and their registered representatives, over 92% of the shares purchased and sold on the New York Stock Exchange on March 17 and March 24, 1954, were accounted for and are included in one or more of the tabulations in the report.

TABLE 1

Total Shares Purchased and Sold on the N. Y. S. E.

(Round and Odd Lots Combined)

Item	Mar. 17 & 24, 1954	Mar. 18 & 25, 1953	Sept. 10 & 17, 1952
	—Number of Shares—		
*Grand Total	8,195,585	9,906,773	6,201,703
Total Accounted For	7,545,182	9,237,075	5,767,083
From Public Transaction Study	5,896,025	7,324,580	4,626,903
†Members	1,649,157	1,912,495	1,140,180
Unaccounted For	650,403	669,698	434,620
	Percentage Distribution		
Grand Total	100.0	100.0	100.0
Total Accounted For	92.1	93.2	93.0
From Public Transaction Study	72.0	73.9	74.6
Members	20.1	19.3	18.4
Unaccounted For	7.9	6.8	7.0

*From Forms 120 and RD 19.
†From Forms 121 and RD 19.
NOTE: Transactions in odd lots for the odd-lot account of Odd-Lot Dealers not included.

The volume figures in Table 1 include both purchases and sales—thus a reported transaction of 100 shares is counted as 200 shares—100 purchased and 100 sold. Therefore, even though the reported volume for the two days studied amounted to 3,650,330 shares, the total purchases and sales (including odd lots and non-reported round lots) was 8,195,585 shares.

Principal Sources of Volume: This most recent study confirms the investment pattern of the present-day market. Public individuals purchased and sold a total of 2,550,820 shares in the long-term investment category and 798,956 shares in the short-term investment class. Institutional transactions which are primarily of an investment nature accounted for another 1,412,876 shares (see Table 2).

TABLE 2

Number of Shares Accounted for in Public Transaction Study By Principal Source of Volume

(Purchases, Sales, Round and Odd Lots Combined)

Principal Source of Volume	Mar. 17 & 24, 1954	Mar. 18 & 25, 1953	Sept. 10 & 17, 1952
	—Number of Shares—		
Total Accounted For	7,545,182	9,237,075	5,767,083
Public Individuals	4,165,294	5,574,179	3,232,580
Trad. Transactions	433,607	585,974	221,733
Short-term invest.	798,956	1,169,095	565,209
Long-term invest.	2,550,820	3,298,165	2,181,483
Not classifiable	381,911	520,945	264,155
Public Institutions	1,412,876	1,324,498	1,135,018
Non-Member Broker-Dealers	317,855	425,903	259,305
Members	1,649,157	1,912,495	1,140,180

The statistics in Tables 2 and 2A point out the relative importance of trading transactions to the activity of the market. The lowest volume of purchases and sales for any of the three periods occurred in September of 1952, when 5,767,083 shares were involved and trading transactions by public individuals accounted for only 3.8% of the total. The next lowest volume—7,545,182 shares—occurred in the March 1954 study and 5.7% was public individuals' trading, whereas the most active period—March 1953—saw trading transactions for public individuals account for 6.3% of the 9,237,075 shares included in the study. Conversely institutional transactions decreased proportionately as volume activity increased—from 19.7% to 18.7% to 14.4%, respectively.

TABLE 2A

Percentage Distribution of Shares Accounted for in Public Transaction Study by Principal Source of Volume

(Purchases, Sales, Round and Odd Lots Combined)

Principal Source of Volume	Mar. 17 & 24, 1954	Mar. 18 & 25, 1953	Sept. 10 & 17, 1952
Total Accounted For	100.0	100.0	100.0
Public Individuals	55.2	60.3	56.0
Trad. Transactions	5.7	6.3	3.8
Short-term Invest.	10.6	12.7	9.8
Long-term invest.	33.8	35.7	37.8
Not classifiable	5.1	5.6	4.6
Public Institutions	18.7	14.4	19.7
Non-member Broker-Dealers	4.2	4.6	4.5
Members	21.9	20.7	19.8

Continued from page 2

The Security I Like Best

in its favor. In any event a favorable decision should help more than an unfavorable one would hurt.

The stock, listed on the New York Stock Exchange, is available in a relatively depressed price area (all-time price range 18¼-11) and represents an investment which in many respects qualifies for institutional funds. Any risk would appear to be small and the potential rewards large for the investor who is willing to forego a high yield for future growth.

STEPHEN J. SANFORD
Manager, Investors' Research Dept.
Amott, Baker & Co., Inc.,
New York City

Reaction Motors Company

Does rocket propulsion have a future?

Are the Jules Vernes and Buck Rogers visionaries, whose exploits are best left in the realm of pulp-fiction, or has science advanced to such a degree that we are entering upon a new era of transport for both men and missiles?


Stephen J. Sanford

The answer is important not only to mankind in general, since it involves delivery on target of both the atom and hydrogen bombs, but to speculators in particular since it offers an opportunity to participate in a fantastic new means of propulsion.

To speculators, ever alert to new opportunities, the prospects appear alluring, if hazardous, because the future is not clearly defined; to the more courageous the rewards could be even more spectacular.

Reaction Motors, all factors considered, appears to be the best means at this time in which to risk venture capital on the prospects that rocket propulsion will pay off.

The company was formed as a New Jersey corporation on Dec. 18, 1941, by a group of four members of the American Rocket Society who were pioneers in the liquid-propellant rocket industry in this country.

At the end of World War II, when it became possible to examine the German V-2 missile launching sites and bombs, interest of the Armed Services in the work of Reaction Motors increased, and the company was given a contract for the development and construction of a power plant for the Navy's "Viking" missile. This single-cylinder rocket has already attained a height of about 137 miles at White Sands, New Mexico, and has flown to a height of some 106 miles from the deck of a Naval ship, the "Norton Sound."

Between 1945 and 1947 personnel of the company expanded rapidly, and it became evident that if the company were to continue, considerable additional working funds would be required. Laurance S. Rockefeller, scion of a famous family, who has assembled an expert corps of aviation experts as his advisers, provided the needed funds, purchasing a substantial block of the company's stock. The fact is important since Mr. Rockefeller's other investments in this field include commitments in Eastern Airlines, McDonnell Aircraft, Piasecki Helicopter, Marquardt Aircraft and Aircraft Radio. From an investment viewpoint, it should be noted immediately that there are no lemons in the entire group.

Once it had the needed working capital, the progress of Reaction Motors was rapid. Its 6000-pound thrust liquid propellant rocket engine powered first the Navy's D-558 Douglas Skyrocket and then the Air Force Bell X-1A to world speed records far in excess of the speed of sound. Experiments with the Republic XF-91 are still continuing.

Impressive as these records are, they are not the reason for my bullishness on Reaction Motors stock, for I must point out that no production contracts for any one of these three planes has been awarded at the present writing. Rather, I must turn to three comparatively new developments to generate enthusiasm, even though they may be classified as intangibles at this time.

In the fall of 1952, Reaction contracted to purchase a 24% stock interest in Flight Refueling, Inc. Mr. Rockefeller and an affiliated banking firm acquired 36%, with the English parent, Flight Refueling, Ltd., retaining the remaining 40%. At the time, the purchase did not appear too important, since Flight Refueling occupied small quarters at the Danbury (Conn.) airport, and its contracts were small. Since that time, however, the company's probe-and-drouge method of refueling in flight has been adopted as the official method of the U. S. Navy, and the subsidiary has received contracts totaling more than $12 million. This has necessitated removal of activities to much larger quarters at the Friendship International Airport near Baltimore. It would not be surprising if the Air Force were the next to adopt this method as official.

Secondly, only a few months ago, Mathieson Chemical Corporation, which has been making hydrazine, a liquid fuel for rockets, acquired a 50% stock interest in Reaction, acquiring its stock by direct purchase from the company plus shares acquired from stockholders through tender. It is believed that the benefits will be mutual. Mathieson has already awarded certain contracts to Reaction for development and fabrication work of a mechanical engineering nature.

The third development which I construe as favorable is the fact that the U. S. Navy is currently constructing a new plant for the company at a cost of approximately $3.2 million. The company is itself expending an additional $500,000 for the same purpose. While such matters are a closely guarded secret, it appears unlikely that any branch of the Armed Forces, currently under pressure to reduce expenditures, would make such a commitment unless it intended to award a production contract rather soon. Only the future will tell whether this assumption is correct.

During the past five years, when the company was engaged solely in developmental and experimental work, a profit nevertheless was shown each year, with per share earnings ranging from a low of $1.06 to a high of $1.89. In 1953 they were equal to $1.29 per share, and in view of the expense involved in moving into new quarters, little change is expected this year. The new plant is located in Denville, N. J., only a short distance from present quarters in Rockaway, and the rocket-testing grounds at Lake Denemark.

It is probably too early to begin a serious discussion about intercontinental missiles, but Reaction will certainly be among the foremost companies when such a weapon becomes feasible. Rockets of this company are ideally suited for long-range work, since they carry their own supply of liquid oxygen and hence can fly far above the earth's atmosphere.

Marketwise, the stock of Reaction Motors has at times been a problem. There are presently outstanding only 122,026 shares. At last report Mathieson Chemical owned 60,464, and Laurance S. Rockefeller 26,500 shares. Directors and officers owned an additional 9,000 shares. That leaves only about 26,000 shares for the public. Admittedly, that is a small amount. It makes for a thin market and erratic price movements. The only advice in this respect that I can give is to acquire the stock when and as it becomes available.

A stock like this is a calculated risk. It may never live up to its promise. It may, however, on the basis of only a single production contract, rise to fantastic heights because of the small capitalization plus the fact that many growth stocks in new fields comparable to rocket propulsion sell at a liberal ratio of 20 times annual earnings.

Reaction Motors traded in the Over-the-Counter Market, is the best speculation of which I have knowledge at present for largest potential capital gains.

Zora in Trading Dept., Campbell, Inv. Dept. For First Nat'l Bank

PORTLAND, Oreg.—Ray J. Zora is now in charge of trading at the First National Bank of Portland, and Richard Campbell, formerly in charge of trading is now in the public relations section of the investment department.

Harry MacCallum, Jr.

Harry MacCallum, Jr., President of MacCallum & Co., Mt. Vernon, N. Y., passed away May 19th at the age of 54.

Railroad Securities

Baltimore & Ohio

Among the more speculative issues in the rail group, considerable interest has been developing among railroad analysts in the common stock of Baltimore & Ohio. This stock, while it has been actively bought in the past few weeks, has advanced only modestly from the year's low and is still substantially below the high established early last year. It is possible that the recent rather disappointingly sluggish market action may be due to some selling by those who had been anticipating that by one means or another the loan from the RFC would be revamped and sold in serial form to the public. While such a step would have improved the debt picture to some extent, and spaced out the company's earliest sizable maturity, failure of the plan is not looked upon by those close to the company as any seriously adverse development.

From a traffic standpoint the status of Baltimore & Ohio is looked upon as potentially the best of the large eastern carriers. For one thing, large high grade bituminous coal fields along the company's lines in West Virginia, which went virtually untapped until the early 1940s, are now being exploited. It is expected that traffic from this source will continue to expand. Secondly, Baltimore & Ohio has been a major beneficiary of the increase in the importation of foreign ores through the Port of Baltimore, and this business is also still in the growth stage. Finally, there has been the industrial expansion in the Ohio River Valley where the potentialities are still substantial. Reflecting these developments, Baltimore & Ohio's revenue trend in recent years has been improving, and most analysts are confident that the end has not even yet been reached.

Aside from the favorable traffic picture, analysts are impressed with the comprehensive budgetary control system that was instituted by Baltimore & Ohio a few years ago and which has proven highly successful in the past in rapidly readjusting expenses to the level of traffic in periods of adversity. As the company is to a considerable extent affected by the rate of activity in the steel industry its traffic and revenues have declined at a more rapid rate than the industry average so far this year. For the first quarter gross was down some 17.6 million or a little more than 16% from a year earlier. The transportation ratio was up considerably but maintenance costs were held in check in line with the reduced level of traffic and the overall operating ratio increased less than two points, to 82.0%. With Federal income taxes also lower the decline in net income was held to $2,555,000 or less than $1.00 a share of common stock. Comparisons in later months should be considerably more favorable and while it seems certain that last year's share earnings of $10.02, before sinking and other reserve funds, will not be matched in 1954 it does seem probable that as much as $7.00 a share could be realized.

At the present time, of course, dividend paying ability is restricted by the substantial sinking funds and the capital fund set up in the company's readjustment plan of a few years ago. The capital fund of 2½% of gross annually, less charges for depreciation of way, and the general sinking fund of $1,740,757 are more or less permanent but not onerous. The additional so-called surplus income fund, however, absorbs 50% of net income plus an amount equal to any dividends paid on the preferred and common stocks. These heavy requirements are modified, or eliminated, as fixed charges and contingent interest are reduced. Many analysts feel that the first goal of reducing these charges to $22 million, which would reduce the 50% of net income requirement to a maximum of $750,000 a year, may well be reached within the next two years as a maximum.

Continued from page 15

Financial Side of Our Economy

will be paid in the year earned, will mean that 110% of taxes will have to be paid in each year during the transition period. Other factors of increased credit demand will be declining liquidity of working capital through some slowing of accounts receivable and inventory turnover and, in some cases, actual losses instead of profits from operations. In addition, in some lines inventories that are permitted to drop too far will have to be rebuilt with the aid of borrowed funds.

On balance, it might be said that while demand will be substantial, it will not press hard enough on the increased supply to cause higher interest rates. In fact, depending on what the Federal Reserve authorities may do, a further decline in interest rates may be anticipated.

Supply in the Long-Term Market

In the long-term, or capital, market the supply outlook is so favorable as to loom positively uncomfortable. The supply of cash savings in 1953 was within $100 million of the record total of $13.7 billion set in 1952. Present indications are that the 1952 record may be broken in 1954. Specifically, life insurance companies will take in over $5 billion of new funds. The pension funds that are not operated by insurance companies will take in an additional $1.5 billion. Further large additions of investment funds will come from the savings and loan associations, from the commercial banks, and from the mutual savings banks. These financial institutions reported additions to time deposits and other investment funds of $8.5 billion in 1953. All are expected to do as well, or even better, this year in their gains of investment funds.

In addition, although the exact figures are not available, a growing volume of savings is going into union funds eleemosynary institutions and fraternal orders.

The supply of so called negative savings, that is mortgage and debt amortization funds, will be very large. Mortgages at the end of 1953 had reached a total of $100.5 billion. Assuming a 5% rate of amortization, this will bring back more than $5 billion in the capital markets, to say nothing of the interest on the $100.5 billion, at least a part of which will have to be invested. Corporate bond sinking funds and other debt repayments should furnish nearly $3 billion more, as well as investment of some of the interest received.

In addition, the commercial banks are likely to be in the market for more securities than in 1953, especially if reserve requirements are reduced. Also, we should not overlook the foreign purchases which may be quite substantial, especially of the shorter term government securities.

So, it seems that any way you look at it, the supply of capital seeking investment will be greater in 1954 than it was last year.

Demand in the Long-Term Market

The present outlook is for a decline in demand in the long-term market.

Despite the present more-than-a-million annual rate of housing starts, it is still doubtful that as many mortgages will be available on one to four family houses as there were last year. In connection with some of the proposals being made to keep the housing boom rolling, such as lengthening the FHA insurance terms to 30 years, and providing for 40-year insured mortgages with nominal down payments for low income groups, you might want to keep in mind a statement attributed by "Bankers Research" to R. Manning Brown, Jr., Second Vice-President, New York Life Insurance Company, to the effect that out of 69 VA loans foreclosed in 1953, 61 were no-down-payment loans. Furthermore, he was said to have stated that 93% of VA loan delinquencies were on mortgages with less than 5% paid down.

Corporate demand will be much smaller in 1954 as virtually all of the funds needed by business will be supplied from internal sources. In fact, increasing reliance on internal sources for funds has been an outstanding characteristic of recent years. These internal sources include undistributed profits and depletion and depreciation allowances. Although profits will decline in 1954, funds from this source will still be very substantial. Depreciation allowances, partly because of the great increase in plant and equipment since the end of World War II, and partly because of accelerated depreciation, reached a huge total in 1953, which is expected even to be exceeded this year. In 1953 these sources (undistributed profits, depletion and depreciation) supplied total funds of $21.6 billion. Inventory accumulation required nearly $4 billion of credit and capital in 1953. As inventories shrink, funds will be released. Although capital expenditures for 1954 are estimated at $27.2 billion, this is 4% less than last year and this will further reduce corporate demand.

Municipal demand as represented by the offerings of new tax-exempts will increase although it now looks as if part of the increase will be offset by a decline in public housing.

All in all, if it were not for the increase in government borrowing, the supply of capital in the months ahead would be definitely—yes painfully—larger than the demand.

Conclusions

Business developments are having an impact even greater than usual on our financial institutions and credit policies.

Until an upturn in the business trend materializes, we can apparently expect "more of the same" stimulants so far as Federal Reserve and Treasury policies are concerned.

If business activity falters, it will not be from any weakness in the financial side of our economy nor from failure to make its stimulating facilities fully available.

Our financial institutions are in an exceptionally strong position to cushion the impact of any possible further downturn in the business trend and to finance the business expansion which is certain to follow the current readjustment.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Bank stocks during the past two months have been showing a moderate though consistent upward trend. As a result prices of New York bank shares during the past two weeks have reached the best level since that which prevailed at the beginning of 1954.

Buying in the respective shares has not been particularly aggressive and there has not been any merger rumors to spark speculative buying. By and large the buying has come from institutional investors interested in the income or investment features of bank shares.

The pattern of the general stock market has reflected these same factors at work. Thus the quality issues have been in the lead of the upward movements of the market. As the prices rose, the yields provided declined. This in turn focused attention on bank shares which provide reasonable and secure returns.

As with the general stock market, however, there has been considerable divergence among the different issues. The action as revealed by the index obscures certain changes in the individual issues. For example the "American Banker" index of New York City bank shares on Dec. 31, 1953 was 55.6. After a moderate reaction through the first two months, the index reached a low of 52.6 in March. Since that time the upward trend has carried the average to the high of 56.3 reached on May 21.

Thus, the index indicates some slight improvement over year-end prices. However, seven out of the seventeen leading New York issues are quoted below the year-end figures and three others show gains of less than a point. A number of issues on the other hand show moderate gains. Empire Trust is 14 points higher and Manufacturers Trust shows a gain of over six points among the better acting issues.

Market changes, including the 1954 price range, for the 17 principal New York banks and five of the leading institutions outside of the city are shown in the following tabulation:

	Current Market	Bid Price Dec. 31, 1953	Change	1954 Price Range
Bank of Manhattan	35¾	38¾	— 3	38½- 33¾
Bank of New York	383	379	+ 4	387 -367
Bankers Trust	49½	52½	— 3	52½- 45⅞
Chase National	45⅝	45½	+ ⅛	46 - 43½
Chemical Bank	47½	48	— ½	48 - 43⅞
Corn Exchange	62¼	61¾	+ ½	62¾- 60
Empire Trust	135	121	+14	135 -119
First National	386	380	+ 6	391 -377
Guaranty Trust	65⅝	65¼	+ ⅜	66⅛- 61½
Hanover Bank	85¾	89⅛	— 3⅜	92 - 83½
Irving Trust	24½	23	+ 1½	24⅝- 22¾
Manufacturers Trust	68⅝	62½	+ 6⅛	68¾- 61¾
Morgan, J. P.	252	259	— 7	266 -251
National City	53¾	52	+ 1¾	54⅞- 47⅞
New York Trust	110½	113½	— 3	113¾-108
Public National	41½	42⅜	— ⅞	42⅜- 39¾
U. S. Trust	284	281	+ 3	292 -276
Bank of America	35	34¾	+ ¼	35 - 32½
First National—Boston	51½	49½	+ 2	51⅞- 48⅝
First Nat'l—Chicago	293	262	+31	293 -261
Continental Ill. Nat'l	92½	86½	+ 6	92½- 85⅜
Secur. First Nat'l (L.A.)	52	48	+ 4	53½- 47⅜

Some of the banks outside of New York have done better marketwise than the large New York City institutions. In part this is a reflection of the better operating records some of the banks have been able to show over the past decade. Also, in recent years, investors desiring to obtain diversification have sought bank investment in some of the faster growing areas and this has helped the market for such shares.

In the coming months we would expect bank stocks to continue their upward trend. Spectacular price improvements are not likely unless there is a revival of merger rumors. For the most part gains should be modest but steady.

The reasons for expecting some improvement in prices are several. In the first place operating earnings for most banks are showing gains over last year and are somewhat better than estimated earlier. At the same time the rise in bond prices has resulted in substantial appreciation in market values of security holdings, so that additions to surplus for 1954 will undoubtedly be higher than last year. This may be justification for expecting larger dividends.

Another important factor is that the decline in yields of investment securities over the past year has made bank stocks relatively more attractive. In fact it is one of the few investment groups on which yields today are only slightly lower than a year ago.

Continued from first page

British and American Economic Progress

generations now living in your country and mine and in many others are enjoying the fruits of the great and hard work which began here.

Fully appreciating the benefits we have had from your industrial pioneering, American industry has recently been more than happy to be able to offer some small service in return. As part of the technical assistance program of the Marshall Plan, firms in about 50 different American industries opened their doors to their British colleagues—and competitors—who came to visit under the auspices of the Anglo-American Council on Productivity. These teams of British managers, technicians and workers from the shop floor sought to obtain information on the latest techniques and methods of work used by the best American firms. The reports of these teams have turned out to be most useful not only to industries here, but to those in the United States as well. Many of the recommendations made, I understand, have been introduced in firms throughout Britain.

On our side, some of these British reports are so authoritative and complete that they are being used as textbooks in numerous technical courses in our universities and technical schools. It is encouraging to know that the British Productivity Council is now continuing the work begun by its predecessor, the Anglo-American Council, and I believe it augurs well for the future of British industry that the new Council has been able to set up so many local committees in all the centers of British industry to advance the cause of increased efficiency. I am informed that the Birmingham Productivity Association is an outstanding one among these local committees, and I was pleased to learn of your recent successful and well-attended meeting here, the broad program you have launched and, most important, the financial contributions which your business community is making to support this essential effort.

I am convinced that one cannot over-estimate the importance to the British people of this campaign to raise still further the productivity of British industry. Some of the things I saw today at Castle Bromwich show very clearly what Birmingham and other centers of British engineering are able to produce. They can stand up to, and in many instances probably beat, the best anywhere. But in this competitive world, Britain, like every other industrial country, must keep moving ahead in efficiency as well as in quality. For, despite some local indications to the contrary, there is no Easy Row to Paradise Street. The answer for all of us lies in Birmingham's motto: "Forward."

Importance of British Export Trade

You here know far better than I the extent to which your industry depends on the export trade. And it is, of course, not only your industry but the standard of living of the British people—and its very survival—which depend on the maintenance and increase of British exports to the rest of the world. The only way in which Britain, or any other country for that matter, can keep on selling its products abroad, is to produce its goods to meet world competition in quality, in price, in delivery and in servicing. The vital element of price competition can be met only if industry maintains itself at the highest peak of efficiency by adopting the very best and latest techniques of manufacture and by the constant improvement of management skill and human relations.

Because of Britain's utter dependence on exports, the drive to increase productivity is more vital to her than to almost any other country in the world.

There is no need for me to repeat what leaders of your government and industry have stated many times and what you well know about the importance to the United Kingdom of the dollar market. A major part of that market is the United States. And many of you in this room have undoubtedly had considerable experience in selling your goods to my countrymen across the water. For there are many Birmingham products which sell very well in the United States, products ranging from chocolates to tractors. I do not believe it is fully appreciated in this country how much we in the United States have been buying from Britain, how popular some of your products are and how steadily your exports to us have grown over the past few years.

In discussing your exports to the United States, my colleagues and I have had a special fondness for citing the figures in three important industries. All of them happen to be industries of which Birmingham is a leading center of production.

The first is motorcycles. You used to sell about 100 motorcycles a year to Americans before the war. Now it seems you have been selling us motorcycles at the rate of more than 6,000 a year. Just in case this figure does not impress you, living as you do in this motorcycle metropolis, let me point out that your sales in the United States now account for more than 40% of our whole motorcycle market at home.

The second item is bicycles. In 1939 Britain exported about 8,500 bicycles to the United States. Last year, 1953, you sold us, and particularly our children, more than 400,000. That is a truly startling increase.

Finally, I would mention the case of the British motor car. For generations the English-speaking world has been using the phrase "Carrying coals to Newcastle" to illustrate the absurdity of one type of fruitless activity. Since the development of automobile mass production in the United States several decades ago, one might well have illustrated the same type of commercial absurdity by the notion of "Selling cars to Detroit." Yet, impossible as it may have seemed, this is exactly what Britain's motor car manufacturers have been doing. British cars are now being sold in Detroit and in many other cities of the United States. Before the war, in 1938, you exported 347 cars to the United States. Last year you sold us more than 25,000.

Birmingham has naturally played a large part in this remarkable success story and I am told that, because of recent trade developments here, it is a continuing story. Expectations of our own auto sales at home are not as high this year as last, and normal British car sales may also be somewhat less. But in addition to the normal sales, one of your large firms here has entered into an arrangement to manufacture at least 20,000 cars in Birmingham for shipment to an American manufacturing firm in Detroit which will sell them on the American market through its own distribution channels. I have also been informed that the American firm has asked that production here on this order alone be stepped up immediately from 300 a week to 400 a week, and ultimately to 500 a week. It seems clear already that this will be a record year for the sale of British cars to the American people.

The figures show that automobiles are now beginning to rival whisky as the main British dollar-earner in the United States. Those of you who have traveled on our roads in the United States have probably seen the slogan: "If you drink, don't drive; if you drive, don't drink." Let me hasten to assure you that this is not part of an American protectionist campaign directed against British exports! The U. S. market is large enough to absorb *both* these British products without necessarily mixing them or affecting our road safety efforts.

Because of its size, the United States is more than one market. It is a combination of a number of regional markets. It is also a huge market in terms of the purchasing power available to the American people. And the record shows that this enormous market is highly receptive to foreign goods.

The value of American imports from the rest of the world is now about four times what it was before World War II. The actual physical volume of goods imported by the United States is now 60% greater than it was before the war and reached a record level in 1953.

As for our imports from the United Kingdom itself, their total value last year was 2½ times their value just five years earlier in 1948.

There seems to have been some concern among businessmen here and elsewhere that even though American imports have been growing, something drastic might suddenly happen to change the course in the opposite direction. There have been two major sources of concern: one being what the United States Government might do which would tend to reduce exports to the United States, and the other being what might happen to the American economy to affect our foreign trade. I should like to say a few words about each of these matters.

The Randall Report

On the government side, the most pertinent point to keep in mind is the report of the Randall Commission. Last August, President Eisenhower appointed a commission of 17 members, under the chairmanship of Clarence B. Randall and including ten members from the two Houses of Congress, to review the foreign economic policy of the United States and to make recommendations to Congress and the Administration for action.

The Commission's report was issued in January and it is a highly constructive, practical and reassuring document. It took into account the interests of all segments of the American people, as well as the interests of the nation as a whole and the needs of other countries in the free world.

The majority report, which was approved by 14 out of the 17 members of the Commission, made several recommendations designed to promote the highest levels of international trade. It urged that additional powers be granted to the President to make further tariff reductions, in addition to the many reductions in our tariff rates which have taken place over the past several years. It made specific recommendations for further simplification of our customs regulations and procedures. It asked for amendment of the "Buy American" legislation under which the Federal Government has given a certain degree of preference to American bidders on government contracts. I was interested to read the other day, in a statement by the U. S. electrical industry, that even with the Buy American Act as it stands, more than half of all contracts for electrical equipment awarded in the past four years by public authorities in the United States have been granted to foreign manufacturers, including those British firms which are supplying electrical equipment to several of our vast new power projects in the western States.

The Randall Commission made numerous other proposals to liberalize trade and also suggested that the Administration take the necessary action available to it in the International Monetary Fund and our own Federal Reserve System to help bolster the currencies of those countries seeking to achieve currency convertibility.

Since the publication of this report, President Eisenhower has sent a message to Congress based squarely on the Report's main recommendations and requesting the Congress to pass the legislation needed to bring these recommendations into effect.

Last year the Congress passed a law which made substantial improvements in our customs administration. The House of Representatives also passed a bill which simplifies the methods used in customs valuation, and it is now being considered by the Senate. A bill has also been introduced embodying the recommendations made by the Randall Commission to extend the President's power to reduce certain tariff rates.

I do not know what the fate of this legislation will be, or whether it will be possible to take action on it this session, but I have described the whole situation in regard to the Randall Commission, its report, and the President's message to make clear the direction in which things are moving on this subject in the United States. From what has happened already, one can be quite certain that the fears of a reverse trend in import policy are unjustified. The direction of events and of governmental thinking is obviously toward greater trade liberalization and the promotion of higher levels of world commerce.

No Serious Recession in U. S.

So much for the governmental side. The other concern has been American business conditions and their effect on Britain's trade with the dollar area.

Some prognosticators of gloom told us many months ago that the bottom was going to fall out of the American economy following the down-turn of last fall, and that whatever happened in America would be multiplied in its effects on this side of the ocean.

Two days ago I returned from a trip to the United States where I spent more than a week. I can report to you that although economic activity is below last year's record level, the predicted calamity has not taken place. I found no one either in business or Government who felt that the American economy was headed for any kind of serious depression. The question in most minds seemed to be merely whether it would bump along for some time with slight ups and downs or whether the upward turn was going to set in fairly soon. There were several economic indicators which seemed to point to the latter possibility to counterbalance those which pointed to the former. Although production is down about 12% from its high point in the middle of 1953, industry is going ahead with plans for new plant and equipment on almost the same scale as last year and in some instances on even a greater scale than a year ago, and the boom in private building continues. Consumers are spending less than before on durable goods, but seem to be spending more on other things, and the lowering of taxes may provide more purchasing power to encourage a turn in the production curve. As a result of these mixed developments some of the prophets of doom have begun to crawl back off their precarious limbs.

As for the assumed multiplication of the American rate of recession on this side of the ocean, it has not occurred at all. Contrary to the much advertised prognosis, the American cold has not resulted in European pneumonia. One of the facts on which this prediction has been based was that in the American recession of 1949, British exports to the United States had dropped 40% by the time American industrial production had fallen by only 9%. Because this happened on that occasion and because there had been somewhat similar experiences during one or two other periods, the assumption seemed to be widespread that this was bound to be the case forever after. It has not turned out that way. This time when the American production index came down by 10%, Britain's exports to the U. S. during the same period fell only 14%. There is nothing at all frightening about that.

Free Nations' Economies Have Been Strengthened

One of the basic differences, I believe, between the present situation and some of the earlier difficulties is that the economies of the free countries in this part of the world have been strengthened enormously during the past few years. Their production is greater, their efficiency is higher, their trading ability is improved and their financial position is generally stronger. The best proof of this is the fact that some of the countries are now thinking seriously about, and moving gradually toward, the convertibility of their currencies. This matter was again an item of considerable interest at the meeting in Paris last week of the Organization for European Economic Cooperation. In this connection it is useful to remember that President Eisenhower, in his message to Congress a few weeks ago transmitting his recommendations on the report of the Randall Commission, said that the Administration "will support the use of the resources of the International Monetary Fund as a bulwark to strengthen the currencies of countries which undertake convertibility" and that it was studying the possibility of stand-by credits for this purpose from our own Federal Reserve System.

To sum up, I do not see any cause for concern on the part of the British exporter to the United States either on the score of Government action or because of the state of the American economy. On both counts, I feel the omens are favorable. The market is there and generally accessible. British exporters can, and I am sure will, continue to improve on their past fine achievements. As before, I am certain that Birmingham will more than play its part.

The interest which we Americans have in British trade is twofold. One is economic self-interest. In the long-run the more you sell to us the more we can eventually expect to sell to you. A high volume of trade benefits all nations who participate in it.

Secondly, a strong economy here is indispensable to the security of the whole free world. The survival of the free nations during these troubled days rests in the last analysis on their combined strength. All the free countries have a vital stake in the common defense. Each has its responsibilities to assume and its burdens to bear in the great joint effort to deter aggression and to preserve our liberties. We have all been deeply conscious in the past few days of the herioc sacrifices which France in particular and the Associated States of Indo-China as well, have been making for all of us in the common cause.

But there can be no doubt that the most vital factor in the security of the free world is the fundamental unity of the British and American people. There can be no mistake about that. It is our common task, essential to our continued existence as free nations, to maintain that unity, to preserve it and to promote it.

Continued from page 4

The State of Trade and Industry

week earlier, due to this same factor, Chrysler and De Soto scheduled four work days, the latter for the third straight week.

"Ward's" said Ford Division is sparking industry car output this month with a 7.5% increase in production over April, although Chevrolet holds industry leadership thus far in May by a comfortable margin.

The United States Department of Agriculture in its April report states that farm income for that month dropped to $1,900,000,000, down 5% from March. Farm product prices were about the same as in March, but marketings were smaller. Compared with April, 1953, both prices and marketings were slightly lower. For the first four months of the year, farm income was off 3% from the 1953 level.

Despite a slight dip in number of new businesses chartered during April, the total at 10,272, was the highest for that month since 1947, Dun & Bradstreet, Inc., reports. It represented a drop of 2.3% from the March count at 10,514, and with that exception, it was the highest for any previous month since January, 1948. April's total of 10,272 new corporations compared with 9,507 in the corresponding month a year ago, or an increase of 8.0%.

New business incorporations for the first four months of 1954 reached a total of 38,862, which was exceeded only in the postwar years of 1947 and 1946. Compared with the 36,577 company formations in the first four months of 1953, there was a gain of 6.2%.

Although continuing at a relatively high level, the April volume of building permits throughout the country showed a mild decline from the March total, and, for the first time in 19 months, displayed a drop from the corresponding month of the previous year. Permits issued in 215 cities, including New York, last month were valued at $484,376,230, a decrease of 8.6% from the record high April figure of $529,974,414 a year ago, reports Dun & Bradstreet, Inc. The last previous month to show a decline from the similar month of the preceding year was September, 1952. The current total reflects a loss of 4.5% as compared with the March sum of $507,370,511.

Applications for building permits filed in New York City alone during April totaled $55,063,895, a rise of 8.7% over April, 1953 with $50,678,096, but a drop of 44.4% as compared with March's $99,045,726.

Steel Output This Week Scheduled Above 70% of Capacity

Steel ingot production rose to 71.8% (actual) of capacity in the last week, highest level recorded since the first week of March, says "Steel," the weekly magazine of metalworking.

This rise over the preceding week was due primarily to sharp increases in production in the Far West and in the Birmingham district. In the Far West, a strike was ended at the Fontana, Calif., works of Kaiser Steel Corp. In the Birmingham area, some of the steelmaking facilities had been idle and a good many steelworkers had been on vacation, it further states.

Most of the strengthening in ingot production stems from a widespread increase in demand from steel users who have lowered their steel inventories as far as they wish. Practically none of the upturn comes from protective buying against a steelworkers' strike or United States intervention in Indo-China. Of the two, United States military intervention in Indo-China would be the more likely to touch off a buying spree, since a strike would be of only minor duration compared with war, and many steel users would feel their inventories would safely carry them over a labor dispute, it adds.

The edging up in demand covers most steel products, although all steel producers are not feeling the improvement equally. Specifications from makers of light, consumer durables are slightly more numerous than they were, and a seasonal upswing in tin plate, structurals and tubular goods is being felt, too. The increase in railroad car loading is even being accompanied by a slight stir in railroad demand for steel, continues this trade magazine.

Not only are steel mills noticing a slight strengthening in demand for steel but so are warehouses, "Steel" concludes.

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 70.5% of capacity for the week beginning May 24, 1954, equivalent to 1,680,000 tons of ingots and steel for castings, as against 1,712,000 tons and 71.8% (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 68.7% and production 1,637,000 tons. A year ago the actual weekly production was placed at 2,262,000 tons or 100.3%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Electric Output Moves Slightly Lower the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 22, 1954, was estimated at 8,373,000,000 kwh., according to the Edison Electric Institute.

The current figure represents a decrease of 7,000,000 kwh. below the preceding week, but an increase of 361,000,000 kwh., or 4.5% over the comparable 1953 week and 1,227,000,000 kwh. over the like week in 1952.

Car Loadings Rise 4.6% in Latest Week

Loadings of revenue freight for the week ended May 15, 1954, increased 29,627 cars or 4.6% above the preceding week, according to the Association of American Railroads.

Loadings totaled 677,581 cars, a decrease of 102,224 cars or 13.1% below the corresponding 1953 week, and a decrease of 76,867 cars or 10.2% below the corresponding week in 1952.

U. S. Auto Output Last Week Advanced 4% Above Prior Week's Total

The automotive industry for the latest week, ended May 21, according to "Ward's Automotive Reports," assembled an estimated 126,596 cars, compared with 120,930 (revised) in the previous week. The past week's production total of cars and trucks amounted to 148,835 units, rising 4% above last week's 143,269 completions of cars and trucks and exceeded any week going back to August 17-22, when 155,722 units left the assembly line.

Last week, the agency reported there were 22,339 trucks made in this country, as against 22,339 (revised) in the previous week and 19,452 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 7,673 cars and 1,476 trucks last week, against 8,300 cars and 1,867 trucks in the preceding week and 7,903 cars and 2,935 trucks in the comparable 1953 week.

Business Failures Hold to a Steady Pace

Commercial and industrial failures continued at 248 in the week ended May 20, Dun & Bradstreet, Inc., noted. While casualties were considerably heavier than in the comparable weeks of 1953 and 1952 when 156 and 145 occurred respectively, they remained 14% below the prewar toll of 289 in the similar week of 1939.

Failures involving liabilities of $5,000 or more edged up to 211 from 208 last week, but sharply exceeded the 123 of this size a year ago. On the other hand, there was a dip among small casualties, those with liabilities under $5,000, to 37 from 40, although they continued slightly above their total of 33 last year. Fifteen businesses failed with liabilities in excess of $100,000, as against 20 in the previous week.

Little change occurred during the week in industry and trade groups. More concerns succumbed than last year in all lines. The upturn from 1953 was exceedingly sharp in construction and amounted to more than 50% in all other groups except commercial service.

Six of the nine major geographic regions reported slightly lower mortality during the week. In contrast, market increases were indicated in the East North Central States where the toll climbed to 40 from 25, the South Atlantic to 24 from 17, and the East South Central to 9 from 5. These three areas and New England had two or more times as many concerns failing as a year ago. In fact, a notable uptrend from 1953 prevailed in all regions except the West South Central and Mountain States.

Food Price Index Rises Sharply in Latest Week

A general upswing in food prices last week lifted the Dun & Bradstreet wholesale food price index sharply higher to stand at $7.39 on May 18. This was a rise of 8 cents over last week's $7.31 and more than wiped out the sharp drop of a week ago. The current level compares with $6.47 on the corresponding date last year, or an increase of 14.2%.

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 Moves Moderately Upward

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., registered a moderate advance during the past week. The index finished at 275.94 on May 18, as compared with 273.96 a week earlier, and with 279.15 on the corresponding date of last year.

Grain markets continued irregular, following sharp declines early in the week, corn, oats and rye turned higher to register moderate net gains for the period. Wheat failed to join the upturn with weakness in the bread cereal attributed to the improved Winter wheat crop prospects and the expected early supplies, together with slow mill demand and the lack of export buying. Strength in corn and oats reflected meager producer marketings and an active demand by processors and feed manufacturers. The firmer trend in rye was influenced by the advance in rye prices at Winnipeg. Daily average purchases of grain and soybean futures on the Chicago Board of Trade last week totaled 50,700,000 bushels, down from 63,400,000 the previous week, but considerably higher than the 37,400,000 of a year ago.

Domestic flour bookings continued at the slow pace of recent weeks. Some interest developed in Spring wheat flours late in the week but buying was scattered. Cocoa scored substantial gains before a technical reaction set in toward the close of the period.

The tightening supply position and new record high prices paid for Brazilian and African cocoa accounted for the marked strength shown during the week.

Warehouse stocks of cocoa were lower at 114,371 bags, compared with 119,535 a week earlier, and with 140,540 bags at this time a year ago.

Coffee prices fluctuated over a fairly wide range and closed about unchanged for the week. Brazil offerings were light with sellers fearful of current heavy rains which may cause deterioration to the crop being harvested.

Domestic raw sugar prices trended slightly downward in quiet trading. Refined sugar demand was also dull with prices holding about steady.

Lard prices turned higher reflecting strength in related markets. Hogs values moved upward last week despite the fact the receipts were the heaviest for any week since last January. Steers closed slightly lower with receipts also the heaviest since January.

Domestic cotton prices showed steady improvement during the past week. The ten-market average price for the staple reached the highest level in over 17 months. Stimulating influences included the better outlook for exports, reports of substantial improvement in demand for certain cotton goods, and less favorable reports on the crop situation in south-eastern portions of the belt. Reported sales in the ten spot markets increased sharply and totaled 92,400 bales for the week, against 78,000 a week earlier, and 45,800 a year ago. Sales for export continued in fairly good volume. The CCC reported loans outstanding on 1953-crop cotton as of May 7 at 5,816,600 bales, down 46,041 bales from a week ago.

The average lint yield per acre for the 1953 crop was 324.2 pounds, the highest on record.

Trade Volume Registers Lower Trend Due in Part To Cold and Wet Weather

While there were many anniversary sales, dollar days and other special promotions, consumer spending in the period ended on Wednesday of last week declined as compared with both a week ago and a year ago; intermittently cool and rainy weather continue in many parts of the country.

The largest sales were reported in medium and lower priced items.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 3 to 7% below the level of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: Northwest —10 to —6; East —8 to —4; South and Midwest —7 to —3; Pacific Coast —6 to —2; New England —5 to —1, and Southwest —3 to +1.

Consumers' requests for women's apparel remained unchanged from the volume of last week; sales of women's dresses have been high every week since Easter, particularly in sportswear and between-season cotton separates. Rainwear in all departments was one of the week's best sellers. Men's work clothes increased in sales, but the purchase of suits and furnishings declined from last week. The demand for children's clothes was below last week's level but above a year ago.

The volume of food purchases edged up over the preceding week, with marked gains in fresh fruits and vegetables. Eggs were more popular as a result of the lowest retail prices in four years, but there was a slackening of buying in meat, fish, and poultry.

Household purchases improved moderately over last week but were still well below last year's retail figure. Outdoor furniture, fiber rugs, and television sets led in sales and there were general declines in purchases of major appliances.

Activity in the wholesale markets the past week generally continued at the previous week's improved level but was slightly below the high volume of the corresponding week in 1953.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended May 15, 1954 decreased 8% under the level of the preceding week. In the previous week, May 8, 1954, a decrease of 4% was reported from that of the similar week in 1953. For the four weeks ended May 15, 1954, a decrease of 4% was reported. For the period *Jan. 1 to May 15, 1954, department store sales registered a decrease of 3% below the corresponding period of 1953.

Retail trade volume in New York City the past week was hampered by cold and wet weather and as a consequence, declined about 5 to 10% under the like period a year ago, trade estimates disclose.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended May 15, 1954, registered a decline of 6% from the like period of last year. In the preceding week, May 8, 1954, no change was reported from that of the similar week in 1953, while for the four weeks ended May 15, 1954, a decrease of 3% was reported. For the period *Jan. 1 to May 15, 1954, a decline of 1% 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.

Continued from first page

As We See It

in later life appears to have gained a glimpse of the underlying basis of the situation, although we think only a part of it. In 1947 he wrote as follows: "What happened after World War I was that we lacked the courage to enforce the authoritative decision of the international world. We agreed . . . that aggressive war must end. We renounced it and we condemned those who might use it. But it was a moral condemnation only. We thus did not reach the second half of the question . . . what will you do to an aggressor if you catch him?"

"Moral Condemnation"

Yes, it was a "moral condemnation only." In point of fact we have considerable doubt whether it was even that —if any very real meaning is to be assigned to the word "aggressor," and if what we mean by "we" is the world at large. Certain idealists in this country under the leadership of Woodrow Wilson, inspired by the brazen conduct of Germany in invading Belgium, had developed a concept that enabled them to label Germany an "aggressor," and to make use of the term to advance their ideas or ambitions for an organization to govern world affairs.

But nowhere was the term "aggressor" closely defined. It seemed to mean any nation which undertook by force or intrigue to alter the *status quo* among nations. It was pursuant to this line of thought that Secretary Stimson was so incensed at the action of Japan in 1931. It may be seriously doubted, however, whether other great powers did more than condemn Germany when they uttered strong words about "aggressors." Probably they would have been ready to label in this way any country which stepped on their toes anywhere in the world and, possibly, in sufficiently extreme circumstances would have been willing to take military action.

But through the centuries the first class powers of that day, other than the United States, and even the lesser countries with long histories of imperialism, had long been primarily concerned with looking after their individual interests in various parts of the world. They had, moreover, long developed a cold blooded realism in the conduct of their foreign affairs. This, perhaps, was particularly true of Great Britain, which had for many decades been developing an attitude of great flexibility toward the trouble spots of her Empire which was soon to become a "Commonwealth of Nations." She had long ago learned to yield where stubbornness did not seem to promise good results, and give ground in order to hold what could be held at something less than prohibitive costs. All of them had long established the policy of keeping strictly aloof from situations in which they had no clearly discernible interest.

We Enter!

Into this situation came the United States of America with little or no experience in what was called world politics, with a loudly proclaimed lack of interest in acquiring territory or other concessions from any other part of the world, and, compared with other nations, little or no empire to conserve or to protect. And into this situation we came with a sort of abstract principle of ethics, a principle for which we asked other countries to be ready to fight. They hardly grasped what we had in mind. They had never been interested in "principles" in dealing with world affairs; it is clear enough that neither World War I nor the preachings of the idealists in this country had served to generate much interest in them. It may well be doubted whether they have much more now.

It is evident that they are not disposed, as are we all too frequently, to see world affairs as all black and white. It is clear, too, that they, or many of them in any event, are not much interested in "freedom" as we define the term. Nor are they ready to fight for it. They think of the Kremlin much more in terms of a competitor in a world of imperialism (a 1954 version, possibly, but imperialism just the same)—much as they thought of the Czarist Russia of days gone by. They are concerned about the Kremlin in the degree and only in the degree that they see a danger to them and their interests, and they are doubtless prepared to contest the progress of the Kremlin only when and on those battlefields where they feel they have a reasonable chance of winning without prohibitive cost.

Throughout their history they have dickered and bargained and "negotiated." They are by no means convinced that nothing is to be gained by a continuation of that process. They are realists. They may or may not like what the Kremlin or Peiping is doing; they realize that they are both powers to be reckoned with. They are not prepared to pretend they do not exist or to go to war now to destroy them. They doubtless recognize the danger of a tight band of peoples extending from central Europe across Asia to the Pacific, from the Arctic to the tropics. But there it is, so they think, and there is no feasible way to destroy it. Some way has to be found to get along with it, and if such a way is found, it is conceivable, in their book at least, that it will lose some of its menace.

Most people in this country apparently are not prepared to have any part of such a philosophy. We "stand on principle." That is the basis largely for our differences with Britain.

Continued from page 3

Dark and Bright Sides of the Bituminous Coal Industry

domestic heating load rather than dumped under boilers where coal is normally used with such great efficiency merely to give a pipeline a better load factor.

I am convinced that the importation of residual oil must be limited by government action. There are only two major producers who are bringing this "bottom of the barrel" product into this country in volume and they are both very large and rich. I am sure they both realize that the bituminous coal industry is essential in this country and they also know that they are not extending our oil reserves by bringing in this residual but merely replacing coal under boilers at whatever dumped price is necessary to get the business. We must import crude but this "bottom of the barrel" product has only 5¢ a barrel import duty as opposed to 50¢ a barrel on gasoline. If we need to import oil products rather than crude why not bring in gasoline to compete with gasoline in this country and thus conserve our limited oil reserves rather than bring in residual with one-tenth the duty to compete with the coal industry?

Industry's Brighter Side

I have just given you the dark side of the coal industry but there is a brighter one and that is the enormous increase in the use of energy and in this eastern part of the United States where 90% of the coal is mined the producers of energy look primarily to coal for their raw material. This public utility production of energy has more than tripled since the end of the '30s compared to coal which has been just holding its own in that period and many forecasters are estimating that the demand for energy will double in the next 10 years and if it happens this will call for the use of 200 million tons of coal. There is no better barometer of our standard of living than the use of energy and I am sure we are going to continue to call on machines to do things for us and add to the use of energy in our homes. Therefore, the bituminous coal industry is really a producer of energy and may be considered in the energy business rather than in the coal business.

As the emphasis has changed to energy rather than particular uses of coal Pennsylvania's coals which have extraordinary qualities are now no longer essential in the more modern plants which have been equipped to burn any kind of coal, so that a trend has been established towards the use of the coal that can be produced cheapest and in this regard Pennsylvania's coal has some disadvantages. We have also tried to impress on the railroads that they are no longer hauling coal to compete with coal carried by another railroad but rather they are transporting energy and are thus primarily competing with pipelines, the high tension transmission lines and tankers bringing residual oil into New York Harbor.

I attended the annual stockholders meeting of the General Electric Company last month at Schenectady where they had erected an electric house, small but containing all sorts of electrical gadgets, including refrigerators set in the walls and a heat pump to furnish heat and air conditioning. This small house it was estimated would use some 23,000 kilowatt hours annually as opposed to the average use per household of 2,300 kilowatt hours. So here we see modern development at its best, as instead of coal coming into this house by wheelbarrow and thus failing to compete with natural gas, we find it coming in over a wire in a form the consumer wants it, and this particular home would use some 10 or 11 tons of coal as opposed to one-half that amount in the old fashioned job of just home heating.

In addition to this brighter side of the marketing possibilities for coal we also see that coal is doing a tremendous job of increasing its efficiency and thus reducing its cost to the public. We are selling coal today at the mine for 10% less than we did six years ago, although our labor rates and costs of supplies have gone up more than 30% in the same period. That is because our efficiency in mining coal as an industry has increased more rapidly in the last 10 years than has the efficiency in any other major industry. We could also add that the possible future markets for chemical products from coal are enormous, but these possibilities are still embryonic as is the actual conversion of coal to oil, gasoline or gas. All of these can be done but it is not economic to think of them as long as they are in abundant supply in natural liquid or gaseous form.

Atomic Energy

Let me touch very briefly on the possibilities of atomic energy taking the place of energy created by more conventional fuels. Up to date the development of fissionable material has been a great consumer of energy. As a matter of fact, the whole atomic program will soon be using 10% of our total energy in this country. Therefore, the program has added to coal's markets and will continue to for the next decade or two as we see by the example of the Atomic Energy Commission's approval of the purchase of coal as a source of energy for Power Plants which are being built in conjunction with the newest atomic project. These contracts are for 15 years but they could have been made for a longer period if the producers of the coal had been willing. While we will doubtless be creating large amounts of energy by atomic means 20 or 30 years from today it is our best guess that the total demand for energy will increase by a greater amount than that supplied by atomic means and, therefore, coal will also be creating far more energy than it is today.

Today the government is engaged in an intensive and expensive program of stockpiling many products, such as nickel, lead and copper, but if the emergency comes when these products will be needed we must also have the energy available to convert them into the materials of war. This energy can only be created from coal and therefore I point out that we must stockpile the ability to mine coal rather than the coal itself, as it would be impractical to store it in such enormous quantities. It takes five to ten years to develop a new coal mine today and if we let the mines continue to close and the miners to drift away into other industry we may not have the ability to produce energy which is the most necessary war material of all.

To maintain a strong core of a coal industry able to meet any situation that may arise we must keep a few remaining markets for coal intact and to do so the importation of residual oil must be curbed and the use of natural gas restricted to the higher uses such as home heating. The day after a war is declared the tankers carrying residual oil will disappear from the Atlantic and the pipelines will not be able to carry the additional load. Therefore, we must help coal through these serious competitive times so that it will be available to do the job again as it was in the last two world conflicts.

The great industrial development in Pennsylvania has been based on coal. If we will handle the patient during this period when he is so sorely pressed with sufficient care and reason I am willing to predict that Pennsylvania will enjoy an industrial rebirth in the not too distant future based again on its own coal and that of neighboring States.

Elliot Lemon With Olderman, Asbeck Co.

CLEVELAND, Ohio — Elliot B. Lemon, for the past 12 years a staff member of the Cleveland regional office of the Securities and Exchange Commission, now a part of the Chicago office, joined the investment firm of Olderman, Asbeck & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Elliot B. Lemon

Mr. Lemon, who entered the securities business in Canton, Ohio in 1922, will be manager of the Mutual Fund Department of the Firm.

His association with the firm was previously reported in the "Chronicle" of May 20.

Wm. Hartman Joins Ira Haupt Staff

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, announced that William F. Hartman has joined the firm in the Municipal Bond Department where he will specialize in underwriting and institutional sales. Prior to joining Ira Haupt & Co., Mr. Hartman was with the Federal Bureau of Investigation.

Otis Glazebrook

Otis Glazebrook, partner in Hornblower & Weeks, New York City, passed away of a heart attack May 23, at the age of 66.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At the regular meeting of the Board of Directors of **The National City Bank of New York,** held on May 25, Raymond G. Hill was appointed an Assistant Vice-President.

Mr. Hill, who for many years has represented the Bank in various official capacities in the Far East and, more recently, as Manager of the Bank's branch in Singapore, will be associated with the Far Eastern District of the Overseas Division at Head Office in New York.

* * *

Barney Balaban, President of Paramount Pictures Corporation, has been elected a director of **Manufacturers Trust Company, New York,** it was announced on May 25 by Horace C. Flanigan, President.

Mr. Balaban has been President of Paramount Pictures since 1936, which office he assumed shortly after the film company emerged from reorganization.

In 1943 Mr. Balaban presented to the Library of Congress the original manuscript of the Bill of Rights which is now on exhibition in that institution. In 1951, Mr. Balaban acquired Abraham Lincoln's first draft of the Emancipation Proclamation and presented it to the New York Avenue Presbyterian Church in Washington, D. C., where Lincoln had worshipped during the critical days of the Civil War.

* * *

Manufacturers Trust Company, New York announced the opening on May 22, of its new "Hollis-wood" Office at 205-19 Hillside Avenue, corner of Francis Lewis Boulevard, Hollis, N. Y. John W. Bindner will be Manager of the new office, and George R. Wells, Assistant Manager.

The opening of this office brings the total number of Manufacturers Trust's offices to 111. Of that total 15 are in Queens County.

* * *

Alfred Brittain, III, has been promoted to the post of Assistant Vice-President of **Bankers Trust Company, New York,** it has been announced by S. Sloan Colt, President.

Mr. Brittain is associated with the Far West District in the Banking Department. He was previously Assistant Treasurer, having been elected to that position in 1951. He joined the bank's staff, in the credit department, in 1947.

* * *

Volume 1, No. 1 of the "East River Log" made its debut when the 106th birthday of the **East River Savings Bank, New York, N. Y.** was celebrated. To be published now and then. the "Log" measures 3½" x 5½".

In celebration of the Bank's birthday, the first issue of the "Log" showed a homespun sketch of a flowery birthday cake complete with candles done in leaf green on a mauve background. That was a natural tie-in with the 20" birthday "cake," built entirely of flowers which was wheeled on the banking floor of each East River office along with baskets of colorful candies for depositors. All staff members wore boutonnieres of carnations, green ribbons saying "106" in glitter figures, with extra frills and garnet rosebuds for girls in the bank.

The "Log" will be distributed to depositors and friends of the East River by tellers, new account staff, and in personal mail.

* * *

A "Plan of Conversion" of **Royal Industrial Bank, New York** into a commercial bank under the title of **Royal State Bank of New York** was approved by the Banking Department of the State of New York effective June 1.

* * *

The Dime Club, composed of 600 officers and employees of The **Dime Savings Bank of Brooklyn, N. Y.,** has elected the following new officers for the coming year: Richard E. Nelson, President; Francis J. Kenna, Vice-President; Elin M. Mossbacker, Secretary; and Howard W. Pollock, Treasurer.

The Dime Club was organized in 1933 by a group of employees to further social relationships among members of the Bank's personnel. The club sponsors numerous social and athletic events each year and engages in several charitable activities, chief of which is distribution of toys to Brooklyn orphanages and children's hospitals each Christmas.

* * *

Trustees of **The Hartford-Connecticut Trust Company, Hartford, Conn.** and directors of **Phoenix State Bank & Trust Company, Hartford, Conn.** have approved a proposed merger of the two banks.

This announcement was made jointly by John B. Byrne, Chairman, and Lester D. Shippee, President, of The Hartford-Connecticut Trust Company, and Charles A. Lillie, Chairman, and Raymond C. Ball, President, of Phoenix State Bank & Trust Company, following affirmative action of their respective boards.

The proposed plan of merger will be submitted for approval by stockholders of each bank at their respective meetings to be held on June 15, 1954, subject to approval of State and Federal authorities.

The merged institution will commence operation as **The Connecticut Bank and Trust Company, Hartford, Conn.,** on July 1, 1954.

Combined capital of the merging banks, based upon their latest published reports as of April 15, 1954, amounts to $8,300,000, with combined surplus of $9 million, undivided profits of approximately $5 million, resources of $326 million and loans of $119 million. Combined trust assets are in excess of $400 million.

The consolidated institution will have approximately 1,000 officers and employees and 21 offices, serving the Hartford area and 12 other communities in Central and Eastern Connecticut. It is proposed to continue all present offices, including the main offices of both banks until plans can be formulated for the eventual location and establishment of a permanent main office.

Terms of consolidation have been determined on the basis of an independent appraisal of all assets and liabilities of both banks and complete analysis and comparison of their earnings. The Connecticut Bank and Trust Company will commence operation with a capital of $9,510,000, representing 380,400 shares of $25 par value. It will have a surplus of $9,510,000 and undivided profits in excess of $3,500,000.

Stockholders of The Hartford-Connecticut Trust Company will receive one and one-fifth shares and stockholders of Phoenix State Bank & Trust Company will receive one and one-twentieth shares of stock in the merged bank for each share now held. It is anticipated that the new stock will be placed on a $3.00 dividend basis.

Lester A. Shippee will become Chairman of the Board and the active head of the Bank. Raymond C. Ball will become President; John B. Byrne will continue in the active management as Chairman of the Executive Committee, and Charles A. Lillie will continue in an active capacity as Honorary Chairman of the Board. All present trustees and directors of both banks as well as members of the advisory council of Phoenix State Bank & Trust Company will serve either as members or honorary members of the Board of Directors of the merged Bank.

The consolidated Bank will be a well integrated institution, serving Greater Hartford, Newington, West Hartford, Wethersfield, Danielson, East Hampton, Meriden, Middletown, Moosup, Norwich, Rockville, Stafford Springs and Winsted.

* * *

The National Metropolitan Bank of Washington, D. C. in celebration of its 140th anniversary has issued a very interesting historical booklet. The Bank was organized on Jan. 11, 1814 under the name of **Bank of the Metropolis, Washington, D. C.** and on March 24, 1865 changed its name to its present title. The booklet contains many pictures and facts showing the main events and happenings in the growth and progress of the Bank.

* * *

The Board of Directors of **The Ohio Citizens Trust Company, Toledo, Ohio** at its meeting on May 19 took action which will increase the Bank's outstanding capital stock from 50,000 to 75,-000 shares and its capital account from $1,000,000 to $1,500,000. The shareholders had approved the increase in the number of authorized shares at a special meeting held in February.

Under the plan approved by the Directors, of the 25,000 additional $20 par value shares authorized at the February shareholders' meeting, 5,000 shares are being distributed as a dividend to shareholders of record at the close of business on May 24, 1954, on a 1-for-10 basis. The remaining 20,000 additional shares of the par value of $20 each are to be offered ratably to the Company's shareholders of record at the close of business on May 24, 1954, at a price of $30 per share, subscriptions for such new shares being on the basis of 2 for 5. The subscription warrants mailed to shareholders on May 24, 1954, will be transferable but will in any event expire on June 23, 1954.

In addition to the 10% share dividend payable June 1, 1954, the Directors declared a cash dividend of 35c per share payable the same date to shareholders of record May 24, 1954.

In other actions, the Directors authorized the transfer of $300,000 from undivided profits to the surplus account. This amount, together with that received from the sale of the new shares, over and above its par value, will increase the company's surplus account to $1,500,000, and bring it equal to its new capital stock.

* * *

Harris Trust and Savings Bank, Chicago, Ill. was presented with the 1954 CFAC Award for the outstanding national or regional institutional newspaper advertising campaign at the 12th annual awards competition dinner of the Chicago Federated Advertising Club. Over 800 entries were submitted to this year's competition, the largest sponsored by CFAC to date.

Robert Lindquist is Vice-President in charge of advertising for the Harris Bank, and Leo Burnett Company, Inc., is the Bank's advertising agency. The award was accepted for the bank by William N. Flory, Manager of business development, in Mr. Lindquist's absence.

The awards dinner, held on May 20, was presided over by A. J. Cusick, President of CFAC. The awards were presented by Robert B. Johnson, Chairman of the CFAC awards committee.

* * *

The National Bank of Seneca, Kan. with common capital stock of $50,000 went into voluntary liquidation and was absorbed by **The Citizens State Bank of Seneca, Kan.** at the close of business on May 8.

* * *

The First National Bank of Delphos, Delphos, Kan., with common capital stock of $25,000 went into voluntary liquidation on April 27 and was not absorbed or succeeded by any other association.

* * *

The Board of Directors of **First National Bank in St. Louis, Missouri** has elected Kenneth K. Baker and Elmer A. Tabbert Vice-Presidents of the Bank, it was announced by William A. McDonnell, President.

Mr. Baker has been placed in charge of the Bank's instalment loan department, and Mr. Tabbert, who had previously been assigned to territorial duties is now a loan officer.

Mr. Baker has been a special representative of First National's instalment loan department since August, 1952. In 1938, he joined the instalment loan department of **Mississippi Valley Trust Company, St. Louis, Missouri** and remained with that institution and its successor, the **Mercantile Trust Company, St. Louis, Missouri,** until shortly before he became associated with First National.

Mr. Tabbert, who has been with First National Bank in St. Louis and its forerunner, the Third National Bank, St. Louis, Missouri since 1917, was made an Assistant Vice-President and territorial officer in 1950, representing the Bank in Illinois. Indiana and Kentucky. Prior to that time, he was manager of the Bank's credit department.

* * *

Two staff members of **First National Bank in St. Louis, Mo.** were honored for completing 50 years of service at the annual dinner of the Bank's 25-Year Club held recently.

The 50-year veterans were Miss Genevieve McAuliffe, telephone operator who began her banking career with the **Mechanics-American National Bank, St. Louis, Mo.,** which later became part of First National, and William C. Stauss, Assistant Cashier, who started in banking with the **Third National Bank, St. Louis, Mo.** which was merged into First National in 1919.

Both Miss McAuliffe and Mr. Stauss were presented with engraved gold wrist watches by William A. McDonnell, President of the Bank.

At the dinner, 11 staff members were inducted into the 25-Year Club of the bank and presented with desk pen sets with their names and number of years of service engraved on the base. The 11 were: Willmer A. Allen, Note Teller; Celeste C. Keeve, Auditing; Joseph E. Kolb, Personal Loan; Hulda R. Kowert, F. H. A.; Louis Lopez, General Books; Joseph Orlando, Special Representative; Roland J. Reisel, Bookkeeping; Lester W. Schreier, Bookkeeping; Milton O. Spies, General Books; Louis E. Straub, Jr., Assistant Cashier and Isabelle Vassier, Personnel.

* * *

The Atlantic National Bank of Jacksonville, Fla., increased its common capital stock from $3,000,000 to $4,000,000 by a stock dividend effective May 12.

* * *

Manatee River Bank and Trust Company, Bradenton, Fla., has converted into a national bank under the title of **Manatee River National Bank of Bradenton, Fla.,** effective May 13.

Gus Bowman, Dallas banker and civic leader, has been elected President of **Love Field State Bank, Dallas, Texas** effective June 1, according to Wm. A. Blakley, Chairman of the Board of Directors.

Mr. Bowman was formerly a Vice-President of the **Mercantile National Bank in Dallas, Texas,** where he began his banking career as a bank messenger 34 years ago. During this time he served in most departments of the bank. He is a past President of the Dallas Chapter, American Institute of Banking.

Mr. Blakley, founder and formerly President of Love Field State Bank, declared that the election of Mr. Bowman is another step in the bank's expansion program.

The next phase of the Love Field State Bank's expansion will be the erection of a new, ultra-modern bank and office building now in the planning stage, Mr. Blakley said.

A completely independently-owned bank, the Love Field Bank was established in 1945 by Mr. Blakley as the controlling stockholder, and ownership will remain essentially unchanged.

* * *

A charter was issued on May 7 to the **MacGregor Park National Bank of Houston, Houston, Texas,** by the Office of the Comptroller of the Currency. The bank has a capital of $300,000 and a surplus of $200,000. C. B. Carter, Jr., is President and John A. Beck Cashier.

* * *

The Anglo California National Bank of San Francisco, Calif., will open an office in the new Stanford shopping center to be developed on Stanford University property west of El Camino Real at Palo Alto, it was announced on May 20 by Paul E. Hoover, President of the bank. The new office will be Anglo's second in the Palo Alto area.

It is expected that the Anglo office will open sometime in 1955, Mr. Hoover said. Permission to establish the office has already been granted by the Comptroller of the Currency.

Announcement of the Stanford shopping center office follows closely on the recent announcement that Anglo Bank will establish an office in Eureka through a merger with the **Bank of Eureka, Eureka, Calif.,** ratification of which by the shareholders is now pending. The Stanford office will be Anglo's 38 in Northern and Central California, after the establishment of the Eureka office and the opening of a fifth office in the Sacramento area now under construction at 21st and O Streets in the capital city.

Mutual Investors Stock at $1 a Share

Greenfield & Co., Inc. are offering 298,000 shares of Mutual Investors Corp. of New York common stock (par 10 cents) at $1 per share.

Net proceeds from the sale of the common stock will be added to the company's working capital and used to expand the corporation's portfolio of real estate properties and mortgages.

Mutual Investors Corp. of New York, was organized on Dec. 23, 1953, as successor to a 13 year old mortgage and real estate placement business previously conducted by its President, Sidney Lott. Mutual Investors Corporation is engaged in the purchase and resale of mortgages and properties.

Upon completion of the financing the company will have outstanding 748,000 shares of common stock.

Continued from first page

Has the Bottom of the Recession Been Reached?

the bottom of the recession has been reached, and in the fourth place, I wish to discuss briefly certain lessons of the recession and certain aspects of the business outlook over the intermediate-term.

II

Evidence that the Decline in Business Is Flattening Out

Evidence that the recession has been flattening out is now so abundant that this conclusion must be accepted as established. As I said a moment ago, the bottom may be behind us. Evidence that the decline has been flattening out is provided by the index of industrial production, by new orders of manufacturers, by personal incomes before taxes, and by retail sales.

During the three months from January to April the drop in the index of industrial production (seasonally adjusted) was less than half the drop in the preceding three months—3 points instead of 7. Between March and April the seasonally adjusted index showed no drop at all—the first month since last July in which no drop occurred.

The drop in personal incomes before taxes has been diminishing. Between October and November and between November and December the drop in the annual rate of personal incomes before taxes was $1.3 billion; between December and January the drop was $900 million; and between February and March, only $200 million.

For two months new orders of manufacturers (seasonally adjusted) have been rising. This rise follows four months of steady drop. The rise of new orders between January and February and between February and March raised new orders (seasonally adjusted) to the highest level since last July. Unfilled orders of manufacturers are still dropping, but the fall of $1.2 billion between February and March was the smallest drop between any two months since July, 1953. The May survey of the National Association of Purchasing Agents reports that more companies are increasing their orders and production than are decreasing them. The number of firms reporting decreases in orders is the smallest since last June.

Most interesting of all is the behavior of retail sales, because retailing has been one of the weak spots in the economy during the recession. April was the first month since last November in which retail sales (seasonally adjusted) showed an increase over the corresponding month of a year ago. The significance of the retail sales figures for April has been questioned on the ground that the seasonally adjusted figures do not correct for the fact that Easter came two weeks later in April this year than last. Undoubtedly the difference in the date of Easter is partly responsible for the favorable comparisons of retail sales figures this year as compared with last year, but it is not entirely responsible. This is indicated by comparing the sales of durable consumer goods this year and last year, because the sales of such goods are not greatly affected by the date of Easter. Sales of durable consumer goods (seasonally adjusted) in April, 1954, were only $194 million below April, 1953. In March, the drop below March, 1953, was $441 million; in February, the drop was $559 million below February, 1953; and in January, it was $564 million below January, 1953. The reduction in the tax on a few consumer durable goods on April 1 may have led to a modest postponement of buying to April, but this postponement was hardly sufficient to destroy the significance of the above figures.

The accompanying table shows the month-to-month changes in several business indicators. All figures are seasonally adjusted.

	Drop in index of industrial production (points)	Personal income before taxes (billions)	New orders of manufacturers (billions)	Retail Sales (millions)
Sept.-Oct.	1	+$0.9	—$0.5	+$58
Oct.-Nov.	3	— 1.3	— 0.6	+ 64
Nov.-Dec.	3	— 1.3	— 0.6	—172
Dec.-Jan.	1	— 0.9	— 1.3	—340
Jan.-Feb.	1	— 0.7	+ 0.3	+350
Feb.-Mar.	1	— 0.2	+ 1.0	—150
Mar.-Apr.	0	-----	-----	+472

III

The Nature of the Business Recession—the Immediate Causes for the Drop in Demand

The nature of the business recession has been somewhat misunderstood. It has been quite generally regarded as almost solely an inventory adjustment—an adjustment from a shift in the accumulation of inventories to a reduction in inventories. The inventory adjustment has been an important aspect of the recession. The basis for the view that the recession has been mainly an inventory adjustment is found in the fact that five-sixths of the drop in gross national product between the second quarter of 1953 and the first quarter of 1954 can be accounted for by a shift from accumulating inventories at the annual rate of $6.3 billion to the reduction of inventories at the annual rate of $4.8 billion. But the recession has been far more than a mere inventory adjustment. Two other important influences have reduced demand: cuts in government spending and the curtailment of retail buying by individuals. Let us examine these three principal depressing influences.

(1) **The efforts of business to reduce inventories.** In the peak quarter of the boom, the second quarter of 1953, business was not selling as much as it was producing. As a result, inventories were going up at the annual rate of $6.3 billion. The additions to inventories continued during the third quarter of 1953 at the annual rate of $3.1 billion, despite apparent efforts of business to cut them. The efforts of business to cut inventories are reflected in the drop in the new orders of manufacturers. These fell from a peak of $25.9 billion (seasonally adjusted) in May, 1953, to $22.3 billion by August. Incidentally, this drop in new orders was confined in the main to the durable goods industries, where new orders dropped $2.6 billion between April and September in comparison with a drop of only $429 million in the non-durable goods industries. By September, when inventories (seasonally adjusted) reached a peak, the ratio of inventories to sales in manufacturing, wholesaling, and trade was 1.68.

The ratio of inventories to sales in September was not particularly high, for the ratio had been 1.64 in 1952 as a monthly average and 1.61 in 1951, but the ratio in September was higher than businessmen cared to have it. A glance at the movement of new orders, unfilled orders, and inventories of the manufacturers of durable goods and at the movement of sales and inventories among the retailers of durable goods (the two spots where the inventory problem was most serious) indicates plainly why businessmen were eager to cut inventories. All figures are seasonally adjusted except those for unfilled orders. In the case of manufacturers of durable goods the ratio of inventories to new orders rose from 2.0 in February to 2.67 in September; in the case of retailers of durable goods the ratio of inventories to sales rose from 1.9 in February to 2.2 in September. Most important, of course, was the fact that inventories were rising while new orders and sales were falling.

Manufacturers of Durable Goods

	February 1953	July 1953	September 1953
		—billions—	
Inventories	$24.8	$26.4	$27.0
New orders	12.4	11.6	10.1
Unfilled orders	72.8	69.4	64.2

Retailers of Durable Goods

	February 1953	July 1953	September 1953
		—billions—	
Inventories	$10.1	$10.7	$10.9
Sales	5.3	5.1	4.9

During the last quarter of 1953 inventories were reduced at the annual rate of $3.0 billion, and in the first quarter of 1954 at the annual rate of $4.8 billion.

(2) **The reduction in the purchases of goods and services by the Federal Government.** A second important influence making for contraction has been a fairly large reduction in the purchase of goods and services by the Federal Government—from a rate of $60.5 billion in the second quarter of 1953 to $55.5 billion in the first quarter of 1954. National security expenditures (including international security and atomic energy) dropped by $6.5 billion in this period, but the purchase of other goods and services by the Federal Government increased.

(3) **The Decline in Retail Sales.** The third principal influence making for contraction has been the drop in retail trade. Retail sales reached a peak, on a seasonally adjusted basis, in February, 1953, when they were $14.5 billion. There was virtually no change in the level of retail sales during the last five months of the boom between February, 1953 and July, 1953. After July, 1953 retail sales began to drop. They declined from $14,469 million (seasonally adjusted) in July to $13,813 million in March, 1954, or about 4.5%. The behavior of retail sales exhibits several interesting characteristics that shed light on the nature of the recession. During the last five months of the boom when retail sales were not rising, personal incomes had a fairly substantial increase. They rose by an annual rate of $6.5 billion between February, 1953 and March, 1953—a gain of 2.3%.

The failure of retail sales to rise during the last five months of the boom while personal incomes were growing was a warning of trouble ahead. But the failure of sales to rise did not extend to all branches of retailing. Sales of non-durable goods (seasonally adjusted) had a modest rise between Febraury and July of last year. The failure of retail sales to grow during the closing months of the boom is attributable to a drop of nearly 3.8% in the sales (seasonally adjusted) of the durable goods stores. More than half of this drop was among the automotive stores.

After July, 1953, when personal incomes ceased to rise, retail sales began to drop. As I have pointed out, they fell from $14,469 million (seasonally adjusted) in July, 1953 to $13,813 million in March, 1954. The drop in retail sales is particularly interesting in view of the fact that personal incomes after taxes have held up quite well and in view of the additional fact that total expenditures on consumption have remained virtually unchanged. Retail sales (which include a small amount of non-consumption spending) account for about two-thirds of all personal consumption expenditures.[1] Personal consumption expenditures as a whole, which were at the annual rate of $230.4 billion in the second quarter of 1953 (the peak of the boom), were $229.8 billion in the first quarter of 1954—a period in which retail sales dropped 3.9%. The drop in retail sales was concentrated among the durable goods stores where the decline between last July and March, 1954 was 6.5% in the seasonally adjusted sales in comparison with a drop of only 3.5% in sales of non-durable goods stores.

Decline in retail trade in durable goods was limited until the end of 1953 by the expansion of consumer credit. Since the beginning of the year, however, new borrowings have dropped, with the result that repayments of consumer credit have exceeded new borrowings. The excess of repayments over new borrowings has, of course, been a deflationary influence, limiting the demand for consumer goods in general. Between the end of December and the end of March, outstanding consumer credit dropped from $28,896 million to $27,151 million, or $1,745 million. It is difficult to judge what part of this drop has been purely seasonal, but the drop has been far greater than the decrease in any previous year. Probably at least $850 million is non-seasonal, which would indicate that short-term consumer indebtedness is being reduced at the rate of over $3 billion a year. The following table shows the change in outstanding consumer credit between December and March during the last seven years:

1947-48	+$ 123,000,000
1948-49	— 718,000,000
1949-50	— 280,000,000
1950-51	— 677,000,000
1951-52	— 859,000,000
1952-53	+ 119,000,000
1953-54	—1,745,000,000

Incomplete figures for April indicate no change in consumer credit between March and April. On a seasonally adjusted basis, the incomplete April figures indicate that the excess of repayments over new borrowings has dropped substantially, but is still large.

IV

The Nature of the Business Recession—Some Sustaining Influences

A shift from accumulating inventories at the rate of $6.3 billion a year to reducing them at the rate of $4.8 billion, aggravated by a cut of $5.5 billion a year in the expenditures of the Federal Government for goods and services, and still further aggravated by a fairly substantial reduction in retail sales, might be expected to bring about a large and cumulative contraction in production, employment, and incomes. No such large and cumulative reaction has occurred. The absence of a cumulative contraction is indicated by the fact that the total drop in production is little larger than the amount required by the shift from expanding inventories to cutting them. I have pointed out that about five-sixths of the drop in production is attributable to the change from increasing inventories to reducing them. Five principal sustaining influences which have prevented contraction from feeding on itself: (1) increases in spending by states and localities; (2) the well-sustained demand for plant and equipment by industry; (3) the well-sustained demand for housing; (4) the well-sustained demand for services; and (5) special influences limiting the drop in personal incomes.

(1) **Increases in Spending by States and Localities.** In the first quarter of 1954 states and localities were buying goods and services at the annual rate of $27.0 billion (seasonally adjusted) in comparison with a rate of $24.6 billion in the second quarter of 1953, the peak quarter of the boom. Numerous influences contribute to the growing expenditures of states and localities, and I shall not take time to discuss them. Suffice it to say, that the states and localities have been increasing their expenditures for some time and are likely to continue to do so. For example, in the year 1952 their outlays for goods and services were at the annual rate of $3.6 billion less than in the first quarter of 1954.

(2) **The Well-Sustained Demand for Plant and Equipment by Industry.** In the first quarter of 1954 the expenditures of non-agricultural industries on plant and equipment were at the annual rate of $28.04 billion (seasonally adjusted) — almost as large as these expenditures in the peak quarter of the boom when they were at the annual rate of $28.48 billion, or the third quarter of 1953 when these outlays reached a peak of $28.92 billion. There are several reasons for the well-sustained expenditures on plant and equipment. One reason is that improvements in the art of management, and particularly the growing reliance of managements upon staff work, lead enterprises to develop long-range programs which they tend to carry out regardless of the immediate state of business. A second reason is that the substantial liquid resources which many enterprises accumulated during the Second World War increase the willingness of managements to go ahead with investment programs regardless of the immediate state of business. A third reason is that the rapid expansion of industrial research by business during recent years has built up a large backlog of cost-saving and product-improving ideas or inventions which managements would like to put into effect. Outlays of industry for technological research in 1953 were larger than its entire outlays in the decade of the thirties. Of course, the huge outlays in 1953 have not had time to produce commercial effects, but much of the large research expenditures of the last 10 years is today helping to sustain the demand for plant and equipment.

(3) **The Well-Sustained Demand for Housing.** The number of new housing starts (seasonally adjusted) has been rising with little interruption since last August. In April private housing starts were at the seasonally adjusted annual rate of 1,159,000 in comparison with 962,000 last August, and in March, 1954, expenditures on non-farm residences (seasonally adjusted) were $1,081 million in comparison with $979 million last July and $956 million last August. The well-sustained demand for housing may well represent to some extent a demand which accumulated last year when mortgage money was tight. In the main, however, it probably represents a combination of influences which have been helping to keep the demand for residential building at around present levels for about four years. One of the most important of these influences is the possibility of buying a house for monthly payments no higher than monthly rentals. It should be kept in mind that the current and recent rates of residential construction are not particularly high in view (1) of the rate of household formation and (2) of the large number of old and poorly-equipped houses in the coun-

[1] **Part of the non-consumption spending that is included in retail sales is the purchase of tools and equipment by farmers and by many small non-agricultural firms, most of them unincorporated and owner-operated. Part of the gasoline sold by filling stations is for business consumption, not personal consumption.**

try. The moderate rate of housing construction of recent years is attributable to high building costs. The purchasing power of a dollar spent on construction has fallen drastically in the last 25 years. For example, a dollar spent on construction today buys only as much as 40 cents would have purchased in 1929, whereas a dollar spent on the kind of consumers' goods included in the consumer goods price index will buy about as much as 64 cents would have purchased in 1929.

(4) The Well-Sustained Demand for Services. Expenditures on services in the first quarter of 1954 were $3.7 billion more as an annual rate than in the second quarter of 1953—the peak quarter of the boom. Services include a wide variety of things — rent, transportation fares, professional services, admissions to amusements. The tendency to spend more on services has been strong for some years and has apparently been too strong to be affected by the recession.

(5) Special Influences Limiting the Drop in Personal Incomes. In March, 1954, personal incomes before taxes were running about $4.8 billion a year below July, 1953. The drop would have been moderately greater had there not been a rise of $2.2 billion a year in social security benefits, veterans' payments, and other forms of transfer payments. The rise in pension payments and in unemployment compensation benefits has been particularly useful in limiting the tendency for unemployment to produce drops in personal incomes. Of considerable importance too has been the cut in the Federal income tax last January. This cut has been partly offset by the rise in social security contributions by workers, but the net gain in the purchasing power of consumers from the cut in the personal income tax minus the rise in social security contributions is about $2.3 billion a year. Hence, personal incomes after taxes in March, 1954 were only about $2.4 billion a year below July, 1953 — a drop of less than 1%.

V

The Nature of the Recession—the Concentration of the Drop In Demand and In Employment

The net effect of the clash between the powerful influences tending to depress demand and of the opposing influences tending to sustain demand has been to prevent much of the economy from experiencing recession and to confine the recession to a limited part of the economy. In other words, the economy cannot be truly said to have suffered a general contraction. In the main, the recession has been confined to the durable goods industries —though textiles and apparel have suffered substantial contraction too. But construction and most of the services have continued to expand. It has been unusual for construction to expand in the face of a general contraction of business.

The concentration of the contraction in the durable-goods industries is shown by the fact that most of the drop in sales and new orders between July, 1953 and March, 1954 has been in these industries. Of the drop of $1.5 billion (seasonally adjusted) in the new orders of manufacturers, $1.3 billion was experienced by the makers of durable goods; of the $2.3 billion drop in sales of manufacturers, $2.0 billion was experienced by makers of durable goods; and of the $657 million drop in the sales of retailers, almost half ($332 million) was in the sales of durable-goods stores and half in the sales of non-durable goods stores, but the percentage drop in the sales of durable-goods stores was 6.5% and in the sales of non-durable goods was 3.5%.

The drop in employment is almost entirely confined to manufacturing and coal mining. In April, 1954 employment outside of manufacturing and coal mining was about 800,000 larger than in April, 1953. About 70% of the drop in factory employment between July, 1953 and April, 1954 was in the durable-goods industries.

VI

Has the Bottom of the Recession Been Reached?

During the first quarter of 1954 the drop in inventories was at the annual rate of $4.8 billion. This figure is a revised estimate, but it may be revised again. Let us assume that the actual reduction in inventories during the first quarter of 1954 turns out to be quite close to the revised estimate of $4.8 billion a year. The total output of the economy will rise unless the difference in the reduction of inventories between the two quarters is offset by changes in the purchase of goods by government, business, foreigners, or consumers. Let us look first at the prospects for further reductions in inventories during the second quarter of 1954.

By the end of March total inventories in trade and manufacturing had been reduced $2.0 billion below the peak level in September, 1953, or 2.4%.[2] The ratio of inventories to sales, however, has not changed because sales have dropped as fast as inventories. At the end of September, manufacturers, wholesalers, and retailers as a whole held $1.68 of inventories for each $1.00 of monthly sales, and at the end of March, $1.71. The following table compares for different branches of industry the ratio of inventories to monthly sales at the end of September, 1953, and at the end of March, 1954:

	End of Sep. '53	End of Mar. '54
Manufacturing	1.86	1.90
Durable	2.12	2.27
Non-durable	1.59	1.57
Wholesaling	1.29	1.29
Durable	2.05	2.02
Non-durable	.92	.95
Retailing	1.64	1.65
Durable	2.25	2.28
Non-durable	1.32	1.33

The fact that the inventory-sales ratio has not changed appreciably since last September does not mean that the reduction of inventories must go on. As a matter of fact, inventories cannot be expected to decline relative to sales during periods when sales are dropping. The fact that the absolute size of inventories has been cut is the significant result. When inventories become fairly small, managements will cease to cut them further, even though they are not small relative to sales.

Four recent developments indicate that enterprises are not likely to attempt to reduce inventories in the second quarter as rapidly as in the first quarter. These four developments are (1) the fact that industrial production is apparently ceasing to drop; (2) the continued strength in construction and housing; (3) the recent rise in the new orders of manufacturers; and (4) the improvement in retail sales which manifested itself in April. It is possible, of course, that demand may rise so quickly and unexpectedly that inventories are cut much more drastically than managers expect them to be cut. This sort of thing often happens in the early stages of revival. But a large and unexpected jump in demand is not likely unless our international relations take a sudden turn for the worse. My rough guess is that the reduction in inventories in the second quarter will be about $2 billion a year less than in the first quarter.

This change alone would lead to a rise of about $2 billion a year in the gross national product unless the smaller reduction in inventories is offset by smaller sales of goods. There may be a further drop in the volume of exports, but this drop is not likely to be large. Business plans to spend almost as much on plant and equipment in the second quarter as in the first—the drop in the annual rate of these outlays between the two quarters is estimated at about $500 million. The Federal government plans to continue to reduce both its total expenditures and its outlays for goods and service, and thus far has apparently been able to carry out its intentions. In April, 1954, total cash expenditures of the Federal government were $5,303 million, or $1,141 million below April, 1953. The drop in the purchase of goods and services by the Federal government will be offset to a limited extent by the rise in these purchases by the state and local governments. The total drop between the first and second quarters in the annual rate of purchases of goods and services by foreigners and by our government (Federal, state, and local) and in the expenditures on plant and equipment by business is likely to exceed $2 billion a year. Hence, if the reduction of inventories goes on at a rate only $2 billion less than in the first quarter, the total output of the economy will fall unless there is at least a small rise in total consumption expenditures. Is such a rise to be expected?

The answer to that question is, I think, "Yes." Thanks to the steadily rising expenditures for services, total consumption outlays have scarcely dropped since the peak of the boom—in spite of the poor showing of retail trade. The April figures for retail sales, which show a slight gain over April, 1953, do not prove that retail trade has ceased to drop, but they strongly suggest that the decline in retail sales has at least greatly diminished and perhaps that it may have ceased. The May report on retail sales will be awaited with unusual interest. If the drop in retail sales diminishes and if expenditures on services continue to grow, personal consumption outlays in the second quarter will be somewhat higher than in the first quarter. A drop of about $2 billion in the annual rate at which inventories are being reduced and a rise of, say, $1.5 billion in the annual rate of personal consumption expenditures would more than offset the probable drop in the purchases of goods and services by foreigners and the government and the purchase of plant and equipment by business. In that event, the total output of the economy in the second quarter of this year will turn out to be slightly larger than total output in the first quarter. The behavior of retail trade in May and June will largely determine whether or not the bottom of the recession occurred in the first quarter of this year.

VII

Some Lessons of the Recession And Some Aspects of the Business Outlook Over The Intermediate Term

The present (or recent) recession has interesting aspects that are worth noting because they shed light on future trends of the economy and on the problems of keeping the economy stable. One of the striking aspects of the recession has been the steadiness of prices. Recessions are usually accompanied by drops in prices. In the recession of 1949, for example, when the drop in total production was roughly the same as in the present recession, the index of wholesale prices decreased nearly 10% between August, 1948, the high point, and August, 1949, and the drop continued slowly after August, 1949. In the present recession, however, there has been no drop in the index of wholesale prices — though there has probably been some drop in prices which the index failed to catch. The index in May, 1954 was slightly above May, 1953. The index of 22 sensitive commodities has risen from 88 in May, 1953 to around 92 to 93 in May, 1954.

In 1949, the principal cause for the decrease in the wholesale price index was the fall in the prices of farm products—though the index of non-farm products dropped from 153.3 in September, 1948 to about 145.0 a year later. In the present recession, there has been little movement of farm prices as a whole, but the index in May, 1954 was slightly higher than in May, 1953.

The failure of prices to drop during the current recession naturally prompts the question whether the old-fashioned recession with its drastic declines in prices is giving way to a new type of recession in which there is little movement of prices. It is, of course, too early to say. The drop in prices in the recent recession of 1949 was much less than in earlier recessions, such as 1937-38, or 1921. The failure of the index of prices to drop in the current recession is attributable in considerable measure to the accidental circumstance that from the beginning of 1952 until June, 1953 the wholesale price level of farm products dropped by 13%. In other words, the drop in farm prices came **before** the recession. Next time the drop in the prices of farm products may accompany the recession, as it did in 1949. Nevertheless, the fact that the current recession has been accompanied by no drop in prices reinforces the view that the long-run movement of the price level is upward.

This view receives additional reinforcement from the fact that the hourly earnings of workers in virtually all branches of industry have continued to rise slowly during the year in the face of rising unemployment. Wages will continue to rise because there are important negotiations ahead. The price of labor is determined fundamentally by conditions of supply and demand, but the rise of strong unions increases the effect of the supply side of the market on wages. A high proportion of the workers in manufacturing, mining, construction, transportation, and public utilities is organized. As the agreements under which these men work expire, the men expect the agreements to be replaced with other agreements providing higher wages or better conditions. Hence, the high organization of labor tends to make wages rise right through a recession such as the current one.

A second striking aspect of the current recession has been the steadiness of expenditures for non-agricultural plant and equipment. The steadiness of these outlays prompts another question: "Can we expect capital expenditures to show a similar steadiness in future recessions?" In the past violent cyclical fluctuations in expenditures on plant and equipment have been one of the characteristics of the business cycle. Dare one hope that from now on business cycles will lose this historic characteristic — the sharp up-and-down movement of capital expenditures? One recession is obviously an inadequate basis for generalization. Nevertheless, I believe that the important changes in the determinants of capital expenditures which have helped to keep plant and equipment outlays steady in this recession will permanently tend to make capital outlays less sensitive to the ups and downs of business. Particularly important are the growth of industrial research and the growth of the business staff. I have already called attention to the enormous increase in industrial research. As a matter of fact, industry has spent more than twice as much on industrial research in the eight years beginning with 1946 as in all the previous history of the country. The expansion of industrial research is bound to go on because, up to now, it has developed on a large scale in only a few industries. Furthermore, it is inherently competitive, so that research in one enterprise forces research in other concerns.

The development of industrial research means that at all times many enterprises will have a backlog of unexecuted investment opportunities. It will usually be uneconomic for managements to postpone cost-saving expenditures simply because business at the moment happens to be contracting instead of rising. Furthermore, it will often be uneconomic for enterprises to delay bringing out new or improved products which research has created. In other words, the growth of research makes investment expenditures less sensitive to the cyclical ups and downs of business.

The rise of business staffs and of staff planning has the same effect. I have called attention on numerous occasions to the revolutionary change in business management represented by the rise of staff positions. Before 1900 there were very few staff positions in American industry. The unique characteristic of the work of staff executives is investigation and planning. When policies are based upon staff work, they are bound to rest upon a broader foundation of fact and investigation than the policies made solely by line executives. Among other things, this means that policies based upon staff work tend to be based upon long-run considerations as well as short-run. But policies based upon long-run considerations tend to be executed more or less independently of business cycles. A carefully worked out long-run construction or expansion program is not likely to be curtailed very much simply because business turns down.

The next recession which this country experiences may not see business expenditures on plant and equipment holding quite as steadily as they have held in this recession. Nevertheless, the tendency for research work and staff work to make plant and equipment expenditures less sensitive to the business cycle is a major change in the direction of greater economic stability.

At the same time that changes in the planning of investment expenditures are adding to the stability of the economy, the growth of consumer credit has been introducing new causes of instability. Indeed, one of the most interesting aspects of the present recession and the preceding boom has been the role played by fluctuations in consumer credit. Congress made a blunder in refusing to extend the authority of the Federal Reserve System over consumer credit in May, 1952. As a result, consumer credit expanded by $4.1 billion between May, 1952 and December, 1952. During the same period in 1951, the growth was $1.2 billion. The expansion of consumer credit in 1952 came at a time when the Federal Government was rapidly increasing its expenditures (the cash outlays of the Federal Government in December, 1952, were $1.6 billion greater than in May in contrast to a rise of only $467 million in the same period in 1951) and when gross private domestic investment was also increasing rapidly. Fortunately, the combination of these powerful inflationary influences did not produce a rise in the price level. Nevertheless, the rise in consumer credit came at a time when it could scarcely have been worse planned.

During the first six months or so of the current recession, consumer credit continued to expand

Continued on page 50

2 Reference is to seasonally adjusted figures for inventories.

Continued from page 49

Has the Bottom of the Recession Been Reached?

slowly, thus helping to sustain business. Since the first of the year, however, the repayments of short-term consumer debts have been running considerably above new borrowings. Hence, the contraction of consumer credit in the early months of 1954, though healthy in itself, has been an important influence depressing the volume of retail trade. Unfortunately, the contraction of consumer credit has come at a time when the Federal Government has been sharply cutting its outlays for goods and services. It is fortunate, as I have pointed out, that other sustaining or expansive influences, such as tax cuts and the well-sustained business outlays on plant and equipment, have limited the effects of contracting consumer credit and of falling expenditures by the Federal Government.

The country has been fortunate in avoiding an inflationary effect from the ill-timed expansion of consumer credit in 1952, and it has also been fortunate in avoiding serious consequences from the contraction of consumer credit during the early months of 1954. It is plain, however, that consumer credit is now used so extensively that it adds significantly to the problem of keeping the economy stable. The benefits of consumer credit are considerable—it increases the capacity of the economy to expand, and it has important sociological effects in enabling people of moderate incomes to acquire the kind of goods which only the well-to-do had previously been able to afford. These important benefits of consumer credit, however, should not obscure the fact that arrangements are needed to limit the tendency of consumer credit to aggravate booms and recessions.

Perhaps the most interesting question raised by the current recession is: "How wisely and effectively has the government attempted to limit the recession?" The record of the Federal Reserve System in combating both threatened inflation early last year and contraction during the last nine months seems to me to have been good, and I have no special comment to make on it. Congress made a significant contribution to mitigating the recession by reducing excise taxes by about a billion dollars a year on April first. But Congress did not go far enough — it should have added about $2.5 billion a year instead of $1 billion to consumer purchasing power by virtually wiping out all of the manufacturers' and retailers' excises.

It is the executive branch of the government which has shown a surprising lack of initiative and enterprise in fighting the recession. I do not know the reason, but I suspect that it is attributable to the influence of the Treasury which seems to be more interested in keeping the cash budget in balance than in limiting the drop in production and employment. Certainly it is not easy to find evidence that a rise of two million in unemployment has aroused as much concern in the Administration as the possibility of a deficit in the cash budget. The Treasury overlooks the fact that unemployment represents a kind of deficit—a failure of the demand for labor to equal the supply. This kind of deficit is entitled to as much consideration as a deficit in the cash budget. Indeed, if one must choose, I would accept a deficit of two or three billion in the cash budget rather than two million unnecessarily unemployed. Spokesmen for the Administration have said several times that the Administration would act if and when action is needed, but the level of unemployment which the Administration regards as justifying action, seems to be considerably higher than the people of the country will find tolerable. Hence, I believe that this recession will go down in history as one in which the people conclude that the Administration failed to act with proper initiative and vigor in fighting contraction. Furthermore, I believe that the next time a recession occurs, even though it be as mild and as limited in scope as this one has been, the Administration in power, whether Republican or Democratic, will act more promptly and more vigorously than the present Administration has done.

I have time for only a few words on the intermediate business prospects—the prospects over the next four or five years. The greatest uncertainty is whether or not the country will be able to make substantial cuts in its defense expenditures. I wish that I could believe that substantial cuts will be possible. The cuts that are now planned seem to be based upon ill-conceived conceptions of strategy. The Administration's announced policy of "mass retaliation" fits only a few special situations — though the ones that it does fit are important. The country needs a defense program which will enable it, in conjunction with its allies, to oppose effectively the "small-war" policy of the Communists. This necessity may prevent large adidtional cuts in defense spending. But if large cuts in defense spending are possible, large cuts in taxes will also be possible. In other words, a more peaceful and secure world will mean, not primarily a drop in the total demand for goods, but a shift of a substantial part of the demand from the government to individuals. That is another way of saying that a more peaceful and secure world will mean a higher standard of consumption for us all.

The principal reason why it is impossible for me to be anything but optimistic about the intermediate business outlook is the extraordinarily rapid growth of technological research. I have mentioned this growth several times. Research increases the demand for goods as well as the capacity for industry to make goods. It increases the demand for goods partly by raising investment opportunities and partly by increasing the variety of goods offered to consumers, thus raising the proportion of personal incomes spent for consumption. The age in which we are living may properly be called a research age. This research age is not very old. We are still in the earliest stages of its development. Most of the huge expenditures on industrial research made by industry in the last eight years have not yet had time to produce economic effects. Unless these large research expenditures have been pretty completely wasted, the economic consequences of these enormous expenditures will be tremendous. It is easy to make a persuasive case for expecting rapid economic expansion in the years immediately ahead. I should hate, however, to have the responsibility for arguing the opposite conclusion—namely, that the rate of expansion is likely to drop substantially and that the demand for goods is not likely to keep pace with our capacity to produce. I do not know where I should find the evidence or the arguments to support such a conclusion.

Continued from page 13

Business Outlook Encouraging, But Challenging

quirements; (2) the rate at which new families will be formed over the next few years can be expected to slow down moderately because of the low birth rate in the early 1930's; (3) although business expenditures for new plant and equipment should remain high and perhaps even set a new record this year, in my opinion the nation still faces a period of somewhat reduced capital outlays before longer-range demand trends catch up with greatly expanded postwar productive capacities in many lines of business; and (4) many adjustments in agricultural production to achieve better balance between output and consumption still have to be faced.

These developments are not unexpected, but have been well advertised for several years. They reflect the much predicted return to more "normal" competitive conditions after an extended period of abnormally high demand caused by heavy war and defense spending. It is far better for the continuing economic health of the nation to make such adjustments in orderly fashion—such as at present—than to adopt policies which only serve to postpone and accumulate economic trouble. In my view the American public in general understands and accepts the essential nature of these economic corrections to a much greater extent than many politically motivated observers would lead us to believe.

Again let me stress that I am not predicting serious general economic trouble. What is projected is a continuing period of economic test—for a minimum of two years to perhaps as long as five years—leaving out, of course, any dislocations caused by another war.

The "interim period" started late last year. As a result, business as well as government now faces a continuing challenge to find sound means of bridging the moderate economic gap still ahead.

As we all know, many organizations already are following carefully laid plans to introduce new products, reduce costs and intensify merchandising methods in order to meet successfully the challenge of the "interim period." But there is definitely a rough road ahead for companies whose products are lagging in consumer preference and whose costs are not being held in check by improved methods and equipment.

How much time are you giving to planning the future of your business — i.e., products, equipment, finances, distribution, etc. —beyond the next few weeks or months? In my opinion, few businesses can count on record sales and high profits more or less automatically over the next few years. Success in the "interim" period will be "earned" by careful management planning to a greater extent than in many a year.

With this perspective toward longer-range economic developments, the immediate outlook may take on some new meaning. Over the past 6-9 months national business quite clearly has shown signs of a very modest decline. The succession of adjustments from sellers' to buyers' markets across industry which began in 1951 finally reached the end of the line when several major industries, such as steel, automobiles and major appliances, found that "choosey" customers had replaced eager buyers. In recent months over-all buying has been well maintained, but the country has been "living off the shelf" to an unusual extent. Just as earlier inventory accumulation provided an obvious stimulus to production and employment, recent and current inventory liquidation has an opposite depressing effect.

Thus far 1954 has been marked by other developments which have also served to restrain short-term business activity; for example, accelerated corporate tax payments under the Mills Plan, the sharp drop in government expenditures for defense, the uncertainty surrounding government tax and other legislative programs, as well as the adverse impact on consumer buying because of some rise in unemployment.

Again, let us keep our perspective. The over-all decline has been small—about 3% in gross national product, and less than 1% in after-tax personal income. The majority of families across the nation have been virtually untouched by the over-all adjustment in business, at least as measured by after-tax income. The adverse impact on income has been heaviest in certain farm communities and among industrial workers with limited tenure or workers previously employed in industries or plants which have ceased to be competitive.

The Challenge to Business Management

The principal task confronting business managements now and for some time to come must be to find ways to stimulate more consumer buying. The evidence seems quite strong that buying **can** be well maintained, for consumers generally have the purchasing power. They must now be given greater inducements to buy.

The keynote of the interim period thus becomes a challenge to business managements to find means of capitalizing fully upon the tremendous buying **potential** which exists currently and which will continue to exist despite many economic cross-currents ahead.

Looking to the remainder of the year, relatively little further decline is in prospect. There is a strong probability of a moderate upturn in general economic activity before the end of the year. Economic conditions in the country obviously would be improved merely if the factors which have depressed business in recent months became neutral. This is indeed a reasonable prospect. The worst of the general inventory correction already seems to have been completed, and further liquidation in stocks of metals and metal products promises to come to an end by the close of the third quarter. The delayed impact of Federal tax cuts should also be evident in the fall. Government expenditures in the second half, moreover, will be much higher than receipts, with some resultant stimulating effect upon general business.

These encouraging economic developments expected later in the year may lead you to believe that the "interim period" will be over very soon. I doubt such a conclusion very much. The nation, in my opinion, faces a continuing "test" for the next few years. Therefore, whatever "recovery" occurs in the months just ahead, in my view, should not be accepted as the end to general postwar adjustments and the beginning of a new era of expansion and further boom.

Again I make my plea for perspective. In recent weeks there have been many indications of renewed business confidence, which was noticeably depressed at the beginning of the year. There are now even some signs of speculation—a dangerous force—which fortunately has been largely absent during recent years of high economic activity. Developments in the commodity markets, in security markets, and recent firming tendencies in prices of raw materials may be setting the stage for a new short-lived wave of inflation.

In forecasting our principal interest naturally is in predicting what **will** happen, but at best we can only indicate the "most probable" developments ahead. Hence, if we are realistic, we should **also** be concerned about what **could** happen. In this connection, I want to point out a chain of possible events which could materially alter the outlook for the economy and your business. Visualize a levelling or moderate upturn in general business activity in the fall (for the reasons given earlier) plus renewal of the Indo-China war on a somewhat greater scale at the end of the monsoon rains. A further upsurge in confidence supported by growing opinion that the business cycle "problem" has been "solved" could conceivably touch off a burst of speculation devoid of a sound economic base. The outcome, I assure you, would be a swift contraction — much more severe than the moderate adjustment which the nation has experienced in recent months. Here is a situation which will bear watching in business and government circles and which could call for very different short-term policies than now generally contemplated.

In summary, the business outlook this year can only have real meaning to the extent that attention is focused on longer-term underlying trends rather than primarily upon very current developments. The general outlook—short- as well as long-run—continues to be encouraging but, I must add, challenging as well. I'm personally convinced that American business represented here today can meet the test of the "interim period" and move forward to a new period of fundamental economic expansion which now looms on the not too distant horizon.

With Jamieson Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Robert C. Parks has become affiliated with Jamieson and Company, Russ Building. He was previously with Sutro & Co.

Witter Adds to Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Girard S. Brewer, Jr. has become connected with Dean Witter & Co., 632 South Spring Street.

With Victor Lawson Co.

(Special to The Financial Chronicle)

CORAL GABLES, Fla.—Blanchard H. Phillips has become affiliated with Victor J. Lawson & Company, First National Bank Building.

Joins F. I. du Pont

(Special to The Financial Chronicle)

MIAMI, Fla.—Estelle Alexander has become associated with Francis I. du Pont & Co., 121 Southeast Second Avenue. Miss Alexander was formerly with Oakes & Co. and Bache & Co.

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 30	§70.5	*71.8	68.7	100.3
Equivalent to—					
Steel ingots and castings (net tons)	May 30	§1,680,000	*1,712,000	1,637,000	2,262,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 15	6,428,250	6,422,400	6,589,950	6,359,200
Crude runs to stills—daily average (bbls.)	May 15	¶7,020,000	*6,811,000	6,915,000	6,884,000
Gasoline output (bbls.)	May 15	24,050,000	22,660,000	23,598,000	22,477,000
Kerosene output (bbls.)	May 15	2,019,000	1,872,000	2,119,000	2,442,000
Distillate fuel oil output (bbls.)	May 15	8,953,000	9,557,000	9,881,000	9,156,000
Residual fuel oil output (bbls.)	May 15	8,136,000	8,015,000	8,454,000	8,666,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 15	175,750,000	175,874,000	178,923,000	153,993,000
Kerosene (bbls.) at	May 15	21,590,000	20,210,000	17,527,000	20,864,000
Distillate fuel oil (bbls.) at	May 15	65,531,000	63,939,000	57,034,000	64,682,000
Residual fuel oil (bbls.) at	May 15	44,996,000	44,668,000	43,265,000	40,258,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 15	677,581	647,954	612,884	779,805
Revenue freight received from connections (no. of cars)	May 15	589,402	588,414	572,808	664,601
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 20	$330,447,000	$344,045,000	$247,952,000	$257,642,000
Private construction	May 20	227,510,000	200,358,000	152,653,000	155,167,000
Public construction	May 20	102,937,000	143,687,000	95,299,000	102,475,000
State and municipal	May 20	80,483,000	109,021,000	75,933,000	88,324,000
Federal	May 20	22,454,000	34,666,000	19,366,000	14,151,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 15	7,100,000	6,775,000	6,690,000	9,109,000
Pennsylvania anthracite (tons)	May 15	418,000	426,000	479,000	614,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 15	97	123	118	105
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 22	8,373,000	8,380,000	8,257,000	8,013,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 20	248	248	229	156
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 18	4.634c	4.634c	4.634c	4.390c
Pig iron (per gross ton)	May 18	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	May 18	$28.08	$27.58	$25.67	$38.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 19	29.700c	29.700c	29.700c	29.700c
Export refinery at	May 19	29.675c	29.625c	29.700c	29.600c
Straits tin (New York) at	May 19	93.750c	93.500c	97.000c	100.000c
Lead (New York) at	May 19	14.000c	14.000c	14.000c	13.000c
Lead (St. Louis) at	May 19	13.800c	13.800c	13.800c	12.800c
Zinc (East St. Louis) at	May 19	10.250c	10.250c	10.250c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 25	99.41	99.33	100.57	91.93
Average corporate	May 25	110.52	110.70	110.88	103.30
Aaa	May 25	115.24	115.63	115.82	106.92
Aa	May 25	112.37	112.56	112.93	105.34
A	May 25	110.34	110.52	110.34	102.30
Baa	May 25	104.48	104.66	104.66	99.20
Railroad Group	May 25	109.24	109.24	109.60	101.64
Public Utilities Group	May 25	110.52	110.70	110.88	102.63
Industrials Group	May 25	111.62	112.19	112.19	105.86
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 25	2.54	2.55	2.45	3.09
Average corporate	May 25	3.14	3.13	3.12	3.55
Aaa	May 25	2.88	2.87	2.86	3.34
Aa	May 25	3.03	3.03	3.01	3.43
A	May 25	3.15	3.14	3.15	3.61
Baa	May 25	3.48	3.47	3.47	3.80
Railroad Group	May 25	3.20	3.21	3.19	3.65
Public Utilities Group	May 25	3.14	3.13	3.12	3.59
Industrials Group	May 25	3.06	3.05	3.05	3.40
MOODY'S COMMODITY INDEX	May 25	439.8	439.1	438.6	416.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 15	242,970	298,213	209,612	204,133
Production (tons)	May 15	252,436	237,514	242,332	251,473
Percentage of activity	May 15	92	87	91	96
Unfilled orders (tons) at end of period	May 15	417,905	429,184	378,774	529,536
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 21	108.13	108.34	109.50	106.52
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 8	1,038,600	1,090,970	999,957	746,831
Dollar value	May 8	$47,744,336	$52,036,873	$45,365,898	$33,993,771
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	May 8	1,008,020	1,110,720	1,005,027	593,701
Customers' short sales	May 8	8,614	8,162	6,306	4,700
Customers' other sales	May 8	999,406	1,102,558	998,721	589,001
Dollar value	May 8	$45,373,149	$50,707,069	$42,782,365	$23,865,896
Round-lot sales by dealers—					
Number of shares—Total sales	May 8	308,420	358,470	316,220	160,790
Short sales	May 8	------	------	------	------
Other sales	May 8	308,420	358,470	316,220	160,790
Round-lot purchases by dealers—					
Number of shares	May 8	343,340	355,060	316,910	315,680
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	May 1	495,840	388,830	456,670	353,110
Other sales	May 1	12,071,290	10,184,860	10,772,160	6,461,170
Total sales	May 1	12,567,130	10,573,690	11,228,830	6,814,280
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	May 1	1,272,230	1,138,740	1,158,290	710,330
Short sales	May 1	245,820	227,530	249,650	146,590
Other sales	May 1	1,077,430	890,610	896,940	576,630
Total sales	May 1	1,323,250	1,118,140	1,146,590	723,220
Other transactions initiated on the floor—					
Total purchases	May 1	360,850	319,800	395,790	149,060
Short sales	May 1	31,000	24,600	30,600	20,900
Other sales	May 1	375,780	310,310	342,550	159,920
Total sales	May 1	406,780	334,910	373,150	180,820
Other transactions initiated off the floor—					
Total purchases	May 1	437,660	348,860	371,830	271,420
Short sales	May 1	55,050	41,750	33,850	82,500
Other sales	May 1	401,130	381,365	520,598	321,531
Total sales	May 1	456,180	423,115	554,448	404,091
Total round-lot transactions for account of members—					
Total purchases	May 1	2,070,790	1,807,400	1,925,910	1,130,810
Short sales	May 1	331,870	293,880	314,100	250,050
Other sales	May 1	1,854,340	1,582,285	1,760,088	1,058,081
Total sales	May 1	2,136,210	1,876,165	2,074,188	1,308,131
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 18	111.3	111.0	111.3	109.9
Farm products	May 18	100.7	99.0	101.1	98.2
Processed foods	May 18	107.6	*106.8	105.6	104.5
Meats	May 18	101.9	99.1	95.8	93.0
All commodities other than farm and foods	May 18	114.4	114.4	114.6	113.6

*Revised figure. ¶Includes 615,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of April:			
New England	$24,059,033	$23,411,307	$21,111,893
Middle Atlantic	110,066,444	128,191,656	96,869,051
South Atlantic	43,536,082	46,453,570	56,063,620
East Central	105,167,335	94,290,437	131,953,233
South Central	71,770,239	76,275,782	87,811,374
West Central	36,676,458	41,116,159	40,631,732
Mountain	13,318,867	15,367,414	16,983,654
Pacific	79,781,772	82,284,930	78,549,857
Total United States	$484,376,230	$507,391,255	$529,974,414
New York City	55,063,895	99,045,726	50,678,096
Outside New York City	$429,312,335	$408,345,529	$479,296,318
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of April	10,272	10,514	9,507
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—			
As of April 30 (000's omitted)	$672,000	$720,000	$464,000
COPPER INSTITUTE—For month of April:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	77,063	*81,100	95,890
Refined (tons of 2,000 pounds)	112,617	117,546	112,660
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	104,829	95,795	142,282
Refined copper stocks at end of period (tons of 2,000 pounds)	124,523	125,759	48,382
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Lint—Consumed months of April	660,209	845,036	909,240
In consuming establishments as of May 1	1,728,497	1,806,301	1,869,231
In public storage as of May 1	9,727,732	10,522,907	5,536,648
Linters—Consumed month of April	105,255	99,152	127,705
Stocks May 1	1,590,188	1,528,541	1,129,435
Cotton spindles active as of May 1	19,457,000	19,626,000	19,970,000
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1947-49 Average 100)—Month of April:			
Adjusted for seasonal variations	107	*105	110
Without seasonal adjustment	106	*89	104
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 Average 100—Month of April:			
Sales (average monthly), unadjusted	103	90	97
Sales (average daily), unadjusted	101	85	95
Sales (average daily), seasonally adjusted	102	99	102
Stocks, unadjusted	118	116	*121
Stocks, seasonally adjusted	113	111	*115
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	39.5
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
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of March:			
Death benefits	$196,916,000	$163,906,000	$182,781,000
Matured endowments	49,479,000	40,856,000	40,384,000
Disability payments	10,241,000	8,573,000	9,479,000
Annuity payments	38,682,000	35,062,000	35,193,000
Surrender values	79,293,000	62,825,000	63,630,000
Policy dividends	86,805,000	63,686,000	78,954,000
Total	$461,416,000	$374,908,000	$410,421,000
SELECTED INCOME ITEMS OF U. S. CLASS 1 RYS. (Interstate Commerce Commission)—Month of February:			
Net railway operating income	$44,417,883	$32,574,078	$77,797,464
Other income	16,837,693	25,120,862	18,069,560
Total income	61,255,576	57,694,940	95,867,024
Miscellaneous deductions from income	3,419,100	3,711,243	3,813,937
Income available for fixed charges	57,836,476	53,983,697	92,053,087
Income after fixed charges	24,336,155	20,422,930	58,742,064
Other deductions	2,791,094	2,829,257	2,800,627
Net income	21,545,061	17,593,673	55,941,437
Depreciation (way & structure & equipment)	43,638,545	43,142,484	40,893,960
Federal income taxes	19,254,342	19,267,909	44,393,072
Dividend appropriations:			
On common stock	27,021,222	15,681,701	25,101,575
On preferred stock	19,522,440	9,465,284	18,893,363
Ratio of income to fixed charges	1.73	1.61	2.76
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
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of April 30	$271,126,620	$270,312,455	$264,642,181
General fund balance	4,787,069	6,354,530	3,581,886
Net debt	$266,339,551	$263,957,925	$261,060,295
Computed annual rate	2.380%	2.394%	2.389%

Continued from page 4

The Mortgage Business At the Crossroads

tions of the country where they are in abundance to other sections where they are needed. The mutual savings banks offer a good example of this freer movement of funds. I am sure my company is today lending in territories far removed from its home office which we would not have considered had it not been for the FHA. Usually, when we establish such a connection to acquire FHA loans, the relationship soon broadens to include conventional loans and we have been able to greatly diversify our mortgage portfolio as to location because of the FHA system.

Most investors have confidence in the appraisal systems of the FHA and its underwriting techniques. I have the feeling that most of the FHA offices are anxious to do a good job of appraising and underwriting and the fact the investor knows that certain fundamental standards are set up to guide the FHA in its operations throughout the entire nation gives the investor confidence in lending in territories where his personal knowledge is not as intimate as in his immediate territory.

Due to the insurance feature of the FHA system which represents a pooling of risks by investors, all of us have been permitted to make larger percentage loans which means a greater total investment for a fixed number of transactions than would have been permitted under the usual state laws.

Many executives of mortgage lending institutions take the position the FHA represents the soundest type of cooperation by government with private industry and in a program which, because of its size and complexities and its nationwide adaptation, could not possibly have been worked out and operated by private lenders.

Problems Created for the Mortgage Business

So much for the favorable side of the picture. What are some of the problems being created for the mortgage business as a whole by governmental activity in this field?

I have been greatly disappointed to see the continued liberalization of the government loan plans. The Congressional debate on the original act creating the FHA made it clear there was to be a sound mortgage program operating within the framework of private investors under a system of insurance administered by the government. Loans were originally limited to 80% of value but later increased to 90% and then to 95%—and, in the case of VA, we have 100% loans. The FHA maximum term was first set at 20 years and then lengthened to 25 years and subsequently to 30 years.

No one will argue the point that these liberal steps weakened the insurance program because we cannot expect 95%, 30 year loans to work out over a long period of years as satisfactorily as 80%, 20 year loans. I have the feeling these liberalizing steps were agreed upon based upon the record wherein foreclosures have been negligible but we must remember these government systems have not been put to a real test.

We have been on a steadily rising real estate market since the first loan was insured in 1934. A true appraisal of the FHA and VA must await the passage of a sufficient length of time to encompass both good times and bad and only then may we determine how a 95%, 30 year loan or a 100% loan is going to fare and whether the United States Treasury will be called upon to fulfill its guaranty. The problem could be particularly acute in connection with the large FHA rental and cooperative projects involving big amounts concentrated in single developments and where, after foreclosure, prospective purchasers are limited and each is seeking a real bargain.

It is somewhat paradoxical that we have been liberalizing the government loan plans during periods of extremely high activity and during periods when we were using every weapon at our disposal to combat inflation. It seems to me we would now be in much better shape to fight any deflation if we had stuck with the original 80%, 20 year loan and could now give the market a "shot in the arm" by some liberalizing but reasonably sound amendments. But we have already liberalized to the point where nothing else within reason is possible. We are like the man who has taken dope so long he doesn't feel the effects of the next shot. Is it too much to ask that when we are again confronted with active markets and rising prices that we reduce the term of the loan and the loan percentage? This would require real statesmanship but it is the only way we could be ready to give a stimulant to the market the next time it is really needed. Frankly, I am not too hopeful such statesmanship will be forthcoming because we operate in a democratic society where economic problems are not fully understood by the masses of the voters. To my mind, the continued liberalization of the FHA in all periods—both active times and times not so active—has created for us a situation which some day may actually threaten the financial soundness of the insurance program.

I am also disturbed by the prevailing conception—even in our present administration — that the FHA and VA are tools which should be used to stimulate our general economy—without regard to actual demand for housing and without regard to the laws of supply and demand as related to mortgage money. There are many people who feel the housing shortage has been met in some areas and that easy credit terms designed to artificially create a demand for additional housing could lead to an over-production which, in the long run, would be disastrous for property owners, lenders and the Government. I ask you—would it not be better to let the government agencies remain in the background and respond to actual effective demand rather than place these insurance programs in the forefront with orders to create demand at all costs?

The prevailing attitude is reflected in the Housing Act of 1954 where the President would be given authority to regulate interest rates on mortgages and establish loan percentages and terms. The inference is that this power would be used as a tool to influence the demand for and production of housing. The President's Advisory Committee recommended that interest rates on government guaranteed loans be regulated with only one single thought in mind—to keep these rates competitive with other forms of investment in order to be sure the mortgage market received its fair share of investment funds. You can readily detect a very fundamental difference in these two approaches.

The FNMA

This whole concept to which I am referring and which pervades so much of the current thinking —particularly in political circles — is exemplified by FNMA. Its proponents argue that we need a secondary market just as the commercial banks have the Federal Reserve and the savings and loan associations have the Home Loan Banks. In both of those cases, the member institutions using these facilities do not sell loans to the facility and then forget them. They either repurchase discounted paper or repay a loan. A truly secondary market function is performed in those cases by smoothing out the peaks and valleys in the normal investment operations of the banks and savings and loan associations.

But such is not the caset with FNMA. If you are fortunate enough to sell it a mortgage, you wash your hands of it. You have no responsibility to repurchase it. To the extent FNMA uses Treasury funds, money has been created for the purpose of buying these mortgages which not only adds to the inflationary stream but places our government in the position of directly competing with the legitimate mortgage investors of the country.

To be a truly secondary facility, the agency must be designed to serve the fluctuating needs of the ultimate lenders. What lenders is FNMA designed to serve? I have mentioned that the commercial banks and savings and loan associations have their own secondary facilities. Life insurance companies, when needing such facilities, can and do use the commercial banks. The mutual savings banks, due to large holdings of cash and government bonds, can certainly work out their own temporary adjustments but, if they need secondary facilities, they are eligible for membership in the Home Loan Bank System.

We must inevitably come to the conclusion that those who want FNMA want a primary market—a place to dump loans which fail to meet the tests of the market place, which reflects a philosophy that housing must be kept going at a boom level regardless of basic market forces and, because of FNMA, we have given up the benefits of the laws of supply and demand which have heretofore served so well in regulating all phases of our economic life. From now on, will FNMA supplant supply and demand and will it regulate the volume of housing and the amount of mortgage financing?

We are told that FNMA is needed to provide mortgage funds in small towns throughout the country. I am extremely pleased that Mr. Cole recognizes it is much more expensive to negotiate, close and service a small volume of loans in these little towns and that he is solidly behind the recommendation of the President's Committee that an additional service fee be allowed on such loans and that such a provision is included in the Housing Act of 1954. The flow of money responds to the **net** rental paid for its use and I predict a complete satisfaction of the mortgage needs of small communities if this service fee should be permitted.

It cannot be too strongly emphasized that we have an educational job to do in connection with the usual fee of ½% paid by investors to servicing agents. Except for loans made in their local territory, if lenders do not operate on the branch office system, the only way they can make their funds available on a nationwide basis is through the servicing agent system. Then, a 4½% loan becomes a 4% loan and out of this 4% must be paid originating costs, home office expenses and losses. Let us keep stressing the fact that when we are referring to the national mortgage market, the rate to the investor is always ½% less than the contract rate. This sounds elementary to you but I suggest you take the time to be sure your Congressman understands it.

There are many other phases of the government loan programs I should like to discuss with you in detail if time permitted. I would like to think with you about the desirability of 100% loans for veterans now that no acute housing shortage exists and we are not operating under a rationed and war-time economy. The purpose of the G.I. loan was not to give the veteran a preference but to be sure he was not penalized in acquiring a home because of the time he had spent in service. Do the same conditions exist today as in 1944 when the act was first passed and should the benefits of the act be granted to those entering the service today on exactly the same basis as to those who went to the defense of their country in time of active war?

I would like to discuss with you some of the problems involving FHA debentures which, to my mind, play a powerful role in the operation of the entire FHA mortgage system. The questions of interest rate and other details bearing on the marketability of these debentures will some day weigh heavily on the minds of mortgagees if we encounter a period of greater than normal foreclosures.

I wish I could talk with you about the desirability of FHA extending its loan limits on single family houses, as contemplated by the Housing Act of 1954, from $16,000 to $20,000 with corresponding increases on two-unit, three-unit and four-unit dwellings. Would it be better if what assistance our government can render in this field be confined to the lower priced houses and thereby spread over a greater number of people who need it most—keeping in mind that those who contemplate buying the more expensive houses should be in a better position to pay for them?

These and many other questions could be discussed at great length and I am sure we would not all agree on the correct solutions. There are many facets of the conventional mortgage business that should be covered if one is to make an intelligent presentation of the over-all mortgage picture. But I have long since reached the conclusion that the whole subject of mortgage loans is just too broad and comprehensive to be adequately treated in one brief talk. About all a speaker can do is to select some broad phase of the mortgage business which, to him, seems to be basic and fundamental at the moment and then hope to stimulate some intelligent thinking on the part of his audience who, usually, are better informed than the speaker.

Conclusion

It was my feeling that after twenty years of progression by our government in the residential mortgage field, it was time for us to stop—take stock and think carefully about what the next twenty years might have in store for us. The government loan plans have too many good qualities—have accomplished too much—and the mutual savings banks and the life insurance companies have been too actively identified with them for us to fail to give it our very best of thinking at this time.

I want us to contemplate the responsibility we have to help shape the future of the mortgage business — a field of investment which has meant so much to your banks throughout their entire history. We cannot sit back and assume the other fellows will do it. What is everybody's business is nobody's business. We must work and plan individually and collectively and then act aggressively and forthrightly. As citizens of a democracy made great by the free private enterprise system, we owe it to our government and to our depositors and policyholders to exert the influence which rightfully belongs to us in the mortgage field. We must be willing to make suggestions and give advice to our duly elected representatives and must never hesitate to speak openly and frankly to the administrative officials in government, most of whom will listen intently to businesses such as yours and mine which have back of them many long years of solid experience in the field of trusteeship.

Clark Oil & Refining Securities Offered

Loewi & Co., Milwaukee, Wis., heads an underwriting group which is offering 50,000 shares of series A, $1.20 cumulative dividend, convertible preferred stock, $20 par value and 100,000 shares common stock, $1 par value. Members of the group include: Straus, Blosser & McDowell, Chicago; Bell & Farrell, Inc., Madison; Ames, Emerich & Co., Inc., Chicago; H. M. Byllesby & Co. (Inc.), Chicago; Dempsey-Tegeler & Co., St. Louis; Irving J. Rice & Co., Inc., St. Paul; Fusz-Schmelzle & Co., St. Louis; The Marshall Co., Milwaukee; Metropolitan St. Louis Co., St. Louis and Link, Gorman, Peck & Co., Chicago.

Clark, the largest independent oil company in the Midwest refines and sells petroleum products both through regular wholesale channels and its 160 retail outlets. In addition, 27 new stations are under construction, eight in Wisconsin, three in Minnesota, seven in St. Louis and four in Southern Illinois. Six new stations are under construction in the Chicago area and ten additional sites have been selected in that new market. The company's operating income has grown from $22,000,000 in 1949 to more than $36,000,000 in 1953. The company's two refineries and water transportation facilities are modern and adequate to handle both present requirements and planned expansion.

The net proceeds will provide additional working capital.

Bache to Admit

Louis A. Voltter will be admitted to limited partnership in Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, June 1.

Joins Taylor Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Robert R. Hammond has joined the staff of Taylor and Company, 364 North Camden Drive.

With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Oliver H. Bonham-Carter is now with Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive. He was previously with Curtis Lipton Co.

Nelson, Scoville Co.

SEATTLE, Wash.—Nelson, Scoville & Co., Inc. has been formed with offices in the White Building to engage in the securities business. Melvin J. Scoville, a principal of the firm, was formerly active as an individual dealer.

With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Ralph M. Dahl has become affiliated with the First California Company Incorporated, 647 South Spring Street. He was previously with Fairman & Co. and Edgerton, Wykoff & Co.

Ira J. Ducey

Ira J. Ducey, associated with A. H. Vogel & Company, Detroit Michigan, for 16 years, passed away May 16 at the age of 61.

Our Reporter's Report

The new issue market continues in a welter of confusion, but a ray of hope developed this week when underwriters came up with an offering that attracted buyers for a change.

Things have been pretty much at a stalemate over a period of weeks with a major segment of so-called institutional investors "virtually on strike," as one observer put it, against yields being currently offered.

But this week Consolidated Natural Gas Co. put up for bids $25,000,000 of debentures due to mature in 25 years. The successful banking group repriced the issue at 101.833 for an indicated yield of 3.02%.

And at this rate of return there were buyers around for the debentures. Savings banks and pension funds were reported to have shown substantial interest in this one and by the close on Tuesday, more than 80% of the total had been spoken for.

There were certain inducements, however, which helped to explain the relative popularity of this issue. Though it carries a 25-year maturity, there is a sinking fund designed to retire 80% of the total before that time, thus averaging out a life of about 16½ years.

However, while Consolidated Natural Gas 3⅛s were going well, it developed that groups which had brought out four other issues in recent weeks decided to terminate their agreements and let the bonds find their own levels.

Hasn't Bought This Year

The attitude of institutional buyers toward the bond market is perhaps summed up by the remarks of the manager of a fund that counts its resources well up in the millions.

He says he hasn't bought a bond since the turn of the year, remarking that you can't afford to put the money out on a return basis of 2.9% to 3%. His argument is that you can't break even unless it is possible to obtain a return of 3.15% to 3.20%.

Asked whether he thought yields would get to that level, he stated that "unfortunately he doesn't think so, much as he would like to see it."

Watching Money Rates

Even among those who have been "fighting the market" at least to the extent of avoiding the buying side, it is recognized that, basically, easy money is the order of the day for a considerable time at least.

Fact of the matter is that some people are looking for another downward adjustment in Federal Reserve rediscount rates before the Fourth of July.

There are some, of course, who feel that before the bank rate moves again, it is more likely that reserve requirements of member banks will be reduced, thus freeing up a portion of deposits now earmarked in cash.

Breathing Spell Ahead

As far as the corporate market is concerned it looks as though underwriters and dealers have a breathing spell ahead for the next week. Only one substantial sized offering is up for competitive bids on the calendar.

Consumers Power Co., has fixed next Wednesday as the date for the opening of bids on its projected issue of $25,000,000 of new first mortgage bonds and with five groups ready to bid competition should be keen.

There are several moderate-sized negotiated undertakings on tap, the largest of these being the Scudder Fund of Canada's 700,000 shares of capital stock.

Halsey, Stuart Group Offer Utility Bonds

Offering of $50,000,000 Public Service Electric & Gas Co. first and refunding mortgage bonds, 3¼% series due May 1, 1984, at 102.915% and accrued interest, to yield 3.10%, is being made today (May 27) by a syndicate headed by Halsey, Stuart & Co. Inc. The group won award of the issue at competitive sale on May 26 on a bid of 102.3199%.

Net proceeds from the sale of the bonds will be added to the company's general funds and will be used for general corporate purposes and for construction expenditures. The company estimates that approximately $84,000,000 has been or will be expended in 1954 for construction purposes.

The new bonds will be subject to redemption at regular redemption prices ranging from 105.92% to par, and at special redemption prices receding from 102.92% to par, plus accrued interest in each case.

Public Service Electric & Gas Co. is an operating public utility company engaged in the electric and gas business in New Jersey. Territory served by the company includes most of the larger cities in New Jersey as well as many smaller communities. Based on the 1950 census, population of the territory served with electricity and gas was 3,193,524. Of the total operating revenues of the company in 1953, about 72% was derived from its electric operations and about 28% from its gas operations.

For the 12 months ended March 31, 1954, total operating revenues aggregated $235,548,631 and net income amounted to $25,206,773. For the year 1953, total operating revenues were $230,267,295 and net income was $25,562,807.

Baltimore County Bonds Offered by National City Group

The National City Bank of New York heads a syndicate that was awarded on May 25 an issue of $22,000,000 Baltimore County, Maryland, 5%, 2½%, 2.60%, 2.70%, 2¾% and 1% various purpose bonds, due June 1, 1957 to 1994, inclusive. The group bid 100.0208, for a net interest cost of 2.5078%.

Bonds maturing from 1957 to 1991, in the amount of $21,440,000, are being reoffered at prices scaled to yield from 1.15% to 3.05%, depending on maturity. The bonds maturing from 1992 to 1994, in the amount of $560,000, are not being reoffered.

Associated with The National City Bank in the offering are: Drexel & Co.; Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Kidder, Peabody & Co.; Union Securities Corporation; Mercantile-Safe Deposit and Trust Company; The Northern Trust Company; Chemical Bank & Trust Company; Continental Illinois National Bank and Trust Company of Chicago; The Philadelphia National Bank; Blair, Rollins & Co. Incorporated; Goldman, Sachs & Co.; Stone & Webster Securities Corporation; Equitable Securities Corporation; Merrill Lynch, Pierce, Fenner & Beane; Hornblower & Weeks; Baker, Watts & Co.; John C. Legg & Company; Stein Bros. & Boyce; W. E. Hutton & Co.; F. S. Smithers & Co.; Dean Witter & Co.; Stroud & Company Incorporated; Trust Company of Georgia; Francis I. du Pont & Co.; Roosevelt & Cross Incorporated; Laidlaw & Co.; Bache & Co.; L. F. Rothschild & Co.; Hirsch & Co.; Wertheim & Co.; Mead, Miller & Co.; Andrews & Wells, Inc.; King, Quirk & Co. Incorporated; Auchincloss, Parker & Redpath; William Blair & Company.

S. D. Fuller Offers Pyramid Electric Shs.

S. D. Fuller & Co., New York City, are offering publicly an issue of 92,000 shares of common stock (par $1) of the Pyramid Electric Co. at $3.25 per share.

The net proceeds are to be added to working capital and to purchase additional equipment.

Pyramid Electric Co. produces hermetically sealed miniature tubular paper capacitors, under the trade mark "Glasseal." Plants are located at North Bergen and Paterson, N. J.

Continued from page 40

MUTUAL FUNDS

to the fiscal year-end, capital gains distributions were made by each series of funds," he added.

"We are pleased to report that approximately 62% of the capital gains distributions were accepted by shareowners in additional shares at asset value instead of cash," stockholders were told.

Discussing the outlook for investments over the next 12 months, the report declared that wider variations in earnings of individual companies and industries are anticipated because of increasing competition. "Unusual care in the selection of investments will therefore be particularly important in the months ahead," it stated.

"For investors, a reasonable backlog of selected bonds and preferred stocks seems prudent, and we believe it advisable to continue to have adequate representation in common stocks in order to benefit from the relatively high income available and at the same time to have an opportunity to participate in the long-term growth of successful American corporations," the report asserted.

ONE WAY of making the postman's ring more welcome is to know that he will be bringing some extra income along with the month's bills. That is the purpose of the "Dividend-Every-Month" plan announced by Hugh W. Long and Company, national underwriter to mutual funds with assets of more than $250,000,000. The plan is designed to provide investors with dividends each month from a balanced investment program.

Convenience is only one of the important features of the Dividend-Every-Month Plan. The Long organization points out that the plan is a prudent way of acquiring a fully supervised investment account combining an opportunity for profit in common stocks with "rainy day" shelter in bonds and preferred stocks. To receive a dozen dividends checks a year under this plan the investor purchases shares of three mutual funds: Fundamental Investors, Diversified Investment Fund and Manhattan Bond Fund. In this way the investor acquires an interest in the more than 240 different securities held in all three Funds.

Currently these combined holdings include 58 bonds, 17 preferred stocks and 169 common stocks. An investment of an equal amount in each of the three funds gives the investor an investment account with approximately 40% in bonds and preferred stocks and 60% in common stocks.

"One of the Most Fruitful Epochs"

"When in the course of the nineteenth century the guild system and the other forms of traditional organizations which had come to be regarded as obstacles to economic progress were swept away, the world entered upon a period in which—from both the spiritual and economic point of view—there was more freedom of movement, more room for diversity; indeed, there was at that time more scope for the interchange of goods and services and the commerce of ideas than had ever before been experienced. This was the fifty year period before 1914—in many ways one of the most fruitful epochs in the complex history of man." — Per Jacobsson in the April Quarterly published by "Skandinaviska Banken."


Dr. Per Jacobsson

It is not merely a form of nostalgia which leads us to regret the passing of that era.

Business Index at New High Since February

The Axe-Houghton weekly business index has advanced during the last three weeks and is the highest since the end of February although the net increase from the March 13 low point has been only 3.4 points. Electric power production has advanced in the last three weeks and has reached a new high record, after allowing for seasonal variation. Steel and automobile production and lumber loadings have increased slightly, but miscellaneous loadings have declined.

The index of durable goods raw material prices has shown a further advance making the present recovery the most extensive of any of the several upturns that have occurred during the general decline since the spring of 1952.

An additional sharp rise in copper scrap prices is mainly responsible for this advance, although there has also been a moderate further rise in steel scrap prices. Copper refiners' sales have shown further gradual improvement.

Producers' stocks have declined slightly. Imports of copper and lead have remained fairly low, but imports of zinc increased sharply in March. The devaluation of the Mexican peso will probably encourage lead and zinc imports thence for a while, although several United States companies, notably American Smelting & Refining Company, have extensive mines, smelters, refineries, and other property there.

The semi-durable goods raw material price index has held up close to the top of the recent advance, reached three weeks ago. The outstanding development in the semi-durable goods industries has of course been a substantial buying movement in cotton textiles, starting about May 12.

Total retail sales, according to the Department of Commerce, declined from July to January but showed considerable recovery from January to April, Axe reports. This however was almost entirely attributable to a decline and recovery in retail sales of durable goods; and the decline and recovery in durable goods was largely attributable to a decline and recovery in sales of automobiles and accessories.

Retail sales of non-durable goods have been comparatively steady, and the April total, seasonally adjusted, was indeed only slightly lower than the December 1952 peak.

According to the national income figures compiled by the Department of Commerce, total personal income showed a moderate further decrease in the first quarter, but this was offset by a reduction in income taxes, so that the total disposable income was slightly higher than in the fourth quarter and as high as in the third quarter, which was the highest on record.

Personal consumption expenditures on the other hand are estimated to have continued to decline in the first quarter, the difference being attributed to an increase in personal savings, which reached $20 billion, according to the Department of Commerce, as compared with an all-time high record of $20.8 billion in the third quarter of 1951.

These income and expenditure and savings estimates, though they are undoubtedly subject to considerable error, nevertheless seem to indicate that the January first tax reduction has been an important factor in maintaining purchasing power and in preventing the decline in general business activity from getting worse, Axe comments. The remarkably high and well-sustained volume of personal savings may indeed explain, at least in some small part, the recent advance in security prices.

The Federal Reserve Board has done nothing in recent weeks to influence the money market, Axe notes. Short-term interest rates have remained low. Treasury bond yields have advanced, but there has been no comparable reaction in high-grade corporates.

It has been almost a year since the Federal Reserve Board began its epochal reversal of policy, but the effects continue to be manifest in several directions. One effect has been to put stock prices up, as in 1929, Axe states. Another has been to help maintain a high level of new home construction, by making financing easier.

Another has apparently been to facilitate the financing of huge public projects such as throughways, additional school facilities, and other improvements for which, it is said, there is a desperate need.

Where this all leads to is anybody's guess, the Axe report states, but it looks as if there would be no lack of heavy construction activity for some time to come specially if, as rumored, the Administration is in process of reversing also its position with respect to Federal power and reclamation projects in the face of the apparently overwhelming regional political pressure for this type of government activity.

TEXAS FUND, completing its fifth year of growth on Aug. 31, 1954, reported total assets have increased from $150,000 on Aug. 31, 1949 to $15,001,690 on April 30, this year, of which $2,792,791 represents unrealized gain on investments.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Aluminum Co. of America, Pittsburgh, Pa. (6/9)
May 20 filed $100,000,000 of sinking fund debentures due June 1, 1979. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for capital expenditures and working capital. **Underwriter** — The First Boston Corp., New York.

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
April 30 filed 77,706 shares of common stock (par $5) being 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. Statement effective May 20.

★ Automatic Devices Co., Inc.
May 18 (letter of notification) 630 shares of preferred stock (par $100) and 2,520 shares of common stock (par 10 cents), to be offered in units of two shares of prefered and eight shares of common stock to each present holder of four shares of common stock. **Price**—$280 per unit. **Proceeds**—For expansion and working capital. **Office**—714 Hillgrove, Western Springs, Ill. **Underwriter**—None.

★ Barnesville Rural Telephone Association
May 27 (letter of notification) 8,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For general corporate purposes. **Office** — Barnesville, Minn. **Underwriter**—None.

Basin Natural Gas Corp., Santa Fe, N. Mex.
Dec. 23 (letter of notification) 748,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—To acquire properties and leases. **Office** — Blatt Bldg., Santa Fe, N. M. **Underwriter**—Hunter Securities Corp., New York.

• 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 being 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**—$100 per unit. **Proceeds**—To pay current liabilities, and for expansion and improvements, etc. **Office**—Wilmington, Del. **Underwriters**—Laird Securities Co., Inc., and Laird, Bissell & Meeds, both of Wilmington, Del., and Harrison & Co., Philadelphia, Pa.

British Industries Corp.
April 23 (letter of notification) 3,750 shares of capital stock. **Price**—At market ($2 net to seller). **Proceeds**—To Kay L. Rockey, the selling stockholder. **Underwriter**—Stubner & Co., New York.

★ Broadway-Hale Stores, Inc., Los Angeles, Calif.
May 20 (letter of notification) an undetermined number of common shares (par $10) to be issued under employees stock purchase plan. **Proceeds**—None. **Office**—401 S. Broadway, Los Angeles, Calif. **Underwriter**—None.

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.

★ Central Illinois Public Service Co. (6/15)
May 24 filed $5,000,000 of first mortgage bonds, series F, due June 1, 1984. **Proceeds**—To finance part of construction program. **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). **Bids**—Planned for June 15.

★ Central Maine Power Co. (6/3-4)
May 20 filed 50,423 shares of convertible preferred stock (par $100) to be offered for subscription by holders of outstanding common stock and 6% preferred stock on the basis of one new preferred share for each 50 shares of common stock held and one new share of preferred stock for each 10 shares of 6% preferred stock held on June 3 or 4; rights expire June 14. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriters**—Harriman Ripley & Co. Inc. and The First Boston Corp., both of New York; and Coffin & Burr, Inc., Boston, Mass.

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.

★ Chicago, Aurora & Elgin Ry., Wheaton, Ill.
May 18 (letter of notification) 5,000 shares of common stock. **Price**—At market (estimated at $8.87½ per sh.). **Proceeds**—To Earl C. Nagels, President. **Underwriter**—Rodman & Renshaw, Chicago, Ill.

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.

★ Connecticut Light & Power Co.
May 25 filed 590,290 shares of common stock (no par—stated value $10.0625 per share), to be offered for subscription by commoin stockholders of record at 3 p.m. on June 1, 1954, in the ratio of one new share for each 10 shares held. **Price**—$12.75 per share. **Proceeds**—For construction program. **Underwriter.**—None.

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.

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

NEW ISSUE CALENDAR

June 1 (Tuesday)
Inter-Canadian Corp.----Common
(White, Weld & Co.) $2,500,000
Missouri Telephone Co.----Preferred
(Central Republic Co. Inc.; Dempsey-Tegeler & Co.; Metropolitan St. Louis Co.; and A. G. Edwards & Co.) $300,000
New Orleans Public Service Inc.----Common
(Offering to stockholders—no underwriting) 7,127 shares

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
Merritt-Chapman & Scott Corp.----Common
(A. C. Allyn & Co. Inc.) 187,791 shares
Nortex Oil & Gas Corp.----Common
(J. R. Williston & Co.) $299,998
Shawano Development Corp.----Common
(McGrath Securities Corp.) $249,000

June 3 (Thursday)
American Cyanamid Co.----Preferred
(White, Weld & Co.) $58,500,000
Central Maine Power Co.----Preferred
(Offering to stockholders—underwritten by Harriman Ripley & Co. Inc.; The First Boston Corp.; and Coffin & Burr, Inc.) $5,042,300
Glass Fibers, Inc.----Debentures
(McCormick & Co.) $3,000,000
Grand Mesa Uranium Co.----Common
(Greenfield & Co., Inc.) $275,000
Reliance Electric & Engineering Co.----Debs.
(Blyth & Co., Inc.) $5,000,000
Scudder Fund of Canada, Ltd.----Common
(Lehman Brothers) 800,000 shares
Vanadium Corp. of America----Debentures
(Kidder, Peabody & Co.) $5,000,000

June 7 (Monday)
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)
Fruehauf Trailer Co.----Debentures
(Lehman Brothers) $20,000,000
Southwestern Gas & Electric Co.----Bonds
(Bids 11 a.m. CDT) $10,000,000
United Utilities, Inc.----Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.) 213,261 shares

June 9 (Wednesday)
Aluminum Co. of America----Debentures
(The First Boston Corp.) $100,000,000

June 10 (Thursday)
Mountain Fuel Supply Co.----Debentures
(The First Boston Corp.) $12,000,000
Philadelphia Electric Co.----Common
(Offering to stockholders—Drexel & Co. and Morgan Stanley & Co. will be dealer-managers) 944,952 shares
United States Sulphur & Chemical Corp.----Common
(Vickers Brothers) $760,000

June 15 (Tuesday)
Central Illinois Public Service Co.----Bonds
(Bids to be invited) $5,000,000
Giddings & Lewis Machine Tool Co.----Common
(Hornblower & Weeks) 100,000 shares
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
Hammond Organ Co.----Common
(A. G. Becker & Co. Inc. and Hornblower & Weeks) 114,954 shares
Hercules Cement Corp.----Common
(Offering to stockholders—may be underwritten by Stroud & Co., Inc.) 40,000 shares
Jersey Central Power & Light Co.----Bonds
(Bids 11 a.m. EDT) $6,000,000
Lily-Tulip Cup Corp.----Common
(Offering to stockholders—underwritten by Blyth & Co., Inc.) 88,000 shares
Western Plains Oil & Gas Co.----Common
(Irving J. Rice & Co.) $475,000

June 16 (Wednesday)
Hoffman Radio Corp.----Common
(Blyth & Co., Inc. and William R. Staats & Co.) 130,000 shares

June 21 (Monday)
Tennessee Gas Transmission Co.----Bonds
(Bids to be invited) $25,000,000

June 22 (Tuesday)
Gulf Power Co.----Bonds
(Bids 11 a.m. EDT) $10,000,000

June 23 (Wednesday)
Duquesne Light Co.----Preferred
(Bids to be invited) $6,000,000
Panhandle Eastern Pipe Line Co.----Debentures
(Bids to be invited) $25,000,000

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) $16,000,000

July 12 (Monday)
United Gas Improvement Co.----Bonds
(Bids to be invited) $10,000,000

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**—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 954,474 shares of capital stock (par 50 cents) being offered in exchange for Universal Pictures Co., Inc., common stock on the basis of 2¼ shares of Decca stock for each Universal share. Decca on May 1 owned 672,996 shares (66.2%) of Universal stock, with 344,338 shares in hands of approximately 1,783 other stockholders. Also there were warrants outstanding for the purchase of 79,873 shares of Universal stock at $10 per share held by others than Decca, and any Universal stock acquired upon exercise of such warrants may be tendered for exchange. Offer will expire on June 30. **Soliciting Agent**—Georgeson & Co., New York.

★ Duquesne Light Co. (6/23)
May 26 filed 120,000 shares of preferred stock (par $50). **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 23.

★ Duquesne Light Co. (6/29)
May 26 filed $16,000,000 of first mortgage bonds due July 1, 1984. **Proceeds**—For construction program. **Underwriters**—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. **Bids**—Expected to be received on June 29.

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 24 filed $5,000,000 of Single Payment and Periodic Payment Plans. **Proceeds**—For investment.

● Fruehauf Trailer Co. (6/8)
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
May 7 filed 46,000 shares of 5% cumulative preferred stock (par $50), of which 16,000 shares are being 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 1. The remaining 30,000 shares of 5% preferred stock were offered publicly at par by Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. and associates. **Proceeds**—To retire 5.2% preferred stock, to repay bank loans and to pay notes due to the General Telephone Corp., its parent.

★ Georgetown-on-the-Aisle Club
May 21 (letter of notification) 200 shares of 6% noncumulative preferred stock. **Price** — $50 per share. **Proceeds**—To operate a theatre club for entertainment of its members. **Address**—c/o C. B. Heinemann, Jr., 740-11th St., N. W., Washington, D. C. **Underwriter**—None.

★ Giddings & Lewis Machine Tool Co. (6/15)
May 21 filed 100,000 shares of common stock (par $2), of which 60,000 shares are to be sold by the company and 40,000 shares for the account of a stockholder. **Price**—To be supplied by amendment. **Proceeds**—To company, to reduce bank loans and for working capital. **Underwriter**—Hornblower & Weeks, New York.

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.
May 3 filed 170,000 shares of common stock (par $2). **Price**—$11.50 per share. **Proceeds**—To selling stockholders. **Office**—Dallas, Texas. **Underwriters** — A. C. Allyn & Co., Inc., Chicago, Ill., and The First Southwest Co., Dallas, Texas. **Offering**—Expected today (May 27).

★ Gold Producers, Inc., Winnemucca, Nev.
May 19 (letter of notification) 100,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—For development and exploration expenses. **Office**—205 Bridge St., Winnemucca, Nev. **Underwriter**—None.

● Grand Mesa Uranium Co. (6/3-4)
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.

★ Grant Building, Inc., Pittsburgh, Pa.
May 21 filed 22,069 shares of common stock (par $1) to be offered for subscription by common and class A common stockholders. **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with other funds, to be used to retire $403,100 of collateral trust bonds due 1957 at 100% and accrued interest. **Underwriter**—None.

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 Power Co. (6/22)
May 26 filed $10,000,000 of first mortgage bonds due 1984. **Proceeds**—To refund $6,593,000 of outstanding first mortgage 4⅛% bonds due 1983 and for repayment of bank loans and new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Drexel & Co. (jointly); Equitable Securities Corp.; Union Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on June 22.

Gulf States Utilities Co. (6/15)
May 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 3⅝% 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.

★ Hammond Organ Co., Chicago, Ill. (6/15)
May 24 filed 114,954 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriters**—A. G. Becker & Co. Inc., Chicago, Ill., and Hornblower & Weeks, New York, N. Y.

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.

★ Hoffman Radio Corp., Los Angeles, Calif. (6/16)
May 19 filed 130,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—For new plant and equipment and working capital. **Underwriters**—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.; and William R. Staats & Co., Los Angeles, Calif.

● Indian Head Mills, Inc.
May 6 (letter of notification) 59,000 shares of common stock (par $1) being 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. (6/1)
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 85,090 shares of common stock (par $5) being offered for subscription by common stockholders on the basis of one new share for each 10 shares held of record May 21 (with an oversubscription privilege). Employees to be given right to purchase unsubscribed shares. Rights will expire on June 2. **Price**—$23 per share. **Proceeds**—For property, additions. **Underwriters**—Cruttenden & Co., Chicago, Ill., and The First Trust Co. of Lincoln, Neb.

Kendon Electronics Co., Inc.
April 21 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For working capital and general corporate purposes. **Office** — 18 Clinton Street, Brooklyn, N. Y. **Underwriter**—20th Century Pioneer Securities Co., New York, N. Y.

★ Kentley Corp., Grand Rapids, Mich.
May 17 (letter of notification) 1,783 shares of class B common stock to be issued to employees under the corporation's stock bonus plan (about 10 persons involved). **Price**—At book value ($1.14747). **Office**—1425 Burlingame Ave., S.W., Grand Rapids, Mich. **Proceeds** — For general corporate purposes. **Underwriter**—None.

★ Kirschner Oil Co., Inc., Denver, Colo.
May 19 (letter of notification) 28,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To drill well. **Office**—756 South Lopan St., Denver, Colo. **Underwriter**—None.

★ Langendorf United Bakeries, Inc.
May 12 (letter of notification) 2,500 shares of common stock (par $1). **Price**—At market (estimated at $28 per share). **Proceeds**—To a selling stockholder. **Office**—1160 McAllister St., San Francisco, Calif. **Underwriter**—First California Co., San Francisco, Calif.

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.

★ Leeds & Northrup Co., Philadephia, Pa.
May 24 filed 4,529.5 employees' shares and 2,381 participating shares to be offered to employees.

★ Lily-Tulip Cup Corp. (6/15)
May 25 filed 88,000 shares of common stock (no par) to be offered for subscription by stockholders of record about June 15 on the basis of one new share for each eight shares held; rights to expire June 29. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Blyth & Co., Inc., New York.

Continued on page 56

Continued from page 55

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. (6/2-3)
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. (6/1)**
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.

★ **Mountain Fuel Supply Co. (6/10)**
May 20 filed $12,000,000 of debentures due June 1, 1974. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction and acquisition of properties. **Underwriter** — The First Boston Corp., New York.

★ **Mountain States Uranium, Inc.**
May 18 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—1117 Miner St., Idaho Springs, Colo. **Underwriter**—Underwriters, Inc., Sparks, Nev.

Natick Industries, Inc., Natick, Mass.
March 10 (letter of notification) 58,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital, etc. **Underwriter**—J. P. Marto & Co., Boston, Mass.

★ **National Negro Television, Theatre & Motion Pictures Industries, Inc. (N. Y.)**
March 18 (letter of notification) 100,000 shares of 4% cumulative preferred stock and 40,000 shares of common stock. **Price**—At par ($1 per share—in units of not less than 10 shares). **Proceeds**—For working capital. **Office**—605 Carnegie Hall, New York 19, N. Y. **Underwriter**—None.

★ **New Britain Machine Co., New Britain, Conn.**
May 20 (letter of notification) 5,000 shares of common stock (par $10) to be offered for subscription by employees other than directors. **Price**—At average bid price during month of April, which is about $24.98 per share. **Proceeds**—For working capital and repayment of bank loans. **Underwriter**—None.

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 Orleans Public Service Inc. (6/1)**
May 19 (letter of notification) 7,127 shares of common stock (no par) to be offered for subscription by minority common stockholders of record June 1 on basis of 0.135 share for each held; rights to expire on June 24. Of the total number of shares outstanding, 1,059,901 (or 95.255%) are owned by Middle South Utilities, Inc. who may subscribe for an additional 143,086 shares. **Price**—$25 per share. **Proceeds**—For property additions and improvements. **Office**—317 Baronne St., New Orleans, La. **Underwriter**—None.

★ **Nortex Oil & Gas Corp. (6/2-3)**
May 14 (letter of notification) 99,966 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For payments to creditors, drilling and completion of well, and working capital. **Office** — Fidelity Union Life Bldg., Dallas, Tex. **Underwriter**—J. R. Williston & Co., New York.

North Pittsburgh Telephone Co.
April 23 (letter of notification) 2,000 shares of common stock to be offered for subscription by common stockholders of record May 1, 1954, on the basis of one new share for each five common shares held. **Price**—At par ($25 per share). **Proceeds**—For general corporate purposes. **Office**—Gibsonia, Pa. **Underwriter**—None.

North Shore Music Theater, Inc., Boston, Mass.
Feb. 3 (letter of notification) $80,000 of 5% notes due Feb. 1, 1974, and 2,000 shares of common stock (par $10) to be sold in units of $400 principal amount of notes and 10 shares of stock. **Price**—$500 per unit. **Proceeds**—For actors' equity bond, royalties, land, construction of theater and related expenses. **Office**—60 State St., Boston, Mass. **Underwriter**—H. C. Wainwright & Co., Boston, Mass.

● **Northern Natural Gas Co., Omaha, Neb.**
May 5 filed 365,400 shares of common stock (par $10) being 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**—$38 per share. **Proceeds**—For property additions. **Underwriter**—None.

★ **Northwest Refining & Chemical Co.**
May 18 (letter of notification) 800,000 shares of common stock. **Price** — 25 cents per share. **Proceeds**—To erect and operate smelting plant to produce Wilcox Process zinc oxide. **Office**—725 Peyton Bldg., Spokane, Wash. **Underwriter**—None.

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 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.

★ **Philadelphia Electric Co. (6/10)**
May 19 filed 944,952 shares of common stock (no par) to be offered for subscription by common stockholders of record June 7 at the rate of one new share for each 12 shares held; rights to subscribe on June 26. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—None. Drexel & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York, will act as Dealer-Managers.

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.

★ **Producers Corp., Bradford, Pa.**
May 17 (letter of notification) 8,000 shares of common stock to be offered first to stockholders of Producers Bank & Trust Co., Bradford, Pa., on a 1-for-1 basis. **Price**—At par ($2.50 per share). **Proceeds**—To purchase property and erect building. **Underwriter**—None.

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.

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.

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.

★ **Schoonover Oil Development Co., Bismarck, N. D.**
May 17 (letter of notification) 51,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For prospecting and development. **Address**—Box 421, Bismarck, N. D. **Underwriter**—None.

● **Scudder Fund of Canada, Ltd. (6/3)**
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.

★ **Searle (G. D.) & Co., Chicago, Ill.**
May 20 (letter of notification) an undetermined number of shares of common stock to be offered to employees. **Price**—At less than market. **Proceeds**—For general expenses. **Address**—P. O. Box 5110, Chicago 80, Ill. **Underwriter**—None.

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.

★ **Simplified Farm Record Book Co.**
May 21 (letter of notification) $135,000 of 11-year 6% subordinated debentures and 2,025 shares of common stock (par $1). **Price**—Of debentures, at par; and of stock, $7.50 per share. **Proceeds**—To finance expansion of business into new territory. **Office**—P. O. Drawer 1210, Chapel Hill, N. C. **Underwriter**—G. H. Walker & Co., Providence, R. I.

★ **Southern Great Basin Oil & Gas, Inc., Las Vegas, Nev.**
May 17 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To complete well. **Underwriter**—Jock Hemingway, Hemingway Associates, Las Vegas, Nev.

● **Southern Nevada Power Co. (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. **Office**—Las Vegas, Nev. **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**—To be received up to 11 a.m. (CDT) on June 8 at 20 No. Wacker Drive, Chicago 6, Ill.

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.

★ **Stocking & Co., Inc., Rocky River, Ohio**
May 18 (letter of notification) an unspecified number of participating units for investment in Commodity Futures Contracts. **Price**—$1,000 per unit (after July 1, 1954, the price will be at the net asset value of the account). **Proceeds**—To finance the investment account. **Office**—2694 Westmoor Road, Rocky River, O. **Underwriter**—None.

Strevell-Paterson Finance Corp.
Feb. 19 filed 640,000 shares of common stock (par 50 cents being offered in exchange for the $300,000 par value of authorized, issued and outstanding capital stock of Strevell-Paterson Finance Co. on the basis (a) of 13 shares of Corporation stock for each of the 5,000 shares of 5% cumulative preferred stock (par $10) of the Company and (b) 23 shares of Corporation stock for each of the 25,000 shares of $10 par common stock

of the company. Offer expires Oct. 31. **Underwriter**—None. **Office**—Salt Lake City, Utah. Statement effective March 30.

Sun Oil Co., Philadelphia, Pa.
April 15 filed a maximum of 139,662 shares of common stock (no par) to be offered for possible public sale during the period July 1, 1954 to June 30, 1955. **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—None. The shares will be sold through brokerage houses.

Sun Oil Co., Philadelphia, Pa.
April 15 filed 14,000 memberships in the stock purchase plan for the employees of this company and its subsidiaries and 146,100 shares of common stock (no par), the latter representing the maximum number of shares which it is anticipated may be purchased by the trustees under the plan. **Underwriter**—None.

Taylorcraft, Inc., Conway, Pa.
April 30 (letter of notification) 150,000 shares of 6% cumulative convertible preferred stock, of which 100,000 shares will be offered to public and 50,000 shares to creditors. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—Graham & Co., Pittsburgh, Pa.

Three-In-One Gold Mines Corp., Reno, Nev.
May 3 (letter of notification) 1,993,333⅓ shares of capital stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining expenses. **Office**—139 N. Virginia St., Reno, Nev.

Transportation Development Corp. (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.

★ **Triad Transformer Corp., Venice, Calif.**
May 18 (letter of notification) 20,000 shares of common stock (par $5). **Price**—$10 per share. **Proceeds**—To reduce bank loans and for working capital. **Office**—4055 Redwood Ave., Venice, Calif. **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. (6/10)**
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 States Uranium Co., Denver, Colo.**
May 19 (letter of notification) 100,000 shares of common stock. **Price**—At par ($2 per share). **Proceeds**—For exploration, development and operation of uranium mining properties and other minerals, and oil and gas. **Office**—505 Symes Bldg., Denver, Colo. **Underwriter**—None.

● **United Utilities, Inc. (6/8)**
May 19 filed 213,261 shares of common stock (par $10) to be offered for subscription by common stockholders of record about June 8 on the basis of one new share for each six shares held; rights to expire on June 22. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans incured for construction requirements of subsidiaries and remainder to be advanced or invested in subsidiaries. **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.

★ **Werner (R. D.) Co., Inc.**
May 17 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$10 per share (in blocks of not less than 50 shares each). **Proceeds** — To repay bank loans and for working capital. **Business**—Aluminum and stainless steel mouldings, aluminum ladders, sink frames, clothes dryers, etc. **Office**—Osgood Road, Greenville, Pa. **Underwriter**—None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West 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.

★ **Western Plains Oil & Gas Co. (6/15)**
May 24 filed 100,000 shares of common stock (par $1). **Price**—$4.75 per share. **Proceeds**—To redeem 1,250 outstanding preferred shares ($125,000), to repay bank loan, etc. ($2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. **Office**—Glendive, Mont. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

★ **Williston Basin Oil Ventures, Inc.**
May 20 (letter of notification) 2,500,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds** — For exploration costs. **Office** — 420 Fidelity Bank Bldg., Oklahoma City, Okla. **Underwriter**—Tellier & Co., Jersey City, N. J.

★ **Wynn Pharmacal Corp., Philadelphia, Pa.**
May 17 (letter of notification) 100,000 shares of class B common stock (par 10 cents) and 10,000 shares of 8% non-cumulative preferred stock (par $20) to be offered in units of one share of preferred and 10 shares of class B common stock. **Price**—$30 per unit. **Proceeds**—For working capital, etc. **Office**—5119 West Stiles St., Philadelphia, Pa. **Underwriter**—None.

Wyoming Oil & Exploration Co., Las Vegas, Nev.
April 29 filed 500,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development of oil and gas properties. **Underwriter**—None.

Wyton Oil & Gas Corp., Newcastle, Wyo.
April 20 filed 1,000,000 shares of common stock (par $1). **Price**—$1.12½ per share. **Proceeds**—For general corporate purposes. **Underwriter** — National Securities Corp., Seattle, Wash., on a "best efforts basis."

Prospective Offerings

American Natural Gas Co.
April 28 stockholders approved a proposal to increase the authorized common stock from 4,000,000 to 5,000,000 shares to enable the company to sell additional shares when necessary. Offering will probably be made to present stockholders. **Proceeds**—To subsidiaries for their construction programs. **Underwriter**—None.

Arkansas Louisiana Gas Co.
Feb. 22 it was reported Cities Service Co. may sell its holdings of 1,900,000 shares of this company's stock. If sold at competitive bidding, bidders may include Smith, Barney & Co. and Blyth & Co., Inc. (jointly).

Arkansas Power & Light Co.
Feb. 8 it was reported company plans to sell, probably in August, an issue of about $7,500,000 first mortgage bonds due 1984. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc., Equitable Securities Corp. and Central Republic Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

● **Boston Edison Co.**
May 24 company sought permission of Massachusetts Department of Public Utilities to issue and sell $18,000,000 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 July. Stockholders will vote June 30 on approving bond issue.

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).

★ **City Title Insurance Co., N. Y. C.**
May 20, it was announced that company is planning to issue and sell not to exceed $1,000,000 of new preferred stock. **Proceeds**—For working capital. **Underwriter**—Chilson, Newberry & Co., Inc., New York.

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.

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.

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 on the basis of six preferred shares for each 10 common shares held. **Proceeds**—To retire, in part, outstanding class A preferred stock held by Reconstruction Finance Corporation. **Underwriter**—William N. Pope, Inc., Syracuse, N. Y.

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.

★ **Hercules Cement Corp. (6/15)**
May 20 it was announced company plans early registration of 40,000 shares of common stock to be offered for subscription by common stockholders of record June 15 on the basis of one new share for each four shares held; rights to expire on June 29. **Proceeds**—For expansion and modernization. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

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 approved new financing.

● **Libby, McNeill & Libby**
May 20 stockholders approved a proposal to authorize 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.

Continued on page 58

Continued from page 57

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.

May 21 company announced plans to offer rights to common stockholders early in July to subscribe to 690,062 new common shares on a one-for-eight basis. **Proceeds**—For new construction. **Underwriters**—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 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 9,108,824 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.

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. (6/23)

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. **Registration**—Expected May 28. **Bids**—To be received about June 23.

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.

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. (6/21)

May 24 it was reported company plans issuance and sale of $25,000,000 of first mortgage pipe line bonds in June and $20,000,000 of debentures later in 1954. **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). **Bids**—For bonds, expected around June 21.

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 announced that the cost of the building of the proposed cross-Canada gas pipeline would be approximately $292,000,000, which would be financed through the issuance of about $36,500,000 each of common stock and debentures and $219,000,000 of first mortgage bonds. **Underwriters**—Lehman Brothers and Wood, Gundy & Co., Inc., both of New York.

Transcontinental Gas Pipe Line Corp.

March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities, 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. (7/12-16)

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.; Morgan, Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp.; Blair, Rollins & Co. Inc. **Registration**—Expected about June 15 to June 18. **Bids**—Tentatively set for week of July 12.

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 $22,500,000 debenture issue. The 30-year 5% income securities would be offered in exchange for 225,000 of $100 par preferred stock, of the more than 300,000 shares outstanding. The company plans to offer $100 of debentures, one-fifth of a share of common, and an undetermined cash payment for each share of preferred stock and then redeem the then remaining outstanding 83,211 shares of preferred stock.

DIVIDEND NOTICES

The American Tobacco Company
INCORPORATED

111 Fifth Avenue New York 3, N. Y.

199TH PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on July 1, 1954, to stockholders of record at the close of business June 10, 1954. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*

May 25, 1954

Allegheny Ludlum Steel Corporation
Pittsburgh, Pa.

AL

At a meeting of the Board of Directors of the Allegheny Ludlum Steel Corporation held today, May 20, 1954, a dividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable June 30, 1954, to Common stockholders of record at the close of business on June 1, 1954.

The Board also declared a dividend of one dollar nine and three-eights cents ($1.09375) per share on the $4.375 Cumulative Preferred Stock of the Corporation, payable June 15, 1954, to Preferred stockholders of record at the close of business on June 1, 1954.

S. A. McCASKEY, JR.
Secretary

AMERICAN STORES COMPANY

143rd Dividend

ACME

The Board of Directors on May 19, 1954 declared a regular quarterly dividend of 50c per share, payable July 1, 1954 to stockholders of record June 1, 1954.

JOHN R. PARK
Vice President and Treas.

Acme Super Markets

Dividend Notice

THE ARUNDEL CORPORATION BALTIMORE MARYLAND

The Board of Directors of the Arundel Corporation has this day (May 25, 1954) declared thirty-five cents per share as a quarterly dividend, on the no par value stock of the corporation, issued and outstanding, payable on and after July 1, 1954, to the stockholders of record on the corporation's books at the close of business June 15, 1954.

MARSHALL G. NORRIS,
Secretary.

Bayuk Cigars Inc.

A dividend of fifteen cents (15¢) per share on the Common Stock of this Corporation was declared payable June 16, 1954, to shareholders of record June 1, 1954. Checks will be mailed.

A. WEDEMEYER
TREASURER

Philadelphia, Pa.
May 21, 1954

PHILLIES
America's No1 cigar

DIVIDEND NOTICES

THE GAULEY MOUNTAIN COAL COMPANY
DIVIDEND NOTICE

At a meeting of the Board of Directors of The Gauley Mountain Coal Company held May 24, 1954, a dividend of 50c per share on the Capital Stock of the Company was declared payable June 10, 1954 to shareholders of record at the close of business June 1, 1954.

DOROTHY A. BRITNELL, Treasurer.

E

71st Dividend Common Stock

AMERICAN EXPORT LINES, INC.

The Board of Directors of American Export Lines, Inc., at a meeting held May 19, 1954, declared a quarterly dividend of thirty-seven and one-half cents ($.37½) per share on the Common Stock, payable June 15, 1954, to stockholders of record June 1, 1954.

C. J. Kinney
Vice-President, Secretary-Treasurer

May 19, 1954

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION
TRADE MARK

590 Madison Ave., New York 22

The 157th Consecutive
Quarterly Dividend

The Board of Directors of this Corporation has this day declared a dividend of $1.00 per share, payable June 10, 1954, to stockholders of record at the close of business on May 18, 1954. Transfer books will not be closed. Checks prepared on IBM Electric Punched Card Accounting Machines will be mailed.

A. L. WILLIAMS, Vice Pres. & Treasurer

April 27, 1954

KENNECOTT COPPER CORPORATION
161 East 42d Street, New York, N.Y.

May 21, 1954

A cash distribution of One Dollar and Twenty-five Cents ($1.25) a share has been declared today by Kennecott Copper Corporation, payable on June 28, 1954, to stockholders of record at the close of business on June 2, 1954.

ROBERT C. SULLIVAN, *Secretary*

CSC

COMMERCIAL SOLVENTS
Corporation

DIVIDEND No. 78

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on June 30, 1954, to stockholders of record at the close of business on June 4, 1954.

A. R. BERGEN,
Secretary.

May 24, 1954.

CHEMICALS
TEXTILES
PLASTICS

CELANESE
CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N.Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A

The regular quarterly dividend for the current quarter of $1.12½ per share, payable July 1, 1954, to holders of record at the close of business June 7, 1954.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable July 1, 1954, to holders of record at the close of business June 7, 1954.

COMMON STOCK

12½ cents per share payable June 24, 1954, to holders of record at the close of business June 7, 1954.

R. O. GILBERT
Secretary

May 25, 1954.

DIVIDEND NOTICES

GEORGE W. HELME COMPANY
9 Rockefeller Plaza, New York, N. Y.

On May 26, 1954, quarterly dividends of 43¾ cents per share on the Preferred Stock and 40 cents per share on the Common Stock were declared, payable July 1, 1954, to stockholders of record at the close of business June 7, 1954.

J. P. McCAULEY, Secretary.

HOMESTAKE MINING COMPANY
DIVIDEND NO. 892

The Board of Directors has declared Dividend No. 892 of forty cents ($.40) per share of $12.50 par value Capital Stock, payable June 11, 1954, to stockholders of record June 1, 1954. Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*

May 11, 1954.

BRILLO
MANUFACTURING COMPANY, INC.

Dividend No. 97

A Dividend No. 97 of Forty Cents ($.40) on the Common Stock has been declared, payable July 1, 1954, to stockholders of record June 15, 1954.

M. B. LOEB, President

Brooklyn, N. Y.

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 157 of fifty cents (50¢) per share on the common stock payable July 15, 1954, to stockholders of record at the close of business on June 15, 1954.

GERARD J. EGER, Secretary

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 160

A dividend of FIFTY CENTS a share has been declared on the capital stock of this Company, payable July 1, 1954, to stockholders of record at the close of business on June 15, 1954. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

UNITED GAS
CORPORATION

SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of thirty-one and one-quarter cents (31¼¢) per share on the Common Stock of the Corporation, payable July 1, 1954, to stockholders of record at the close of business on June 10, 1954.

B. H. WINHAM
Secretary

May 26, 1954

LUDMAN
CORPORATION

North Miami, Florida

The Board of Directors of Ludman Corporation has declared the usual quarterly dividend of 10c per share to stockholders of record June 15, 1954, payable June 30th, 1954.

Ludman Corporation has paid quarterly dividends without interruption since its first public offering.

MAX HOFFMAN
President

DIVIDEND NOTICES

Newmont Mining Corporation
Dividend No. 104

On May 25th, 1954 the Directors of Newmont Mining Corporation declared a regular dividend of 50c per share on the 2,658,230 shares of its Capital Stock now outstanding, payable June 15th, 1954 to stockholders of record at the close of business June 4th, 1954.

WILLIAM T. SMITH, *Treasurer*

New York, N. Y., May 25th, 1954.

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.
DIVIDEND NO. 228

The Board of Directors has declared a dividend of 25¢ per share on the outstanding Capital Stock of the Company of the par value of $12.50 per share, payable July 1, 1954, to holders of record at the close of business June 1, 1954.

J. H. MICHAELI,
Treasurer

May 19, 1954

SOUTHERN PACIFIC LINES

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 146

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on June 21, 1954, to stockholders of record at the close of business June 1, 1954.

E. J. GOODWIN, Treasurer.

New York, N. Y., May 20, 1954.

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia

COMMON STOCK

A dividend of five percent (5%) on the outstanding common stock of the Company, has been declared payable July 2, 1954, in common stock of the Company, to holders of record at the close of business June 16, 1954. Scrip certificates will be issued for resulting fractional shares.

The transfer books will not be closed. Resulting stock and scrip certificates will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, *Secretary*

Dated, May 20, 1954

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia

COMMON DIVIDEND

A dividend of twenty-five cents (25¢) a share on the outstanding common stock has been declared payable July 1, 1954, to holders of record at the close of business June 14, 1954.

The transfer books will not be closed. Checks will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, *Secretary*

Dated, May 20, 1954

MERCK & CO., INC.
RAHWAY, N. J.

MERCK

Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, $1.00 a share on the $4.00 convertible second preferred stock, and $1.06¼ a share on the $4.25 second preferred stock have been declared, payable on July 1, 1954 to stockholders of record at the close of business June 11, 1954.

JOHN H. GAGE,
Treasurer

May 25, 1954

DIVIDEND NOTICES

Tennessee Gas Transmission Company

DIVIDEND NO. 27

The Board of Directors has declared a quarterly dividend of 35c per share on the Common Stock, payable July 1, 1954 to stockholders of record on June 4, 1954.

J. E. IVINS,
Secretary.

TC TENNESSEE CORPORATION

TENNESSEE CORPORATION

May 17, 1954

A dividend of fifty (50¢) cents per share has been declared payable June 30, 1954, to stockholders of record at the close of business June 9, 1954.

JOHN G. GREENBURGH
Treasurer.

61 Broadway
New York 6, N. Y.

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 52 cents per share on the Common Stock of the Company, payable July 1, 1954 to stockholders of record at the close of business June 1, 1954.

D. W. JACK
Secretary

May 21, 1954.

Edison

Southern California Edison Company

DIVIDENDS

ORIGINAL PREFERRED STOCK
DIVIDEND NO. 180

CUMULATIVE PREFERRED STOCK
4.32% SERIES
DIVIDEND NO. 29

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock;

27 cents per share on Cumulative Preferred Stock, 4.32% Series.

The above dividends are payable June 30, 1954 to stockholders of record June 5, 1954. *Checks will be mailed from the Company's office in Los Angeles, June 30, 1954.*

P. C. HALE, *Treasurer*

May 21, 1954

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—A big build-up is getting organized to sell Congress and the country on a large-scale program of Federal aid for the construction of school buildings.

Start of the build-up was House passage of a resolution authorizing the President to call a President's Conference on Education not later than November, 1955. Senate passage of this resolution is anticipated.

While the President proposed Federal aid for school construction in his Annual Message to Congress last January, the White House decided not to follow through this year. Mrs. Olveta Culp Hobby, the Welfare Secretary, said that she did not think Congress should pass such a program at this time until the subject had been studied more carefully.

So the President, after the resolution is passed, will call upon each State governor to set up a state conference on educational problems, to precede the national conference to be held in the fall of 1955.

Literally the resolution does not state that the aim of this program is to call for Federal aid for school construction. In theory the idea is that (a) there is a problem of providing adequate education in view of the war-stimulated birth rates, and (b) the "proper" roles variously of Federal, State and local Governments should be surveyed.

However, in the pedagogical racket the proper role of the Federal Government is to provide money, and the proper role of State and local governments is to spend it. Although most States balance their budgets and the Federal Government does not, the States are supposed to be incapable of expanding adequately the sums they raise for education. No State government has the power to manufacture money in the same way as the Federal Government.

Big Problem Is Money

Ask any educator what the dominant problem in public education is and he will come forward inavariably with one answer, to wit, "money."

As the House debate on this resolution showed, there are few in Congress who feel that the Federal Government has any role in public education other than to provide money. Furthermore, few members are enthusiastic about the idea of a Federal educational aid program of any kind, for they fear that the granting of money will inevitably be followed by the assumption of Federal control.

However, since the Eisenhower Administration wanted this resolution passed, they passed it.

Without any Congressional resolution the President has all the power he needs to call any kind of a conference he wants to on anything, from the problem of promoting foreign trade to the problem of mistreatment of animals. He did not need a Congressional resolution to call a "President's Conference on Education."

When it is held, this conference will mobilize the propaganda and statistics all designed to show the crying inadequacy of funds for public education, spelled down into details by State, city, and county. If such and such a school aid program is passed, then your city and your county can get that long delayed new high school, plus so many new elementary school buildings.

The propaganda and the program will break just in time to plunge it into the middle of the 1956 election campaign. It will be a courageous political party or courageous candidate for House or Senate who will record himself as opposed to that new high school and those new elementary schools for his constituents. After all, didn't Congress by resolution call upon the President to summon a national conference on education?

Federal Aid Already Is Large

Ever since early in World War II the Federal Government has been making large grants for both construction and maintenance of local public schools. During World War II this was carried on under what was known as the "Lanham Act," and was for the purpose of bailing out municipalities whose need for education and other local facilities was enormously expanded by the inmigration of people to defense and military areas.

Office of Education people claim they have no compilation of the sums spent for local public schools under the Lanham Act. However, with Korea came more of the same. The Lanham Act was for bailing out municipalities in what was known as Federally "impacted" areas. Under the version that came with Korea, these are known as Federally "affected" areas.

Beginning with 1951 and including amounts requested by the Eisenhower Administration, Congress will have appropriated $520.5 million to give to states for school construction in Federally "affected" areas, and furthermore has appropriated $271,620,000 for the states to spend as they please in operating expenses for such schools.

Then, too, the Housing and Home Finance Agency is merrily pouring out funds in the form of long-term loans for college and university dormitories. HHFA's latest announced loan approvals were for $2,856,000 to house women teacher students in Indiana, and another loan of $504,000 to a denominational college in Iowa. Against the $504,000 of Federal funds, the college is putting up $15,500.

This subsidizing of school housing came as part of the Defense Housing Act of 1951. The "defense" purpose was that colleges and universities were training various Reserve Officer Training Corp students.

However, very quietly the Eisenhower Administration, by an order of its own, removed this restriction so Federal funds cant go on an easy loans basis for any kind of students.

However, the Eisenhower Administration did bring in one innovation. It said that with these college housing loans it will put an offer to buy bonds for this purpose at a range of 3.5 to 3.6% and that if they can be sold privately at such terms, the college must borrow privately.

Corporate Speed-Up Likely to Stay in

In the final version of the tax revision bill, it is expected that the corporation tax payment speed-up will be retained.

This is the provision which requires that from fiscal 1955 through 1959, corporations each year will be paying 110% of their tax liabilities. After 1959 corporations will be again paying taxes in four equal quarterly instalments. However, including the Democratic speed-up plan, by 1959 corporations will have paid 11 years of taxes in 10 years.

One thing which helped allay the opposition to this scheme was the fact that the Treasury threw dust in the eyes of those inquiring about it, claiming last fall that no such plan was being considered. Subsequently, the Treasury quietly but most vigorously pressed it in executive session before the House Ways and Means Committee. It was approved reluctantly, and under Treasury pressure, by that Committee before opposition knew it was on the way.

As to whether it could be killed, one definitely conservative and politically hard-headed Senator explained it this way:

"Individuals with the withholding tax now pay taxes currently. Even though this becomes for five years in effect a 20% tax boost for corporations, it would take a lot of explaining to oppose it. I think we had better save our political necks for some of the worse attacks of the 'liberal' demagogues."

Dodd Reports On Foundations

Norman Dodd, research director for the Special House Committee to Investigate Tax Exempt Foundations, has written one of the clearest reports of any Congressional Committee to kick off the Committee's public hearings. It may be obtained by writing to Mr. Dodd, c/o B. Carroll Reece, Chairman, U. S. House of Representatives, Washington, D. C.

While reporting that the great majority of tax exempt foundations are patriotic and useful, Mr. Dodd contends that these foundations tend to expend their research and educational funds according to channels prescribed by educationists. Mr. Dodd traces the inter-relationship of leading educational societies, and contends that from 1933 on the drift of educational philosophy had been to emphasize collective and governmental solutions of all problems, as against dependence upon individual freedom.

[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

"Sir—There's a gentleman out here—wants to know how much elasticity our suspenders are supposed to contain?"

Business Man's Bookshelf

Economic Myths of Early Capitalism—F. A. Hayek—Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. (paper), single copy free; quantity prices on request.

Industrial Pensions — Charles L. Dearing—The Brookings Institution, Washington 6, D. C. (cloth) $3.75.

Manual of Excellent Managements: 1954 edition—American Institute of Management, 125 East 38th Street, New York 16, N. Y. (cloth).

New Tea Story — Anthony Hyde —Tea Council of the U. S. A. Inc., 500 Fifth Avenue, New York 36, N. Y. (paper).

New York Laws Affecting Business Corporations Revised to April 20, 1954 — United States Corporation Company, 160 Broadway, New York 38, N. Y. (paper) $2.50.

Our Vital Stake in Venezuela—Creole Petroleum Corporation, 350 Fifth Avenue, New York 1, N. Y.

Present Day Banking 1954: A Treasury of Widely Useful Banking and Business Research — American Bankers Association, 12 East 36th Street, New York 16, N. Y. (cloth).

Trends in Consumer Finance — Dr. M. R. Neifeld—Mack Publishing Company, Easton, Pa. (cloth, in durable case) $6.00 in United States; $6.50, Canada and Foreign.

When Parents Grow Old—Elizabeth Ogg—Public Affairs Committee, 22 East 38th Street, New York 16, N. Y. (paper) 25 cents.