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EDITORIAL

As We See It

Is the world entering another era of easy money madness? This question must have occurred to many thoughtful observers of the passing scene. It is a commonplace that conditions in most of the European countries have dramatically improved during the past two or three years. Not very long ago current literature was replete with statements by competent authorities that one of the major causes in this improvement was a return to sanity in the matter of fiscal management and central bank policy. Up until slightly more than a year ago most qualified observers rarely tired of expressing their approval of firmer Federal Reserve policies in this country. To many it appeared quite possible that we, that is to say the whole world, had definitely begun its long trek back to sensible observance of the clear lesson of history in the management of the financial affairs of the nations.

Then in this country the shoe began to pinch, or at least so it seemed to a good many who had by that time begun to think they saw signs of a possible recession on the horizon. Federal Reserve authorities began to buy governments for the purpose of cheapening money. Then came a reduction in the reserve requirements of member banks for somewhat the same purpose—and, of course, to help the Treasury borrow vast sums at less than it would have to pay in a market left to its own devices. More purchases of governments, and reductions in the rediscount rate followed, and if reports widely credited in informed circles are to be trusted, the end is not yet.

Meanwhile the Chairman of the Board of Governors of the Federal Reserve System has can-

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The Textile Revolution

By A. W. ZELOMEK*
Economist and President
International Statistical Bureau, Inc.

Holding "we are now at the tail-end of the 1953-54 liquidation in textiles and apparel," Mr. Zelomek lists as reasons for his belief: (1) excess inventories have been reduced; (2) normal coverage for consumer needs cannot be deferred much longer; (3) textile prices are reasonable, and (4) new fibers and fabrics will help sales. Says low in the general business picture has almost been reached, and upturn may be expected in a few months. Lists as reason for reduced dollar volume of apparel sales: (1) the weather, and (2) the trend toward less dressy garments. Reviews developments in the textile revolution and economic factors that have affected apparel industry.

My outlook for the textile industry has been described as a conservative-optimistic outlook. I wish to state that I believe we are now at the tail-end of the 1953-54 liquidation in textiles and apparel. This applies to production, demand, and prices in the woolen and worsted industry and in the cotton industry. I believe it also applies to many synthetics, although here the time of the upturn may deviate slightly from that of the rest of the industry because of the rapidly changing character of the synthetics industry. The important point to be made in regard to all branches of the textile-apparel industry is that the worst has already been seen.


A. W. Zelomek

I'd like to summarize briefly the reasoning that lies behind my prediction, first, in terms of the industry itself and then in terms of business in general. I shall then go on to develop my reasoning for you.

(1) A primary factor behind the decline in your indus-

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*An address by Mr. Zelomek before the Alumni Association of the Lowell Textile Institute, Lowell, Mass., May 22, 1954.

Productivity, Competition And Dollar Shortage

By MELCHIOR PALYI

After discussing how solid is Europe's recovery and why European soft money countries are unable to achieve a genuine balance of their international account, Dr. Palyi concludes the Dollar Gap "reflects the lag of labor productivity behind pay checks." Holds European prices in competitive market are too much out of line for export outlets, and concludes, economic systems, in which the prospect for individual betterment is replaced by price and job rigidities, lack incentives, the driving force of progress.

In the last 18 months or so, the balance of payments position of most European countries, and of a number of others, has greatly improved. Their gold and dollar reserves have been rising (by $2.6 billion in 1953) and the dollar value of their currencies hardening. So much so, that under the leadership of Germany's brave Minister of Economy, Dr. Erhard, the discussion about "plunging" into convertibility has reached the acute stage. In fact, foreign exchange and import controls have been relaxed to a considerable extent, especially so in Germany, Austria and Holland, to lesser extent in Britain also.


Dr. Melchior Palyi

How real or lasting is this improvement? It is by no means general. In Europe, a number of countries do not participate in the favorable trend: Finland, Denmark, Ireland, Spain, Italy, Norway, Greece, Turkey are in acute "dollar doldrums." (Turkey and Japan may resort to devaluation.) Many "under-developed" areas find themselves losing vital exports on which they depend; the terms of trade turned against them—in favor of Europe.

Favorable terms of trade—falling import prices—constitute one reason, and surely a temporary one, for Europe's current monetary recovery. Record-sized

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PUBLIC UTILITY ISSUE NEXT WEEK—The "Chronicle" of June 10, will feature proceedings of the Edison Electric Institute Convention currently in progress at Atlantic City, New Jersey.

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

Interprovincial Pipe Line Company—Melvin Fels, Analyst, F. S. Smithers & Co., New York City. (Page 2)

Libby-Owens-Ford Glass Company — Stanley Heller, Senior Partner, Stanley Heller & Co., New York City. (Page 27)

MELVIN FELS
Analyst, F. S. Smithers & Co., N. Y. C.
Members, N. Y. Stock Exchange and American Stock Exchange

Interprovincial Pipe Line Company

Canadian oil stocks generally have trended lower although the reduction in market value of the larger established companies was less apparent. The market action of the highly speculative issues would indicate that the "men are being separated from the boys." For the investor desiring a participation in the future development of the Caandian oil industry with relatively less risk than many other Canadian ventures, Interprovincial Pipe Line Company presents an excellent opportunity to achieve this purpose.


Melvin Fels

In the spring of 1949 prospective crude oil production in the Edmonton area of Alberta greatly exceeded the requirements of refineries in the Prairie Provinces. Imperial Oil, Ltd., controlling about 70% of the proven reserves in Alberta, organized Interprovincial Pipe Line Company to construct and operate 1,127 miles of pipe line to move crude oil from Redwater, Alberta, to Superior, Wisconsin. Interprovincial was a wholly-owned subsidiary of Imperial until October, 1949, and currently owns one-third of the outstanding stock.

Expansion of System

While loading docks and terminal facilities at Superior, Wisconsin permitted winter accumulation of crude for tanker movement to the refining centers of Ontario, the shut-down of lake traffic for about five months of the winter season presented supply, financial and technical problems. Consequently, in view of the rapid growth of oil reserves in Western Canada and the opportunity of serving expanding markets, the company decided to lay 643 miles of 30-inch pipe from Superior, Wisconsin east to Sarnia, Ontario at a cost of $69 million. This line was completed in December, 1953 with an initial capacity out of Superior of about 100,000 barrels daily with one pump station and an ultimate capacity of 300,000 barrels a day with five additional pump stations

Since the original construction, capacity of the system has been increased considerably through additional pumping stations and looping lines. In 1952 a 100-mile looping line of 16-inch pipe was completed and five new pumping stations were added. To increase capacity out of Edmonton and provide larger deliveries to Superior another 135-mile loop line of 24-inch pipe was laid in 1953 and a new pumping station at Superior was also placed in operation.

The increasing discoveries of reserves in Western Canada and the constant increase in consumption throughout the territory have made it necessary for the company to embark on another sizable construction program this year. It entails looping 638 miles of 24- and 26-inch pipe to the original system between Edmonton and Superior and nine additional pumping stations, one of which will be located on the new Sarnia line, to be completed by the end of 1954. The program consists of 354 miles of 24-inch pipe between Edmonton and Regina, 100 miles paralleling company's system between Regina and Gretna, and 184 miles of 26-inch pipe on the American sector of the line to Superior.

After the completion of the 1954 construction program, the original capacity of the line from Edmonton to Regina will be increased from 95,000 barrels a day to 205,000, Regina to Gretna from 70,000 to 170,000 and Gretna to Superior from 70,000 to 159,000. The capacity of the new Sarnia line will be raised to 138,000 B/D as compared to 100,000 B/D at the end of 1953 when it was completed.

Canadian Production and Consumption

Since 1948 the recoverable reserves of Canada have increased from 475 million barrels to over 2,000 million barrels by the end of 1953. During the same period actual production rose from 33,000 B/D to 222,000 B/D and potential production from 40,000 B/D to 345,000 B/D. In the meantime Canadian consumption increased from 280,000 B/D to over 500,000 B/D in 1953, an increase of 78% with an average growth rate of over 12%. Potential production of Canadian crude in 1953 was equivalent to 69% of Canadian consumption as compared to 14% in 1948, while actual production equalled 44% in 1953 as against about 12% in 1948. Since the beginning of 1948, refinery capacity has risen 90% and by the end of 1954 the increase will be 107%.

The estimate of proven Canadian reserves at the end of 1953 was slightly more than 2 billion barrels which, after allowing for production of 81 million barrels indicates new findings of 380 million barrels in 1953. In the year-end reserve figures, it is doubtful if more than very small allowances were made for new strikes such as Pembrina, Sturgeon Lake, Homeglin-Rimbey and Smiley. Pembina reserves have been estimated from 500 to 1,000 million barrels and it is also highly probable that Smiley and Sturgeon Lake will both turn out to be major fields with reserves of 100 million barrels. After allowing for increased crude production there is reason to believe that crude reserves in the Dominion at the end of 1954 may be as much as 50% greater, or a billion barrels of additional reserves.

Potential Markets

Interprovincial's economic delivery area extends from Edmonton, Alberta, east through the Prairie Provinces into Ontario as far as the Toronto refinery area, a distance of 1,700 miles; also to refinery points in Wisconsin, such as Superior, and the Twin Cities in Minnesota. United States crude, notably from parts of the Williston Basin, could conceivably move east through the Interprovincial line. Crude oil needs in Quebec, the Maritime Provinces and British Columbia are served by other pipe lines and tankers.

About 40% of the refinery capacity in the Dominion is in the Montreal area which is not available economically to the Interprovincial Pipe Line. Growth of demand in the Prairie Provinces and in Ontario will continue to add to shipments through the Interprovincial line. However, the large potential demand appears to lie in the central United States marketing area. The Detroit, Toledo and Cleveland region is only a short distance from Sarnia and eventually Interprovincial may supply a portion of additional requirements of refineries in that general area. It is believed that the Michigan-Minnesota area may contain a potential demand for Canadian crude of 100,000 barrels a day.

Another large supply of crude awaiting a pipe line outlet is the Williston Basin of North Dakota and Montana. Interprovincial's line cuts through the Canadian portion of this basin. One of the many ideas to dispose of this crude is a 1,000 mile line to utilize this supply in the Minneapolis and Chicago area. While the future potential production is great, the present production rate hardly warrants a 1,000 mile line and it would seem that a more sensible solution would be a tie-in with the Interprovincial system at some point along its line.

Recently, it was announced that a feeder pipe line with a daily capacity of 31,000 barrels will be built by Mid-Saskatchewan Pipe Lines, Ltd. to connect the Smiley field in Saskatchewan with the Interprovincial line at the Kerrobert pump station which is located on the western border of Saskatchewan. The Pembina Pipe Line Company, Ltd., recently obtained permission to build a pipe line from the new Pembina oil field to Edmonton. Construction is expected to start June 1, 1954 and to be completed within four or five months at a cost of about $13 million. The connection of this line at Edmonton would provide another substantial source of crude and permit its movement either west over the Trans Mountain system or east through the Interprovincial system as demand dictates.

An important factor affecting future traffic of Interprovincial was the decision by Great Northern Oil Company to construct a $25 million refinery 14 miles south of St. Paul, Minn., with a crude capacity of 20,000 B/D to be completed by mid-1955. It will operate on Canadian crude from the Fosterton area obtained by a 150-mile feeder line to Regina through the Interprovincial system to either Clearbrook station or Superior where another pipe line company will transport it to the new refinery near St. Paul.

Financing

Prior to the Sarnia extension, the company spent in excess of $92 million on the original line. The Superior to Sarnia line cost about $69 million or about $5 million less than the estimated cost and another $12 million was expended on the original system to permit increased deliveries to Superior and to provide year-round supply to Sarnia. The Sarnia extension was financed by $60 million bonds and 1,439,552 shares of capital stock which were offered to stockholders at $18 a share (Canadian). At the end of 1953 the capitalization consisted of $130 million of First Mortgage and Collateral Trust bonds and 5,039,832 shares of capital stock. The 1954 construction program will cost

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What Do You Think?

Additional Commentaries on "Full Employment & Its Dangers"

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

We present below some more of the letters received in connection with Dr. Carl Wiegand's paper "Full Employment and Its Dangers" which appeared in the "Chronicle" of April 8, other communications on the subject having appeared in our issues of May 6, May 13 and May 20.

The "Chronicle" had previously received considerable correspondence on the economic implications and consequences of the full employment philosophy of government inherent in the "Employment Act of 1946." For this reason, we were very pleased to have been able to publish Dr. Wiegand's comprehensive analysis of the subject and decided to open up our columns to any one who desired to express his views on Dr. Wiegand's paper in particular or on any related phases of the full employment doctrine.

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

HON. ARTHUR LARSON
Under Secretary of Labor

Relative to Dr. Wiegand's article, the President has endorsed the principles of The Employment Act of 1946 on several occasions, notably on June 1, 1953, in submitting to Congress Reorganization Plan No. 9 which reconstituted the Council of Economic Advisers. I suggest that the President's Economic Report to Congress, his Budget Message, his legislative program and the daily actions of the Administration in conducting its affairs are such as to help the free, private, competitive, enterprise system realize its fullest potential.


Arthur Larson

I am sure we can all agree that the American people want and deserve high levels of employment and an ever-rising standard of living. I believe, with the President, that these objectives can be realized without sacrifice of our freedom, our solvency or our economic system.

HON. PAUL H. DOUGLAS
U. S. Senator from Illinois

I wish that I had time to furnish you with extensive comment on Dr. Wiegand's article, but the pressures of Senate work and returning to Illinois whenever possible simply prevent it.


Sen. Paul H. Douglas

I am enclosing the minority statements on the President's Economic Report which set forth the views of those of us who believe—as you will note in the underlining — in "maximum" production and employment. We do not say "full" employment. Rather, we stand for "substantially" full employment.

Personally, I have always advocated a balanced budget and a surplus for debt retirement in periods of "substantially full employment." And I have taken some rough criticism for this attitude.

Our population is increasing some 2 million a year, and some 700,000 new workers are coming into the labor force annually. I do not believe that it follows at all that we must have a gigantic public works program and inflation to sustain an advancing and progressive economy necessary to absorb these workers. We have been creating markets at an enormous rate, and the best testimony on that point is the annual plant investment of business.

We do not argue that government should create purchasing power by public works, except in periods of emergency. Then, we believe it is more important to balance the human budget than the national budget, and we point to 1931-33 as a case in point. Some of our critics are inclined to forget that many people were saying then, "What this country needs is a dictator." We don't want those times again.

We do say that government can release purchasing power by cutting excise taxes, by reducing personal income taxes, and by adjusting its interest-credit policies to stimulate purchasing, production and employment.

In the days when the Republicans were arguing for tax reductions, and citing the Andrew Mellon tax reduction programs, they

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Regular Features

*No article this week.

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Importance of Steel Industry And Its Obligation to Investors

By ERNEST T. WEIR*

Chairman of the Board, National Steel Corporation

Prominent steel executive, in stressing importance of steel in economic progress, points out its responsibility not only for supplying requirements for its products, that may exist, but in being prepared to cover unpredictable increases in those requirements. Calls attention to contributions made by steel industry in improvement of manufacturing methods and reduction in costs. Holds, however, in relations with the investing public, steel industry managers have not perceived and met their obligations. Cites relatively low average earnings of steel companies, and contends, if steel industry is to be a private industry and obtain capital for its expansion needs, steel management must recognize obligations to reward investors.

Is the steel industry important? Of course it is. Without it, what would the country do for its automobiles, railroads, ships, skyscrapers, home appliances, containers and the many other products and facilities in which steel serves everyone every day? One can hardly think of a modern product that is not dependent on steel in some way. If steel is not the material of which it is made, we may be sure that steel enters into its production and distribution in many ways.

Ernest T. Weir

The universal application of steel in modern life demonstrates the importance of the steel industry in one aspect that is recognized by everybody. But in this talk I want to emphasize the importance of some other aspects of the industry which are not so generally recognized and one in particular which, in my opinion, has not been adequately recognized within the industry itself.

The steel industry is an essential part of the foundation—the substructure — on which our entire economy is based. There is no substitute for its production. The industry must be prepared to supply whatever requirement may exist for its products currently. In addition, it must always be prepared to cover unpredictable increases in those requirements—up to and including the demands of national emergencies. This state of preparedness must include not only the provision and maintenance of facilities for the making of sufficient raw steel and facilities for finishing that steel into the full range of products but also must provide complete assurance of a continuing supply of sufficient raw materials.

Obligations of the Steel Industry

This obligation of the steel industry to be constantly prepared is in the nature of a public trust. Management in the steel industry has so regarded it and has acted accordingly. There has never been a time when American progress has been held back because this industry was short-sighted or over-cautious in its provision of sufficient raw materials, plants and facilities to meet the steel requirements of the country. The entire history of the industry has been one of continuous expansion which, in most cases, has fully anticipated future needs.

The only real steel shortage in my experience was the one that developed after the war . . . which was certainly a highly abnormal condition. And in view of the inventory situations of many steel consumers today there is a reasonable question that the shortage was ever quite as serious as it may have seemed during that period.

The steel industry is important in another way that is not generally recognized. That is the contribution which the industry has made to the improvement of manufacturing methods and to end products of all sorts. Naturally, the buying public is interested in the final product. Usually, it does not see the steel in the product nor, beyond that, what steel has done to make the product possible.

As we know, it has been the constant and successful aim of the industry to develop better and more versatile steel at the lowest possible cost. It is because of this, for instance, that the number of types of steel available to the automotive industry has increased from 11 in 1910 to 162 distinct types of steel in more than 1,000 variations today. This is just one example of a great many in industry as a whole. Our industry's ability to improve steel as a raw material has resulted in many new products and improved products and thus has created new employment, and has had other beneficial effects on the entire American economy.

Research and product development are now being carried on in the steel industry on a larger scale than ever before and there is no question that it is on the increase. A substantial percentage of employees are engaged on work of this kind. We are conducting this work not only in our own plants but in the plants of steel consumers to help them with their problems. Frequently, research starts with studies of the end product so that in our production—from raw materials on if necessary—we can make the best possible steel for that particular product. In this way also we recognize and carry out an obligation to serve steel consumers and the public.

The steel industry recognizes its obligations to employees. Its wage rates rank among the highest in all industry, as do its provisions for retirement, insurance and other employee benefits. No industry can claim a longer, more consistent or more successful program to improve safety and working conditions. Every effort is made to sustain employment on as steady a basis as possible.

The steel industry recognizes its obligation to communities. Steel companies live as good citizens in the cities and towns in which they are represented. They actively support and participate in all worthwhile community undertakings.

The Investor Has Been Neglected

In all of these respects the steel industry—and that really means its management — has conducted itself with an understanding and dependability that is appropriate to the basic importance of the industry. But there is one relationship—an extremely vital one—in which this industry has not perceived and met its obligation. That is the relationship of the steel industry to the investing public.

The history of steel has never been good from an investment standpoint. The financial community and the investing public have always regarded the steel industry with doubt and misgiving as an investment. Consequently, we have paid a penalty. Steel securities have not been in demand. They have not sold at a fair market value. And they do not today even though they stand at levels somewhat higher than usual.

I do not know of any other industry which is required to have so much investment behind each unit of production as the steel industry. At present costs, the capital represented by the raw material reserves and the plant and facilities needed to produce a ton of steel in ingot form amounts to a minimum of $250.

Last Thursday (May 20) taking the market price of the securities of the 10 largest steel companies

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*An address by Mr. Weir before the General Meeting of the American Iron and Steel Institute, New York City, May 27, 1954.

The Next Heat of Steel

By CLIFFORD F. HOOD*

President, United States Steel Corporation

After citing recent rapid growth of the American Steel Industry, Mr. Hood discusses metallurgical and human problems ahead for the industry. Stresses need of improved employee relations and further progress in accident prevention. Says another ingredient which will be significant in the next heat of steel is research and technology, and refers to possible changes that may occur with electricity developed by atomic power. Stresses the industry, in preserving private enterprise by rendering a service in hopes of making a profit, must also keep opportunity open to further this aim. Calls for better understanding of our national economy among members of business and industry.

For many years, I have considered it quite an honor to be a member of this Institute and to be allied with all of you in the great job that is ours in the steel industry. It makes one's heart swell with pride when he considers the astute, vigorous and intelligent leadership which has brought this industry to its present degree of importance in the industrial progress and economic strength of this nation.

Clifford F. Hood

In the past seven years alone, more than 33 million tons of steel-making capacity have been added to our facilities—more than was ever added in any like period. New sources and vast quantities of iron ore have been located and are being developed. The practical stage in mining and processing taconite has been reached. The industry is producing better steels and better products from steel.

But the biggest news of all, unbelievable as it may be, is that $5.5 billion were spent in achieving these gains. All of us are aware of how much more, ton-for-ton, it cost to furnish the last 33 million tons than the 91-million-ton capacity existing at the end of 1946.

Where Do We Go From Here

Consistent with this magnificent progress, there can be no doubt in anyone's mind that the steel industry will continue to go forward. This great industry is in no mood to stand still or to mark time, so let's put on a pair of modern, 3-D glasses and take a look into the make-up of our next heat of steel. Let's add a few new verses to that song which once inspired me, and no doubt some of you also, with its leading question: "Where do we go from here, boys, where do we go from here?"

In making our next heat of steel, we can consider it elementary in its make-up, yet infinitely more varied than its present chemical analysis and physical properties might indicate. There are, for instance, numerous unwanted elements and compounds to be considered in the heats of steel as we now make them. While some of these elements and compounds are fundamentally essential to making good steel, some are detrimental to the production of a quality product. We all know of the metallurgical problems which arise when the residual or "tramp" alloys and excessive phosphorous and sulphur prevent a particular heat from meeting certain consumer requirements.

There is a strong parallel, I believe, between the metallurgical problems of steelmaking and certain other factors which play an equally important role in our industry-wide efforts, and perhaps it would be well to consider a few of these elements or mixtures of elements here this morning. In themselves, they may seem unrelated and, as an old foreman of mine used to say, "as mixed up as a dog's breakfast." But, if we are to know and make the most of the good ingredients, and if we are to achieve the proper chemical composition wherein the undesirable items have been satisfactorily minimized, then we should give these our most serious attention.

The Human Elements

I believe the most essential ingredient we charge into each heat of steel is this item frequently referred to as "employee attitudes." Employees — all of us, whatever our assignments—must have an intense interest in the task at hand. There must exist an attitude of cooperation marking the way and lighting the path toward the attainment of clearly defined objectives.

It has long been a personal belief of mine that in any competitive industry, that company will be most successful which takes positive action to instill in the minds of its employees such elements as self-reliance, optimism, interest and a high regard for their respective responsibilities. The best equipment and the most modern and efficient plants still require, and will continue to require, the intelligent and unremitting cooperation of all concerned. A group of employees in the steel industry, just as a group of individuals engaged in any endeavor must work together with an assurance of success toward an accepted goal.

In essence, the creation of this attitude of confidence and cooperation depends to a large extent upon convincing our people that what is good for the company is good for them. The possibilities and opportunities to be gained by increasing this element of employee attitudes to our next heat

*An address by Mr. Hood at the General Session of the American Iron and Steel Institute, New York City, May 27, 1954.

of steel are limited only by our vision, and our willingness to work intently, enthusiastically and effectively to this end.

Of course, a sound mind and body are essential to continued efficient production, and, from its earliest beginnings, the steel industry has considered safety as a must in steelmaking. Regardless of what criteria might be used to measure our safety progress, the job done has been an excellent one. During the past seven years, while our steel capacity has been increasing, the accident rates have steadily declined. But of greater importance, we are reaching that desirable stage where safety, as a state of mind, is having an effect off the job as well—safety on the highway, in the community and in the home is rapidly becoming as real and as important to the steel industry employee as safety on the job.

It is recognized that we have had valuable assistance from a number of people and areas in achieving this safety progress, but the one effort that stands out in my mind is the work of the National Safety Council under the able leadership of Ned Dearborn. It would be next to impossible to estimate fully the constant help this organization has given, and I welcome this opportunity to acknowledge that support publicly.

New Vistas—New Opportunities

There is another ingredient which will play an increasingly significant role in the quality of the next heat of steel and that is the item of research and technology. We are living today in an age of vast and complex developments. To mention just a few, we might name nuclear physics and its stepchildren comprising the ever-growing bomb family; atomic power potentialities; automation; the transistor; the solar battery; the development of emission spectroscopy for the determination of trace elements; supersonic flight; guided missiles; radio astronomy; color television and magnetic propulsion, to say nothing of flying saucers and the national debt.

The technicalities in our own industry have multiplied so greatly in recent years that it has become increasingly difficult to remain abreast of the developments. In every area, from high quality refractories to the development of improved inspection devices, research and technology are setting the stage now for the steels of the future. Higher strength without sacrificing ductility, improved toughness of steel at low temperatures, greater resistance to corrosion both in ordinary atmospheres and in special environments, improved formability, weldability and other special service characteristics, as well as research into rapid annealing, the character and distribution of the blast furnace burden and the reduction in the time for producing open hearth heats—these are only a few of the objectives of our research people in steel.

And as our research efforts continue, they open up new and broader vistas for our industry. Who knows when electricity developed in atomic power plants will make possible the reduction of iron ore by using hydrogen as the reducing agent rather than carbon? Who knows when automation will make possible greater efficiency in almost every step of the steel-making procedure? Who knows when the miracles of electronics will give us control of unbelievable accuracy and the ultimate in quality production of steels of still unheard of potentialities?

These vistas may be just around the corner. They may well play a significant part in our efforts to produce the next heat of steel.

And of course, all of our developments, whether in the areas

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The State of Trade and Industry

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

Total industrial production for the nation as a whole remained essentially unchanged for the period ended on Wednesday of last week from that of the week preceding. However, it continued at about 10% below last year's output.

New claims for unemployment insurance benefits in the week ended May 15, decreased 6% from that of the previous week. Continued claims also decreased 3% from the preceding period. Expansion in lumbering, construction and other out-door work as well as the exhaustion of some unemployment rights reduced the volume of filing for benefits in these two weeks.

Business activities in early spring improved seasonally in some lines, but there was no general upturn, the United States Department of Labor currently reports following a survey of economic indicators. Industrial production in April, it noted, was unchanged from March, after adjustment for seasonal factors. Outlays for new construction showed "about the usual seasonal expansion of 9% from March to April." Retail sales in April were above March and for the two months were only "moderately below" the like 1953 period. Manufacturers' bookings in April "experienced some pickup" over March, but lagged behind shipments.

It further notes, that factory hiring in April sank to the lowest rate for the month since 1930 when the Government started compiling such statistics. Layoffs ran at the highest April rate in five years—slightly above the March pace, it asserts.

Consumer purchases made through installment credit increased in April for the first time this year. Installment credit outstanding edged up $9,000,000 during the month, the Federal Reserve Board reported. This compared with a $376,000,000 rise in April, 1953. But it reversed the trend in the first three months this year when consumer indebtedness of this kind decreased by $900,000,000. The April gain, officials said, "is good news to merchants whose sales have suffered because consumers have been reluctant to go into debt to buy things like cars, appliances and furniture."

Steel consumers are stepping up their orders to keep from getting caught with their inventories down in event of a strike, states "The Iron Age," national metalworking weekly, this week.

So far this strike-hedge buying is only a minor part of the market. But it has increased noticeably since management and union started discussing what may be the biggest "package" of demands ever presented. And it will keep growing until a new wage agreement is reached, or the union strikes, says this trade magazine.

Protective buying was noticed first in tinplate several weeks ago. Since then some automotive buyers have started building their sheet and strip inventories from 30 to 45 days. And various other steel buyers are now showing reawakened concern over their supplies.

This is evidenced by requests to move up some scheduled orders for quicker delivery; repeat orders quicker than had been expected, and a changing attitude of some buyers toward steel salesmen.

Still, individual orders are small and even protective buying is being done cautiously, this trade weekly reports.

Oil country goods and structurals are still the best sellers in the market. These products should go wedd for the remainder of the year. Improvement has recently been noted in plates and galvanized sheets.

Steel producers, who have been waging an uphill struggle for business, are not inclined to look a gift horse in the mouth; they'll take all the strike-hedge buying they can get. Since production is now very sensitive to new business, this might edge the operating rate up during the next 30 days, declares "The Iron Age."

Wage negotiations, it notes, may dominate the steel picture for at least the next month. Consumers will soon be impressed with the potential threat to their supplies when management makes a very modest counter offer to the huge union demands. How much the market tightens will depend on how hot the bargaining gets.

If a wage agreement is reached without a strike you can look for a moderate softening of the market during the summer. This would be followed by a pickup in the last quarter, this trade weekly further notes.

Domestic automobile production is being pared 6% during June, "Ward's Automotive Reports," stated on Friday of last week.

The reduction, which is the first so far this year, calls for a daily assembly rate of 23,200 cars against 24,700 in May, 24,244 in April and 22,870 in March.

However, "Ward's" said that because of June's two additional work days the month's output schedule is up to 510,000 cars from 493,000 during May.

The June program, the statistical agency added, gives the industry its third-best January-June in history. The expected total of 2,962,000 units is exceeded only by the record 3,255,772 of 1953 and the same period of 1950 and 1951, both virtually tied at 3,108,000.

"Ward's" said that no Saturday work was scheduled last week, permitting a United States May production count of 493,000 cars. The total was divided 54.3% General Motors, 30.6% Ford Motor Co., 11.9% Chrysler Corp. and brought a new 7½-year post-war low volume of 16,000 cars for the Independents at 3.2%.

Reflecting lack of Saturday work, vehicle output the past week declined 4.6% to 141,830 cars and trucks from the nine-month high of 148,645 established in the preceding week. The same week in 1953 netted 113,985 units.

The decline last week was entirely in cars, truck assembly holding to a consistent 22,000 unit pace which netted an estimated 89,000 jobs in May.

The reporting service added, however, that the short work

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Observations . . .

By A. WILFRED MAY

Stock Selection With Less Inhibition

In this space last week we cited the concentration in the Blue Chip stocks by the various classes of experts who act in a fiduciary manner; as motivated by the "legitimization" of possible subsequent loss.

A. Wilfred May

Consistent with our conclusion, although operating conversely, we now offer the investing experience of the New York State savings banks, which for the past two years have been legally permitted to purchase common stocks. For their investing agents, far less conscious of the public's scrutiny and consequent worry over guilt factors than are other categories of fiduciaries, have manifested considerable less tendency to escape to the popular issues. They are undoubtedly influenced by the realization that the audience watching the fish-bowl in which they function is a far more sophisticated one than, for example, that vast public which has been sold portfolios by the army of door-bell-ringing salesmen of the mutual funds.

The Stock Selection Record

The resulting less inhibition is evidenced in the actual record of the Institutional Investors Mutual Fund, Inc., through which investment company, exclusively owned by over one-half of the State's savings banks, the banks get into equity investment (some of them also buying stocks directly). This management fund's report for the last quarter shows that less than half (twenty) of its selections are among those "Favorite Fifty" issues most frequently held by the leading 50 closed-end trusts and 125 mutual funds. The bank investors have not felt constrained to exhibit Amerada, International Paper, Standard Oil of New Jersey or Texas Company, which are among the six most popular with the funds. And the banks have bought many issues beyond the pale; as Climax Molybdenum, Mead Johnson, National Tea, General Shoe, H. L. Green, and Food Fair Stores.

Their freedom from *Blue Chipitis* inhibitions permits the banks, directly as well as through the Fund, to realize the advantage of the relatively higher income return from equities; while prudently setting up a reserve out of adequate dividend income for the minimization of risk factor; which constructive result is not available in the Dow-Jones Average area during the present state of the market.

Incidentally, the savings bank institutions' last-quarter sales record indicates that the experts, like the public, tend to become less conservative as prices rise. 54 different issues were bought, while only four were sold; Corn Products, Liggett & Myers, Montgomery Ward, and Pfizer having been completely eliminated from the portfolio.

A University's Operation

Similarly, recent scrutiny of Cornell University's investment portfolio and discussion of policy with the Treasurer reveal that management's comparative freedom from the window-dressing motive. 63% of the total securities is comprised of common stocks, and another 3% is placed in medium grade preferreds. The equities include such imaginative issues as Falstaff Brewing, Hotels Statler (unlisted), Marathon, American Chain, Newport News Shipbuilding, United-Carr Fastener, etc. Among the preferreds were several convertibles, as Golden State, Republic Steel, Brown Mills, McCrory Stores, and Haloid, are held. Incidentally, both the bond and preferred stock categories show a deficiency of market value below cost, with the common stock portfolio registering a 30% gain.

The Administration's Tax Philosophy

By DAVID M. KENNEDY*
Assistant to the Secretary of the Treasury

Treasury official, in pointing out the two-fold policy of tax reduction and revision of tax laws, calls attention to continuation of Federal deficit and the prospective need for additional Federal borrowing which makes it "absolutely necessary for Congress to increase the debt limit." Says aim is to extend maturities of the national debt when opportunities present themselves. Refers to current easy money and low interest rates, and asserts "confidence in the dollar has returned."

The Administration's tax philosophy is two-fold: (1) Reduction of taxes as rapidly as justified by reduction of Government spending; and (2) revision of tax laws to give millions of taxpayers relief from hardships and inequities, and to lessen restrictions which present tax law imposes on the growth and expansion of the country's economic system.


David M. Kennedy

Substantial cuts in Government spending have made possible total anticipated reductions in taxes this year of $7.4 billion (including the tax revision bill now before the Senate Finance Committee). This is the largest total dollar tax reduction made in any year in history.

Individual income taxes were reduced by $3 billion. The various provisions of the tax revision bill reducing hardships on individuals will further reduce individual income taxes by about $800 million. If we assume that the billion dollar reduction in excise taxes will be passed along to consumers, individuals would receive a total benefit of tax reductions this year of nearly $5 billion. Corporations will receive tax reductions of over $2 billion, principally through elimination of the excess profits tax.

As Government spending is reduced further, the money saved should be returned to the people in the form of additional tax cuts. This will permit the public to spend or save additional billions rather than have the Government spend it for them. It will help make new jobs for the people who previously received their income from Government spending. It will help make an orderly transition from the high level of Government expenditures and taxes without causing too severe an impact on the economy.

The tax revision bill now being considered by the Senate Finance Committee is not and was not intended to be a tax reduction bill. Our tax system, like Topsy, "just growed." It is a hodgepodge of tax legislation enacted over many years. Our tax laws were last completely rewritten in 1876.

For years Congressional committees and both political parties have recognized the need to revise our tax laws and eliminate provisions that work hardship on millions of individuals, reduce incentive and retard growth. The whole purpose of the present bill is to reform our tax structure to the benefit of individuals and businesses and our economy.

Extends Corporate Rate

As the result of literally hundreds of changes, an estimated reduction in revenue totaling $1.4 billion will be effected this year by the tax revision bill. These changes will benefit millions of individuals. The bill provides for an extension of the corporate tax rate at 52% rather than permitting it to go down to 47%. This will bring in $1.2 billion this year, or nearly enough to cover the entire cost of the tax revision bill.

The provisions of the bill providing more flexible depreciation allowances and partial relief from double taxation on dividends will aid small business. These benefits will help new businesses to get started and will encourage existing businesses to expand, modernize and to create more and better jobs which only an expanding economy can provide. This tax revision will be most helpful during the present period of transition to less spending by the Government.

Further tax reduction must necessarily wait until further reductions in Government spending can be passed along to the taxpayers.

Government spending is continuing to be cut. Budget expenditures for fiscal 1955 are estimated at $12 billion less than the budget submitted to the Congress in the past Administration for fiscal 1954.

The budget deficit in the current fiscal year ending June 30 will be about $3½ billion, compared with a deficit of $9½ billion in the previous year. A deficit of $3 billion was estimated in the President's budget for fiscal 1955. The cut in excise taxes will increase this estimated deficit to about $4 billion. When allowance is made for net receipts from trust accounts, the 1954 budget is approximately in balance on a cash basis.

The recent $2 billion cash issue of 4-year 9-month 1⅞% notes and the refunding of over $7 billion of maturing obligations takes care of Treasury financing needs for the balance of this fiscal year.

In the last half of this calendar year, the Treasury will need about $10 billion of new cash. Tax receipts are low in the last half of the year, reflecting the Mills plan to speed up corporate tax payments.

In addition, during August and September over $7 billion and during December nearly $18 billion of obligations mature—a total of $25 billion that will have to be refinanced during the last half of the calendar year.

In the two major financing operations so far this year, $11 billion of debt was extended into 7-year 9-month 2½% bonds and $5 billion into 4-year 9-month 1⅞% notes.

Debt management policy is being directed toward promoting economic stability, with neither inflation nor deflation. Recent issues of Treasury tax bills and medium term obligations have added to the liquidity of commercial banks and have left funds available at financial institutions and other lenders for investment in the mortgage, municipal and corporate markets.

When appropriate opportunities present themselves, the Treasury will continue to direct its financing toward extending the maturities of the debt. In the balance of this calendar year there should be additional opportunities to extend maturities and get the structure of the debt into better shape.

Must Increase Debt Limit

Necessary borrowing in the second half of the current calendar year to meet Government expenditures will put the public debt above the $275 billion debt limit. It will be absolutely necessary for the debt limit to be increased before Congress adjourns.

The Federal Reserve continues to be free under this Administration to pursue a flexible credit policy designed to promote stability and economic growth. We have seen this flexible credit policy in operation. In the latter part of 1952 and early 1953 under inflationary conditions, the Federal Reserve, as they should, let the large demand for credit tighten the money market. The force of a heavy demand for credit against the existing supply in the market was restrictive and caused an increase in interest rates.

Beginning in the spring of last year, in view of the tightness in the money market and general business conditions, the Federal Reserve continuing to operate under a flexible credit policy, began adding reserve to meet expected demands for credit. Later it became the objective of the Federal Reserve to maintain a condition of active ease in the money market in order to provide a climate from a credit standpoint that would tend to stimulate economic activity. In these circumstances interest rates have declined.

Credit is now available in every area of the country to businesses, home builders and purchasers, states and individuals. These changes in direction of credit policy by the Federal Reserve are consistent with—not a reversal or retreat from—the views expressed by two Congressional Committees, the Patman Committee and the Douglas Committee. Confidence in the value of the dollar has returned.

*An address by Mr. Kennedy before the Delaware Bankers Association, Wilmington, Del., May 13, 1954.

Flanigan, Magrane Dillon, Read V.-Ps.

Frederic H. Brandi, President of Dillon, Read & Co. Inc., 46 William Street, New York City, announces the election of Peter M. Flanigan and John S. Magrane as Vice-Presidents of the firm.


Peter Flanigan John Magrane

Mr. Magrane has been connected with Dillon, Read & Co. Inc., in the buying department, since September, 1947, except for a period of a year and a half, during which time he served as an Economic Analyst with the ECA Mission to the United Kingdom in London. He is a graduate of Princeton University and served in the Naval Air Corps as a Lieutenant (j.g.) during World War II.

Mr. Magrane has been connected with the buying department of Dillon, Read & Co. Inc. since 1940 except for a period of about five years during which he served with the Navy. At the time of his discharge from service in 1946 he held the rank of Lieutenant Commander. He is a graduate of Harvard College and the Harvard Graduate School of Business Administration.

$9 Billion Now in Public Employees' Pension Funds

By DISQUE D. DEANE*
Union Securities Corporation

Asserting public employees' pension funds have become big business, Mr. Deane estimates 3,500,000 persons are now comprised under such funds, and about $9 billion is already in their reserves. Sees a growing problem in the investment of their funds, and advocates use of professional investment men as advisers. Sees need of higher investment yields to afford savings to taxpayers. Looks for larger investment in securities of American business.

I wonder how many of you realize that on June 30 of this year, public employee retirement funds will have assets of approximately $9 billion, and during the ensuing twelve-month period, these funds will add an additional $1.3 billion of assets. At this percentage rate of growth their assets will be over $44 billion by 1970 and $3.1 billion will be available for investment during the following year. It is, therefore, easy to understand why public employee retirement funds have recently taken an important place beside other savings institutions in our nation, and their comparative importance will be even more significant in the future. Public retirement funds are small when compared to corporate pension funds which are now twice as large and have twice the net annual growth. Yet public funds are quite significant when compared to the huge life insurance companies, who with $79 billion of assets or about ten times the size of public funds, have only four times more new money to invest each year than the public pension funds. Comparing public funds to savings banks, we find that savings banks have only 40% more new money to invest annually, although their $27.0 billion of assets are three times the size of public funds.


Disque D. Deane

Much of the information in this report concerning the investment policies of public funds was obtained from the recently published Municipal Finance Officers Association bulletin, "A Survey of Public Employee Retirement Systems on the Subject of Investments." The information for that survey was based on 172 questionnaires answered out of 284 questionnaires mailed. However, only 125 of the replies received were deemed sufficiently complete and comparable to be included in the survey. This project is the most comprehensive study ever undertaken in the field of public retirement funds and the tabulated results should be of tremendous assistance to those of you who are concerned with public fund management. When the M.F.O.A. survey is used in conjunction with the 1952 Union Securities Survey of Public Funds and the October, 1952, United States Department of Commerce "Compendium of State and Municipal Finance" a fairly accurate total picture of the finances of public retirement funds can be obtained.

Membership

State and Municipal retirement funds on June 30, 1953, totally or partially covered some 3,500,000 persons or 81% of the total 4,300,000 eligible public employees. This percentage of coverage is higher than the widely used Department of Commerce estimate of 4,500,000 public employees, as part-time employees are not included. The M.F.O.A. survey covered funds whose membership was 2,479,984 employees or approximately 70% of the total which would include some 212,486 nonactive members who still had vested rights in the systems. Since 1942, membership in public retirement funds has more than doubled, increasing from 1,500,000 members at that time to 3,500,000 in June, 1953. This percentage rate of increase will not continue as coverage is getting closer to the saturation point. However, we can expect an average annual increase of 100,000 or more in employee membership during the next 15 years. This average figure has been adjusted to include the additional governmental employees needed to care for the normal population growth of the country and in addition provide the necessary additional number of state and municipal personnel needed to service the increased needs that the citizens expect their government to provide. These projections of public fund membership are most important in estimating the present and future assets of these funds.

One important question frequently discussed is: what is the potential dampening effect on public pension fund growth, if the trend continues for the broadening of Social Security benefits to give more liberal retirement allowances, or if in the future an election is made by existing state and municipal systems to be covered by Social Security? In the majority of the experiences to date where Social Security coverage was obtained for public employees, the existing retirement system was retained as a supplemental fund. The immediate emphasis for Social Security activity should be for the broadening of coverage to include those full-time and part-time public employees who are not now covered by any existing system. This is a rich field, for as recently as October, 1952, 746,000 public employees (or about one in every six) had no coverage at all. Expressed in another way at that time, 12% of state employees, 32% of local employees and 17% of school employees were not covered by a retirement system of some kind.

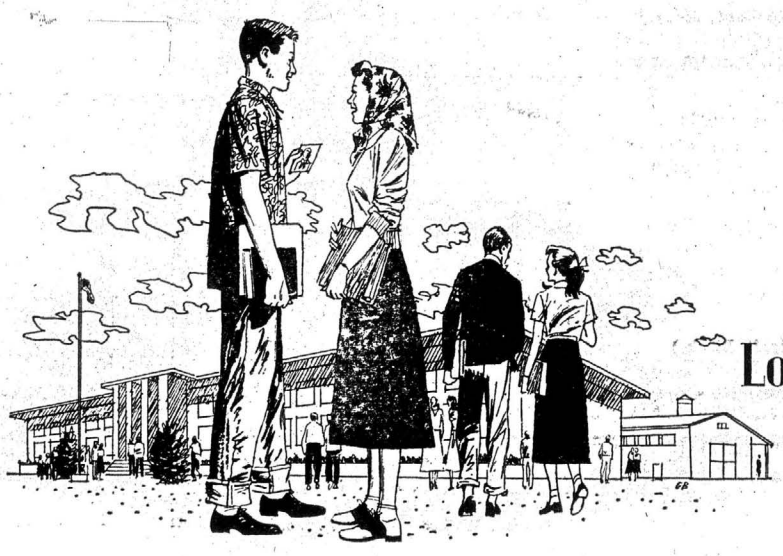
Assets

One-hundred-twenty-four of the funds analyzed by the M.F.O.A. survey reported assets of $4,960,489,212 on June 30, 1953. This 70% sample of assets had grown by 16.4% over the previous year. Assuming that this percentage rate of growth was applicable for the year 1952-53 for all public funds and assuming that the reserves for the non-active members were not substantial, then the national growth for the year would have been $1.1 billion and total assets on June 30, 1953, would have been $7.8 billion. This would be an annual growth for that year of approximately $325 per average employee member. This figure should not be considered a constant, as it contains a large element for the funding of past pension liabilities. For ex-

Continued on page 34

*An address by Mr. Deane before the Annual Conference of the Municipal Finance Officers, San Francisco, Calif., May 25, 1954.

NEW ISSUES



$30,000,000

Los Angeles City School District
Los Angeles City High School District

Los Angeles County, California

2½% Bonds, Election 1952, Series C

Dated July 1, 1954

Due July 1, 1955-79, incl.

Principal and semi-annual interest (January 1 and July 1) payable at the office of the Treasurer of Los Angeles County in Los Angeles, California, or at any of the fiscal agencies of Los Angeles County in New York, N. Y., or Chicago, Illinois, at the option of the holder. First coupon (annual) payable July 1, 1955. Coupon bonds in denomination of $1,000 registerable only as to both principal and interest.

In the opinion of counsel, interest payable by the Districts upon their bonds is exempt from all present Federal and State of California personal income taxes under existing statutes, regulations and court decisions.

We believe that these bonds are legal investments in New York for trust funds and savings banks and in California for savings banks, subject to the legal limitations upon the amount of a bank's investment, and are likewise legal investments in California for trust funds and for other funds which may be invested in bonds which are legal investments for savings banks, and are eligible as security for deposits of public moneys in California.

These bonds, to be issued under the provisions of Division 3, Chapter 17, California Education Code, for various school purposes, comprise separate issues of two distinct districts. The bonds of each issue in the opinion of counsel will constitute the legal and binding obligations of the issuing district and will be payable, both principal and interest, from ad valorem taxes which, under the laws now enforced, may be levied without limitation as to rate or amount upon all of the taxable property, except certain personal property, in the issuing district.

These bonds are offered when, as and if issued and received by us and subject to approval of legality by Messrs. O'Melveny & Myers, Attorneys, Los Angeles, California.

ISSUES, AMOUNTS, MATURITIES AND YIELDS OR PRICES

$10,000,000
Los Angeles City School District

$20,000,000
Los Angeles City High School District

School District	High School District	Due	Yield or Price
$400,000	$800,000	1955	.80%
400,000	800,000	1956	.95%
400,000	800,000	1957	1.10%
400,000	800,000	1958	1.25%
400,000	800,000	1959	1.40%
400,000	800,000	1960	1.50%
400,000	800,000	1961	1.60%
400,000	800,000	1962	1.70%
400,000	800,000	1963	1.80%
400,000	800,000	1964	1.85%
400,000	800,000	1965	1.95%
400,000	800,000	1966	2.05%
400,000	800,000	1967	2.15%
400,000	800,000	1968	2.25%
400,000	800,000	1969	2.30%
400,000	800,000	1970	2.35%
400,000	800,000	1971	2.40%
400,000	800,000	1972	2.45%
400,000	800,000	1973	100
400,000	800,000	1974	100
400,000	800,000	1975	2.55%
400,000	800,000	1976	2.60%
400,000	800,000	1977	2.65%
400,000	800,000	1978	2.70%
400,000	800,000	1979	2.70%

Bank of America N. T. & S. A. | The Chase National Bank | The National City Bank of New York | Bankers Trust Company | Harris Trust and Savings Bank | J. P. Morgan & Co. Incorporated | Guaranty Trust Company of New York | Blyth & Co., Inc.

The First Boston Corporation | Smith, Barney & Co. | American Trust Company San Francisco | Continental Illinois National Bank and Trust Company of Chicago | Chemical Bank & Trust Company | The Northern Trust Company

Lazard Frères & Co. | Drexel & Co. | R. H. Moulton & Company | Glore, Forgan & Co. | C. J. Devine & Co. | Merrill Lynch, Pierce, Fenner & Beane | The First National Bank of Portland, Oregon | Security-First National Bank of Los Angeles | Seattle-First National Bank

R. W. Pressprich & Co. | The Philadelphia National Bank | California Bank Los Angeles | Equitable Securities Corporation | Bear, Stearns & Co. | Dean Witter & Co. | William R. Staats & Co. | Heller, Bruce & Co. | John Nuveen & Co. (Incorporated)

Mercantile Trust Company St. Louis | Reynolds & Co. | J. Barth & Co. | Laidlaw & Co. | Trust Company of Georgia | A. M. Kidder & Co. | Schoellkopf, Hutton & Pomeroy, Inc. | Laurence M. Marks & Co.

Clark, Dodge & Co. | Wertheim & Co. | W. H. Morton & Co. Incorporated | L. F. Rothschild & Co. | Francis I. duPont & Co. | Bacon, Stevenson & Co. | Chas. E. Weigold & Co. Incorporated | R. S. Dickson & Company Incorporated

The Illinois Company | City National Bank & Trust Co. Kansas City, Mo. | F. S. Smithers & Co. | G. H. Walker & Co. | Roosevelt & Cross Incorporated | Ira Haupt & Co. | Bacon, Whipple & Co. | Shearson, Hammill & Co.

William Blair & Company | Andrews & Wells, Inc. | E. F. Hutton & Company | Coffin & Burr Incorporated | Dominick & Dominick | J. C. Bradford & Co. | Byrne and Phelps Incorporated | Kean, Taylor & Co. | Commerce Trust Company Kansas City, Mo.

Hirsch & Co. | Gregory & Son Incorporated | New York Hanseatic Corporation | Van Alstyne, Noel & Co. | Provident Savings Bank & Trust Company | The National City Bank of Cleveland | National State Bank Newark | Wood, Gundy & Co., Inc.

R. D. White & Company | Wm. E. Pollock & Co., Inc. | Ginther, Johnston & Co. | Wm. J. Mericka & Co. Incorporated | Field, Richards & Co. | Third National Bank in Nashville | The First National Bank of Memphis | Shelby Cullom Davis & Co.

Kaiser & Co. | Julien Collins & Company | Lyons & Shafto Incorporated | Foster & Marshall | Lawson, Levy & Williams | H. E. Work & Co. | Irving Lundborg & Co. | American Securities Corporation

Townsend, Dabney and Tyson | R. H. Johnson & Co. | Hill Richards & Co. | A. G. Edwards & Sons | Blunt Ellis & Simmons | Cruttenden & Co. | Stern, Frank, Meyer & Fox | Thornton, Mohr & Farish

G. C. Haas & Co. | Newhard, Cook & Co. | Raffensperger, Hughes & Co. Incorporated | Tilney and Company | Stroud & Company Incorporated | Barcus, Kindred & Co. | Piper, Jaffray & Hopwood | Wachovia Bank and Trust Company

Tripp & Co., Inc. | Breed & Harrison, Inc. | Northwestern National Bank of Minneapolis | First National Bank of Minneapolis | The First National Bank of Saint Paul | Ellis & Co. | Fahey, Clark & Co. | The First Cleveland Corporation

Kenower, MacArthur & Co. | Stone & Youngberg | Kalman & Company, Inc. | Stubbs, Smith & Lombardo, Inc. | Rodman & Renshaw | Glickenhaus & Lembo | Fred D. Blake & Co. | Dempsey-Tegeler & Co.

Burns, Corbett & Pickard, Inc. | Stokes & Co. | Doll & Isphording, Inc. | McDonald-Moore & Co. | Wagenseller & Durst, Inc. | Seasongood & Mayer | Magnus & Company | Bohmer-Reinhart & Co.

The Weil, Roth & Irving Co. | The Continental Bank and Trust Company Salt Lake City, Utah | Ryan, Sutherland & Co. | Sheridan Bogan Paul & Co., Inc. | Henry Dahlberg and Company | Zahner and Company

Hannahs, Ballin & Lee | H. V. Sattley & Co., Inc. | Walter, Woody & Heimerdinger | E. Ray Allen & Company, Inc. | Newburger, Loeb & Co. | The First of Arizona Company | Soden Investment Company

J. A. Overton & Co. | Arthur L. Wright & Co., Inc. | Eldridge E. Quinlan Co., Inc. | C. N. White & Co. | Redfield & Co.

June 2, 1954

Dealer-Broker Investment Recommendations & Literature

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

Atomic Energy—Discussion in current issue of "Gleanings"—Francis I du Pont & Co., 1 Wall Stret, New York 5, N. Y. Also in the same issue are a group of selected **Portfolios.** The firm also has a list of stocks which appear to be laggards in the current phase.

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

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

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

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.

Isues For Appreciation—Discussion of ten issues—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

New York City Bank Stocks — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Philadelphia Bank Stocks—Comparison of 11 largest Philadelphia Banks—Stroud & Company Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Public Utility Common Stocks—Comparative figures—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

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

Rails With Appreciation Possibilities—Discussion of five issues —Cohu & Co., 1 Wall Street, New York 5, N. Y.

* * * *

American Machine & Metals — Memorandum — McDonnell & Co., 120 Broadway, New York 5, N. Y. Also available are memoranda on **Columbia Broadcasting System** and **Southern Production Co.**

Associated Dry Goods Corp.—Analysis—J. A. Hogle & Co., 50 Broadway, New York 4, N. Y. Also in the same circular are data on **American Smelting** and **Flintkote Company.**

Continental Oil Company — Analysis — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. In the same bulletin are analyses of **Pure Oil Company** and **Standard Oil of Ohio.**

Eastern Industries Incorporated—Bulletin—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Elmridge Mines Limited — Descriptive bulletin — W. Keyser Manly, 11 West 42nd Street,, New York 36, N. Y.

Latrobe Steel Company—Analysis—Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

Libbey-Owens-Ford Glass Company — Analysis — Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Mississippi Valley Gas Company — Analysis — Equitable Securities Corporation, 322 Union Street, Nashville 3, Tenn.

Mueller Brass Co. — Bulletin — Gartley & Associates, Inc., 68 Wiliam Street, New York 5, N. Y. Also available is a bulletin on **Monroe Auto Equipment Co.**

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

Continued on page 43

COMING EVENTS

In Investment Field

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

NSTA Notes

NSTA MEMBERSHIP COMMITTEE

Graham Walker, of Joseph McManus & Co., New York, as Chairman of the Membership Committee of the NSTA for 1954, has appointed the following members of his Committee:


Graham Walker


A. Gordon Crockett


Pierre A. Kosterman


Laurence B. Carroll


James B. Dean


John J. D'Arcy

A. Gordon Crockett, Vice-Chairman, Crockett & Co., Houston.
John C. Hecht, Jr., Dempsey-Tegeler & Co., Los Angeles.
Pierre A. Kosterman, Zilka, Smither & Co., Portland, Ore.
Laurence B. Carroll, Burke & MacDonald, Kansas City, Mo.
James Dean, J. W. Tindall & Co., Atlanta.
John J. D'Arcy, F. L. Putnam & Co., Boston.

BOND TRADERS CLUB OF CHICAGO, INC.

The 28th Annual Field Day of the Bond Traders Club of Chicago will be held at Nordic Hills Country Club, Saturday, June 26, 1954. Plans for the day are under the direction of the following committee chairmen:

Chairman: Joseph T. Fuller, William A. Fuller & Company.
Co-Chairmen: J. Robert Doyle, Doyle, O'Connor & Company; Harold A. Madary, Geyer & Co., Incorporated.
Golf: Roy B. Sundell, Julien Collins & Company.
Clubhouse: John D. Kipp, A. G. Becker & Company, Inc.
Baseball: Frank H. Buller, Hickey & Company, Inc.
Transportation: William J. McGregor, Glore, Forgan & Co.

* * * *

The following have been appointed trustees for the 1954-55 period of the **newly instituted** Gratuity Fund which goes into effect June 1, 1954:

Leo J. Doyle, Doyle, O'Connor & Company; W. A. Fuller, William A. Fuller & Company; F. Girard Schoettler, Wayne Hummer & Co.; Thompson M. Wakeley, A. C. Allyn & Company, Inc.; W. W. Cruttenden, Cruttenden & Company; Raymond Hofer, Ernst & Co.; Leonard J. Wolf, A. G. Becker & Co., Inc.

SECURITY TRADERS ASSOCIATION OF NEW YORK, INC.

Security Traders Association of New York, Inc. Bowling League standing final, 2nd half, is as follows:

Team:	Points:
Leone (Capt.), Nieman, Gannon, Tisch, Greenberg	52
Donadio (Capt.), Craig, Gronick, Bies, Demaye	51
Manson (Capt.), Jacobs, Topol, Weissman, H. Frankel	50½
Klein (Capt.), Fredericks, Murphy, Weseman, Mewing	50
Burian (Capt.), Gavin, Clemence, Montanye, Whiting	48½
Serlen (Capt.), Rogers, Gold, Krumholz, Gersten	43½
Kaiser (Capt.), Hunt, Werkmeister, Swenson, Ghegan	40
Bean (Capt.), Bass, Valentine, Eiger, Bradley	34
Krisam (Capt.), Pollack, Cohen, Smith, Strauss, Define	33
Growney (Capt.), Corby, Siegel, Voccolli, Lienhardt	30½
Meyer (Capt.), M. Meyer, Frankel, Wechsler, King	26½
Hunter (Capt.), Brown, Alexander, Farrell, Barker	26

200 Point Club
Jack Manson (Twice)____222

5 Point Club
Joe Donadio
Roy Klein

Final Winners: Klein, Fredericks, Murphy, Weseman, Mewing.

Bowling Dinner tonight, June 3, at the Antlers

Of Mines and Porcupines

By IRA U. COBLEIGH

Enterprise Economist

A metallic look at a couple of companies distinguished by the possession of money, management, metal ores and metal shares

It has become quite fashionable to stress diversification as one of the bulwarks of investment safety and progress; and many trusts go so far as to provide three or four hundred securities as a vehicle for arriving at that goal. Others stress more a security selection confined to a much smaller corporate coterie, while a few individuals have achieved quite decent results by directing their dough exclusively into a single enterprise as in the case, for instance, of Mr. Woolworth, Mr. Ford, Mr. Chrysler and Mr. Merck.

Ira U. Cobleigh

Today, however, we'll take the middle road and examine briefly two eminent companies whose primary interests are in minerals, but whose corporate setups seem more to resemble investment trusts, with portfolio diversification displaying a pronounced metallic luster.

Newmont Mining Corp.

The first of these renowned development and trust organizations is Newmont Mining Corp. whose 2,658,230 common shares (sole capitalization) are listed NYSE and sell today around 56.

In both metals and oils, Newmont has a king-size slice of some very interesting companies, in Canada, the United States, South America, and South Africa. Let's talk first about metals. NME owns a big equity in two rather unpronounceable companies—56.3% of O'okiep Copper Ltd., and 28.5% of Tsumeb Corp., producer of lead, zinc and copper. These two South African holdings, together, accounted for almost 60% of Newmont's dividend intake in 1953.

Other metal holdings, of market and dividend significance, are 349,038 shares of Phelps-Dodge, 27,300 shares of Kennecott Copper Corp., 51,400 shares of St. Joseph Lead Co. (an elegant company in its own right, and in a particularly favorable position right now due to government stockpiling program for lead and zinc and current rising prices of same), 219,870 shares of Magma Copper (with a vast increase in production potential from its new Arizona operation). Then Newmont has a very special situation in its sponsorship of Sherritt-Gordon, a nickel and copper producing venture which should begin production shortly in Manitoba. If you follow, and give credence to the projections of a number of analysts, the future of Sherritt-Gordon borders on the fantastic, and Newmont is in a position to reap handsomely if the mining here lives up to its billing. Newmont has, not a grub stake, but a grand stake in this enterprise via its 1,122,196 shares of common and $8,000,000 convertible debentures of Sherritt-Gordon. The stock switch here is quite sweet. The conversion price is $2.50 and the marked tab on Sherritt is $4. Calculated out, after, and assuming conversion, NEM will own 38.1% of the Sherritt equity.

Moving from metals to petroleum, NEM has 31,600 shares of Creole Petroleum, 38,362 shares of El Paso Natural Gas, surely one of the blue-chip pipe lines, and a real bundle (55[illegible].520 shares) of Continental Oil, itself a distinguished integrated oil enterprise with an especial flair for finding oil; and a big acreage for exploration in Canada (through its holdings in Hudson's Bay Oil & Gas). The Continental shares, alluded to above, represent actually 5.4% of outstanding common.

Finally, there is a totally owned oil company in which NEM has lodged $16 million of its own money, Newmont Oil Company. This company, although quite new, has joined up with quite competent partners — Magnolia Petroleum and Continental in offshore drilling in the Louisiana tidelands over a 20,000-acre stretch. So far they've brought in nine wells from one salt dome and within the last two weeks brought in another well. It's too early to be certain, but some estimates have placed the one-eighth interest of Newmont Oil (three-eighths to Continental and one-half to Magnolia) as representing 2.5 million barrels of crude oil reserves.

Put this whole deal together and you find a company estimate of per share net worth at 3/31/54 of $57.37. This compares with today's NYSE price of 56. The dividend for the past three years was $2.50, roughly a 4.4% yield. When you consider what meager earnings and thin balance sheets you have to work on in many Canadian minerals and oil ventures, this solidly financed trust, with lots of future overspin in metals and oils offers you the sensation of buying an investment, and getting a diverse and horizontal speculative call, virtually without cost.

McIntyre Porcupine Mines, Ltd.

Next we move to McIntyre Porcupine Mines, Ltd. The porcupine here is not an animal, but a golden geographical location in Ontario—(and I didn't write this piece with a quill!). MP, (the stock and not mounted police) started out as a gold mine and a very good one at that. For the year ended 3/3/54, gold and silver produced had a value of $5.1 million and Emergency Assistance added $580,000 more to operating gross. Operating net, before taxes, was $711,535 which wasn't too bad considering that, for the first time in 40 years, the mine was closed by a strike lasting from Sept. 23, 1953 till Jan. 15, 1954. It was settled by a five cent per hour wage increase. In the fiscal year ended 3/31/54, total millings were reduced by about 30%.

Estimated gold ore reserves are about 2,600,000 tons (one-third of an ounce to the ton). Lower level development between 6,000 and 6,500 feet continues to reveal ore showings comparable with those achieved at shallower horizons; and the capacity of the McIntyre operation to deliver upwards of 200,000 ounces a year of gold appears well demonstrated. Of course, an upping of the world price of gold from $35 to, say, $50 or $60 an ounce would have a dramatic effect. But no one really expects that, at least not in the immediate future.

Actually, in McIntyre, the tail wags the dog (or should I say porcupine). For company mining delivered only 88 cents of the $2.93 consolidated net income contained in the annual report 3/31/54. The rest, $2.05, stemmed from dividends on a very excellent portfolio of assorted securities we'd like to mention. These were carried 3/31/53 at $17,805,000 but had a market value (3/25/54) of $44,360,000. They include 100,000 shares of Amerada; 23,152 of American Metals; 5,000 shares of AT and T; 82,500 Bell Telephone of Canada; 13,000 General Electric (before the 3-1 split); 113,500 International Nickel; 15,000 International Petroleum; 33,076 Standard Oil of California; 81,400 Standard of New Jersey; 4,000 shares apiece of U. S., and Youngstown Steel; plus $5 million in Canadian governments. What do you want? Gold or investments? You've get both here in a market valuation of about $67 a share on only 798,000 capital shares with nothing ahead. Three dollars or better has been paid each year since 1939, and cash dividends without hiatus, have been dished out since 1917. These Porcupine shares are selling now (NYSE) about 65 to yield (ssuming current dividend) 4.6%.

If you like representation in the blue chip in a bull market, either of these corporations can accommodate you. If you think the price of gold is due for a hike, then McIntyre has a special speculative appeal. If you think inflation, presently marking time (except perhaps in the price of coffee) is about to break loose again, then the metals and minerals represented by either of these modified trusts, may serve you well. Investment in mines and porcupines is not so unorthodox as it sounds!

Nelson, Scoville Co. Formed in Seattle

SEATTLE, Wash.—Martin O. Nelson and Melvin J. Scoville, have announced the formation of

Martin O. Nelson Malvin J. Scoville

Nelson, Scoville & Co., Inc., a new investment firm, with offices located in Suite 810, White Building.

The firm which will function as a member of the National Association of Securities Dealers brings together the combined experience and established practices of the two principals, widely known for many years in financial circles on the West Coast.

They will conduct a general investment practice dealing in all types of investment securities, Government and municipal bonds, corporate bonds and stocks and mutual investment company shares.

Wire connections with eastern correspondents will provide prompt access to all principal trading markets and the major sources of financial news and information.

The members of the new organization have a background of long experience in banking and investments in the Northwest.

Melvin J. Scoville, President of the new firm, was ten years with the investment firm of Conrad, Bruce & Co., and formerly was a trust officer of the Seattle branch of the Bank of California and associated with the bank for over 20 years. He was President of the Seattle chapter American Institute of Banking, 1933-34; President of Seattle Trust Officers Association, 1937-38; and active for many years in civic and community affairs.

Martin O. Nelson, Vice-President and Treasurer, has been associated with Blyth & Co., Inc. for the past 21 years. He served as a major in the U. S. Army during World War II, is a graduate of the University of Washington, a former treasurer of the University Alumni Association and is active in civic and community affairs.

Verne E. Rolfe, who will represent the firm as an account executive has had over 30 years experience in banking; 20 years in Cheney, Washington and 11 years with the First National Bank of Portland at Medford and The Dalles, Oregon. In addition he served four years in the State Banking Department of Washington. Latterly he was with the Seattle office of Conrad, Bruce & Co.

Mrs. Hester R. Leake, cashier, was previously with Grande & Co., Inc. and Pacific Northwest Company.

Joins Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif.—Mrs. Alice D. Fitzgerald has become affiliated with Hooker & Fay, 205 Fourth Avenue. Mrs. Fitzgerald was formerly with Shields & Company in Chicago.

Customers' Brokers to Hold Meeting June 17

The next quarterly meeting of the Association of Customers' Brokers will be held Thursday, June 17th. Nine members of the 1954 Nominating Committee will be elected. This new group will present a slate of officers and Executive Committee members at the September meeting. The following 21 candidates will be offered by the 1953 Nominating Committee, headed by Gerald L. Wilstead, Hallgarten & Co., Chairman, and Paul S. Morton, Peter P. McDermott & Co., Secretary.

Harry Berkowitz, Wm. M. Rosenbaum Co.; Beatrice M. Bougie, McLaughlin, Reuss & Co.; John Carden, R. L. Lafferty & Co.; Harry S. Courtney, Peter P. McDermott & Co.; John Deutsch, Herbert E. Stern & Co.; Edgar Ehrenthal, Ladenburg Thalmann & Co.; Martin A. Fendell, Jacques Coe & Co.; Clifford Henry, Hayden, Stone & Co.; Ernest Hockstuhl, Stokes, Hoyt & Co.; Sam Minsky, Hardy & Co.; Walter Pendleton, Jr., Clark, Dodge & Co.; Walter Peterson, Josephthal & Co.; Benjamin Powers, Adams & Peck; John Querni, Edward A. Purcell & Co.; Edward R. Rimmels, Eastman, Dillon & Co.; Frank Saline, Goldman & Co.; Charles Spear, Jacquin, Stanley & Co.; Gerson Werner, L. F. Rothschild & Co.; Edward Wickman, Abbott, Proctor & Paine; John J. Smith, Fahnestock & Co.; George F. Knakel, F. I. duPont & Co.

Cocktails "on the club" will follow the business session, which is scheduled for 4 p.m. at Whyte's Restaurant, 145 Fulton Street. For those who want to carry on the discussions inspired by the free libations, an informal "Dutch Treat" dinner will follow for round-table discussions on those perennial interests — "Favorite Stocks" and "The Averages."

Mel F. Cooke With Central Republic Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Mel F. Cooke has become associated with Central Republic Company, Security Building. He was formerly with Merrill Lynch, Pierce, Fenner & Beane and prior thereto was Manager of the wholesale department for Fusz-Schmelzle & Co.

Public Pension Fund Investment Problems

By RUDOLF SMUTNY*
Senior Partner, Salomon Bros. & Hutzler

New York investment banker gives story of the growth of pension funds following First World War, and the investment problems relating thereto that have developed. Says it appears many public pension fund portfolios are at least one-half percent short of earning their guaranteed rates, and sees need for liberalization of pension fund investment. Discusses basis for security trading by pension funds, and comments on investment in common stocks.

I have had a very keen interest in pension planning for many years. Unfortunately, our investment banking industry does not readily lend itself to pension planning. Nevertheless, we at Salomon Bros. & Hutzler took our first steps in that direction 12 years ago. Last year, after a great deal of study, we launched a new program which I hope will ultimately allow us to achieve our pension goal. One of the major obstacles we have yet to overcome is to be able to include my partners and myself in our plan. However, I didn't come here to foist the problems of our industry upon you, but to try to be helpful to you. Perhaps a brief glance at some relatively recent economic history will help to set the scene.


Rudolf Smutny

Story

In the years following the First World War, a movement got underway which the economists called the "institutionalization of savings." By that, they meant merely that people all over the country were trying, as never before, to plan for the future, for a rainy day, for their old age. The means they were using to achieve their end, however, was taking on a new form. Instead of individuals doing their own investing in stocks, bonds, and so on, they were turning over their savings to savings institutions to invest for them. These institutions, savings banks, insurance companies, mutual funds, etc., were pooling the individual savings of thousands upon thousands of men and women and putting them to work in the investment markets.

The depression era hardly slowed this trend. In fact, it probably intensified it. For example, I believe this quest for old age security was directly responsible for the enactment of the Federal Social Security Act. Job seekers began to pay almost as much attention to pension rights as to salaries. In the years following World War II, the emergence of pension funds as a major factor in the securities markets bears eloquent witness to the continuing strength of this trend toward institutionalizing savings. Wage and salary earners and their families want security. They do not want poorhouses in their declining years — they want pensions, and—they are getting them.

Since the end of the war, the size of the pension reserves piling up from sources both public and private has been as impressive as their extraordinarily rapid rate of growth. From the long-range point of view, these funds to meet future claims for retirement income have just about gotten under way. And, since the typical fund usually takes about 30 to 40 years to reach its maximum size, the swift expansion of these reserves seems likely to continue for quite awhile. The importance of their effect on the capital market is, therefore, more apt to increase still further in the next few years, rather than to diminish.

Effect of Growth of Funds on Long-Range Investment

How the very rapid rate of growth of these funds will affect the demand-supply ratio of long-term investments remains to be seen. Over the years, business expansion and replacement needs will have to be financed, and we may continue to hope that the demand-supply money equation will remain in fairly even balance. Yet, we must concede that those economists who believe that the supply of funds seeking investment will, in the long run, increase faster than the supply of investment opportunities, have some ground for their belief. However, just remember the same sort of predictions were made when the Social Security Act was originally passed back in the 1930's. At that time some economists looked into the crystal ball and came up with the happy thought that the reserves to be created by the Act would quickly grow so large that by the late 1940's they would have bought up the entire outstanding Federal debt. Today, nevertheless, our blue sheet which lists Treasury securities issues and quotations still shows a sizable amount of such bonds available for would-be buyers, and the present state of the Federal budget indicates more bonds will be offered to you in the months ahead. Moreover, you will all recall that just a year ago, anyone who wanted Treasury 3¼s due 1983-78 could have picked up all he desired at a substantial discount. I am proud to say that at that time, when bearish prophets were in the vast majority, we at Salomon Bros. & Hutzler ran advertisements in nationally circulated newspapers unequivocally recommending the purchase of these bonds. Today, as you know, they are no longer selling at a discount, but at a 9-point premium. So much for long-run fears of a decreasing supply of investments.

Size of Pension Fund Reserves

Now for a look at the size of these reserves and the rate at which they are growing. For the sake of perspective, I include both private and public figures. And please bear in mind that the figures are estimated, not actual. Corporate pension reserves now total about $11 billion and are growing at the rate of $1.4 billion annually. Pension plans trusteed with life insurance companies have reserves of about $8 billion and an annual rate of growth of about $1 billion. Reserves of the public pension funds you ladies and gentlemen administer run around $7 to $8 billion, increasing approximately $800 million to $1 billion yearly. The magnitude of these figures gives you some idea of the vast investment responsibility you carry. Investment experience and market know-how, either your own or that at you command, are of the utmost importance. They alone enable you to make the wisest investment choice in any given set of circumstances. That is—to get the most return for the least risk among the available investment media at any given time.

Legal Restrictions on Investment Of Funds

Now let us consider the question of what the public pension fund investment officer is legally permitted to do.

I think you will all agree that the primary concern in the investment of pension fund reserves is, and must always be, safety of principal. Because of the importance of this basic precept, when such funds were first set up years ago, their investments were usually limited by law to obligations of the United States and of the State and local governments which created the funds. At the same time, the beneficiaries of these funds were usually guaranteed a rate of return then regarded as eminently conservative and feasible. The favored rate, and one which still obtains in many cases, seems to have been 4%. As we all know, a yield of 4% on U. S. Treasury and State and local muncipal bonds of high quality is simply no longer obtainable.

The most recently created, or most recently revised funds, either have no guaranteed rates or, if they do, ones which are more in keeping with the yields obtainable on highest grade investments in today's market. Yet, a revision of public pension fund investment practices, as a whole, seems to be needed.

A recent U. S. Treasury tabulation of interest rate requirements and average rates of return on state pension funds, shows that a substantial difference exists between yields guaranteed to beneficiaries and yields obtained from investments. In this tabulation, the average of yields guaranteed was 3.20%. The average of yields obtained was 2.66%. Moreover, this latter figure was padded by the inclusion of yield results from funds pursuing "prudent man" investment practices.

From this tabulation, it would appear that many public pension fund portfolios fall at least one-half of 1% short of earning their guaranteed rates. Under the circumstances, the missing yield must be obtained from tax revenues. Considering the heavy tax burdens all of us now bear, this poses a serious problem. If our only choice were to continue to confine pension fund investments to United States and State and local government obligations, the need to make up this one-half of 1% deficiency out of tax revenue would be regrettable but necessary.

However, there is an alternative with which many of you have already become familiar. I refer, of course to the liberalization of pension fund investment rules and to the rapid postwar spread of "prudent man" investment legislation.

"Prudent Man" Principle

Some public pension funds already operate on a fairly liberal basis but the widespread adoption of "prudent man" investment laws for savings banks and other fiduciaries such as public pension funds is relatively new. However, "prudent man" investment practices are neither new nor novel. They have been used by life insurance companies for a long, long time. They have undergone the acid test of both fair economic weather and foul. They've proved they work.

Accordingly, the adoption of more liberal investment policies can be a real boon to the pension fund investment officer. They broaden the field of investment choice and build up portfolio yield. They demand, of course, experienced, competent, and continuous portfolio supervision. But the results they produce certainly justify the effort they require. For example, this State of California in which we are now meeting has, I believe, no guaranteed rate of return to beneficiaries and, operating under "prudent man" rules, averages about 2.90% return on its pension funds. The State of Wisconsin, using similar rules, averages a return of almost 3¼%. Wisconsin achieves this eminently satisfactory result by using equity as well as fixed income securities in its portfolios.

Just three weeks ago, the New York City Controller, Mr. Lawrence Gerosa, sought and obtained the authority to use more liberal investment practices in the management of certain city pension funds. The application of "prudent man" investment principles does pay off in the form of higher returns on invested funds. I sincerely believe that those of you who are still not permitted to manage your portfolios on the "prudent man" basis can take no more an important step than to press for its early adoption.

I realize that other solutions to this problem have been advanced, but such make-shifts as the proposal to have the Federal Government issue special bonds direct to State and local government pension funds in amounts and yields sufficient to satisfy their needs are certainly no answer. They would merely shift the burden, and in a manner not at all beneficial to the continued good health of our State and local governmental units. In my opinion, you do not need a crutch to lean on.

Lest pension fund administrators feel uneasy about undertaking the responsibilities of "prudent man" portfolio management, I should like to point out that there is a wealth of experience and guidance available for their use. Investment counsel can be hired. Examples of the portfolio makeup of the life insurance companies operating in their states can be had for the asking. The services of trained investment analysts in the banks which are their depositaries can be had either free of charge or at nominal cost, as can those of the investment banking firms ready to render service in pursuit of business. At Salomon Bros., for example, we are engaged almost daily in working out some phase of an investment problem with the managers of one or another of the public pension funds with which we do business.

Actually, it is no trick at all to get the aid you need. In our office, as in your depositary banks, economic, industrial and individual security analysis is a daily routine. In addition, as primary dealers, underwriters, and traders in institutional securities, we have over 40 years of trading techniques to place at the disposal of our clients.

At this point, many of you are probably asking yourselves—how can we get an unbiased opinion about a bond, a market, or a price from a broker who has a stake in making a trade?

My answer is: Salomon Bros. was founded in 1910, on this premise — to make the largest markets possible in the greatest number of high-quality investment securities at the narrowest possible spreads. We believe profits will take care of themselves. In the past 44 years, through many crises, we've demonstrated that this premise works. Part of its application consists of giving the best information and advice we can to our clients. Every member of our organization is thoroughly aware that today's "fast buck" can be tomorrow's headache, and that no trade is worth a hoot unless it fits the requirements of the institution or pension fund with which it is made.

Now let us consider certain distinct portfolio advantages which automatically accrue to the pension fund investment officer. For one thing, liquidity is not a problem. Because a steady inflow of money is typical of pension funds, liquidity is always there when needed. Therefore, the investment officer need pay little attention to the short-term market. For another, portfolio patterns are flexible. The steady inflow of funds permits easy rearrangement of portfolio patterns regardless of market conditions. New ratios can be achieved merely by directing new money into the desired channels. And lastly, if investment quality is maintained and portfolio yields equal actuarial requirements, pension fund managers need pay little attention to the relation between market value and book value.

Trading by Pension Funds

At this point, I should like to interject a comment on trading. As I see it, there are two sound bases for trading by a pension fund. One is to make a switch out of one security into another for the purpose of up-grading your investment. The other is to take advantage of a favorable market by selling out holdings, originally long-term but which now, because of the passage of time, are due to mature in the next few years, and reinvesting the proceeds in long-term maturities.

Aside from such up-grading and refunding operations, I can see no reason whatsoever for trading by pension fund managers. To indulge in trading for the sake of scalping a market profit only lays the fund open to needless market risks.

This raises another question: Should the portfolio manager deliberately stay out of a market just because he feels it may slide off a point? I don't think so. I've been trading bonds for 30-odd years, and, I assure you, markets can be slippery things to handle. If the yields available meet your requirements, I think you would be well advised to put your funds to work and not try to out-guess the market.

Now, let's take a look at the basic material which goes into the construction of a pension fund portfolio. To try to make this discussion as graphic as possible, all of you have received, or should have received, a set of Salomon Bros. & Hutzler's daily quotation and offering sheets, of which we send out approximately 7,000 daily. These sheets, as you will see, give a pretty comprehensive coverage of the entire field of institutional investments. They show quotations, offerings, yields, and other pertinent data, on all publicly traded U. S. Treasury and Governmental Agency securities, on selected State and local municipal obligations, and on various types of actively traded corporate bonds and preferred stocks.

First, we'll take up the U. S. Governments shown on this blue sheet. These blue sheets, incidentally, have quite a history. They've been coming out in their present form for more than a quarter of a century. Several years ago, we decided to streamline them. However, the first day they appeared in their new guise, we got a "hurry-up call" from some banks asking us to go back to the old form. It seems that their statistical records had been geared to the old form for years and would have had to be entirely recast had we changed. Naturally, we couldn't ignore this appeal. So, if any of you ladies and gentlemen don't like our blue sheet setup, all I can say is, "We're stuck with it!"

As we all know, U. S. obliga-

Continued on page 32

*An address by Mr. Smutny before the Annual Conference of the Municipal Finance Officers Association, San Francisco, Cal., May 25, 1954.

How Much Should I Allocate to Advertising?

By HAROLD W. LEWIS*
Vice-President, First National Bank, Chicago, Ill.
Treasurer, Financial Public Relations Association

Mr. Lewis outlines basic problems in allocation by banks of advertising outlays. Lists a number of guiding rules and lays down as conditions affecting advertising expenses: (1) your competition; (2) how management regards value of advertising expense; (3) the proper classification of advertising expense; (4) the condition of general business, and (5) an adequate budget for a successful advertising job.

The advertising appropriation is one of advertising's basic problems—the foundation upon which all advertising is built. An advertising appropriation spread too thin is often worse than no appropriation at all. Likewise a successful advertising campaign is terminated too soon for lack of adequate appropriation. Conversely a large appropriation can be mishandled and a poor advertising program presented. A man with a small appropriation may do a better job because he has to give more thought and attention to his problem, whereas a man with a large appropriation may think of quantity rather than quality. If you hope to find the dollar and cents answer to how much to set up in your advertising appropriation you are doomed to disappointment because neither I nor anyone else can tell you exactly what you can do. I can point out to you some of the methods used to arrive at a decision on the size of the advertising appropriation. Here are the more important procedures with a brief explanation.


Harold W. Lewis

(1) **The Advertiser's Past Experience:** This is the procedure most generally followed by banks. And since human nature is what it is, in 10 years time you will find yourself with quite a large allocation because each year's expenditure will exceed the previous year.

(2) **Percentage of Past Year's Earnings:** This system has been recommended by bankers for the use of their corporate customers, the theory being that it holds advertising down in a recession period when company expenditures must be reduced and carefully watched. This may result in erroneous thinking because more, not less, advertising probably should be the rule when times are tough. This method serves to deny the dynamic concept of markets and the fact that advertising creates sales.

(3) **The Advertiser's Task:** The technique employed in following this method is (a) to define the task. The advertiser's task will be a sales task, broader than and including advertising; (b) to outline advertising's role in the accomplishment of the task. The seller must designate what promotional effort will be used to attain the goal. Boiled down, it's the amount and type of advertising needed to fulfill the seller's need; (c) to price the cost of what was determined in section (b). The choosing of several different types of advertising campaigns, all of which appear able to accomplish the purpose successfully.

(4) **Using Last Year's Actual Expenditures and Then Providing a Flexible Reserve for Advertising:** Companies having experience over a period of years in extensive advertising have come to the conclusion in recent years that the advertising appropriation for the particular year in question should have flexibility. By flexibility we mean following the practice of setting aside an appropriation plus an additional reserve appropriation to take care of any contingencies that may arise during the year. For example, your bank might be faced with competition in the form of an additional bank or a new financial institution and you might decide to step up your advertising program at the time they open for business. If you have a fixed appropriation either you must ignore this new competition threat or cancel a portion of your predetermined program in order to have adequate funds.

As part of this viewpoint on the flexibility appropriation it is wise to review your advertising program at least once every three months, and probably more often if you can find the time. There may be some portions of your ads you feel are not doing as effective a job as you would like and others that are receiving more attention than you anticipated. Needless to say it would be foolish to continue along the less desirable lines and a review having established this fact will permit your switching to more effective presentations.

(5) **Regarding a Portion of Advertising as a Capital Investment:** A bank's reputation or good-will is often a matter of real dollars and cents value and if so, then advertising has a dual character. It is both an expense and an investment. Expense advertising is aimed at producing immediate sales while investment advertising creates a capital asset, theoretically increases its value each year and seeks to maintain it at a reasonable evaluation. This line (of reasoning) might get you a bigger allocation.

(6) **The Recommendation of Your Advertising Agency:** I have never met an account executive from an advertising agency who lacked enthusiasm nor imagination and it is well this is so. They are uniformly nice gents and you get to be quite fond of them. While it is good to be on excellent terms with the men from your agency, at the same time it is advisable to keep your hands on your money pockets while they are talking to you. Seriously, most agencies will render as unbiased an opinion in the matter of advertising expenditures as they can and their recommendation should be carefully considered because of their experience.

(7) **Minimum Job Concept:** The advertising appropriation should be adequate to reach the goal set. The goal should not be set so high that available advertising funds cannot attain it. While this seems to be a simple statement, the truth of the matter is that adverising appropriations are often determined without any regard as to whether or not they are adequate to reach the goal desired by management. In other words, there must be a proper relationship between the task and the funds.

If, for example, you decide your small loan department is not moving along as rapidly as you would like, then certainly your advertising appropriation should make due allowance for adequate funds to be spent promoting this department yet, at the same time, you cannot neglect the other services that your bank provides. To do so would be fatal, as the most important thing in advertising is continuity of advertising and continuity of advertising the services your bank offers. It is this continuity which eventually centers the reader's attention on the particular services provided by your bank in which he is interested.

(8) **Your Competition:** Watch the other banks and other financial institutions in your community to see what they are doing in the way of advertising. Try to find out or estimate how much they are spending and also how effective are their ads. Blind imitation of your competitors should be avoided. Common or average published advertising expenditures include all banks, big or little, whose interest, communities and other problem may differ widely from yours. Even where institutions are of comparable size it does not follow each should spend the same amount on advertising.

Some factors which influence the advertising allocation:

(1) **How Your Management Regards the Value of Advertising:** Some executives think of it as an expensive and totally unnecessary luxury. They are inclined to go in for a little advertising only if earnings are good and future prospects appear bright. Such executives will be completely arbitrary in setting aside an appropriation. Others see advertising in its true light, as a producer of sales for bank services.

(2) **By a Proper Classification of Advertising Expense:** There is a strong tendency to toss into advertising expense accounts items which bear no relationship to it at all. One of the most common statements you hear around a bank is "charge that to advertising." In too many banks this phrase is used to fritter away many dollars which might well be spent on constructive advertising because it has become the practice to abuse the advertising appropriation. This is partially due to the fact that in recent years public relations work has grown in importance and is properly aligned with the advertising effort. In many instances the same man handles advertising and public relations and he may not himself, clearly delineate the difference between advertising and public relations. It is unfair to the advertising appropriation though to let anything get into it that does not rightfully belong there.

Some of the things on the black list which should not be included in your advertising appropriation are picnic programs, charitable, religious and fraternal donations, stationery other than that used in the department, house organs, memberships in various organizations, entertainment of customers, annual reports, etc. There are also some border-line cases which may or may not rightfully be included in your appropriation, such as memberships in various organizations devoted to advertising, premiums, surveys, and research and market investigations. In the case of border-line charges quite often the justification for the charge depends on the method used in carrying on a certain activity.

(3) **Adverse Turn in Business:** This point can be argued from both sides of the fence—advertising has little value because people haven't the money to spend, or conversely, the only way we can keep up our volume is by constant advertising to attract what business is available to our institution. Perhaps a middle of the road policy should govern us in such a situation.

(4) **Your Budget Must be Adequate and Sufficient for the Accomplishment of a Successful Job:** Strive for quality and not quantity when faced with a small allocation.

(5) **Have Your Advertising Program Tailored to Your Bank's Needs and Cost Predetermined to the Extent Possible:** How well you have this done will often influence the size of the allocation.

(6) **Be Prepared to Present Performance Records of Past Year's Advertisement, If You Have Such a Record:** Unfortunately it is usually difficult to have definite data in this respect.

(7) **Determine If You Can, the Market Potential For Your Bank:** This will require a survey by a competent firm, something banks have been reluctant to accept as a necessity although it is common practice in other lines of industry.

As I cautioned you in my opening remarks, I have not come up with any figures as to what your own particular allocation for advertising should be but I think, having in mind the several points outlined previously, you will readily understand the impossibility of doing this. I do think that most of us can create a more intelligent and satisfactory approach to our advertising problem if we will sit down and carefully evaluate those services we wish to push through advertising in the coming year. Taking the small loan department as an example, we should decide how many times we wish to feature it in the newspapers and after the size of the ad is determined we should then know definitely what our costs are going to be by merely applying the proper line rate. We could then proceed in the same way to deal with all the other services of the bank which you feel should be advertised, such as safe deposit boxes, savings department, commercial loans, special checks, etc. Having come up with the answer to this you would then set aside an additional amount as a reserve fund in order to make your budget flexible. I think then you would have a pretty good solution to your advertising appropriation problem.

*An address by Mr. Lewis before the Annual Convention of the Pennsylvania Bankers Association, Atlantic City, N. J., May 25, 1954.

Thomas J. Reilly With New York Hanseatic


Thomas J. Reilly

Thomas J. Reilly has become associated with New York Hanseatic Corporation, 120 Broadway, New York City. Mr. Reilly who has been in the investment business for over 20 years, specializing in public utility securities, was formerly with Eastern Securities, Inc.

Is New York Declining As a Banking Center?

By WILLIAM A. LYON*
Superintendent of Banks, State of New York

Supt. Lyon discusses shifts in percentage of nation's bank deposits held in New York, and concludes there is no sign that New York is experiencing any real diminution in its importance as the money and banking center of the nation or of the world. Sees no likelihood of a rival money center, and points out reasons why the large banks are laggards in earning power. Holds New York City banks have high relative adequacy of capitalization and liquidity, and are strategically situated in our banking structure.

If you look at deposit figures, you will see that our New York City banks now have a smaller percentage of the bank deposits of the country than they had 14 years ago. Corporation treasurers are hearing a lot of reasons why they should switch from New York depositaries to banks in other centers. Trend detectors are getting on the job. Our strength is said to be ebbing. Out country new businessmen of competing banks, from what one hears, hope that any ailment New York may have is not trivial.

Wm. A. Lyon

In my view these dolorous reports about New York banking's condition and prospects are, as Mark Twain said of rumors about his death, greatly exaggerated. It is plain for all to see that New York banking is the repository of a relatively smaller amount of the country's commercial bank deposits than it was before Pearl Harbor. New York City's commercial banks now have 15% of all the commercial bank deposits of the nation. That is a sizable figure, but instead of evoking pride it has called forth a measure of concern among our own bankers in the last few years. Substantial though our deposit percentage now is, the 1940 figure was still higher—27%. And so we look back longingly to yesterday's glories; we wonder apprehensively whether our laurels are really fading.

Is it as bad as all that? I don't think so. Let us give the picture a little more breadth and depth. When our percentage of the country's commercial bank deposits was at 27% in 1940, it was higher than it had been for a generation. When you come right down to it, the 1940 percentage had more abnormalities in it than that for 1954. Go back to the beginning of this century and fit New York's banking's performance into the half-century picture and you will find a wiggly trend line that swings now above the 20% level and now below it. Only once before, and that briefly, did the percentage rise as high as it did in 1940. If you throw out the two sets of war and postwar years you will see that New York's share of the nation's commercial bank deposits tends to be under 20% rather than above it.

Let us go back to the turn of the century. After sloping off gradually for the first decade from a level of just under 27% to one of a little below 18%, New York City's deposit percentage shot up suddenly just before and just after the outbreak of World War I. The earlier decline was entirely cancelled out. Funds accumulated in large quantities in New York City banks as Europeans sold dollar securities here and the belligerents floated large dollar loans in this market. The shifting of member bank reserves into the Federal Reserve Banks upon the system's founding, combined with purchases of war goods by the European Allies and by the United States Government, brought about a steady slide in New York City's percentage of all commercial bank deposits from the 1915 peak until a bottom of 16% was reached in 1920.

We all look on the 1920s as enormously prosperous times—for those days. New York City's banking succeeded to world leadership. Funds were drawn here from all around the country, and indeed, from all around the world, for trade reasons and also to take part in the tremendous boom in the stock market. For all the magnet that New York was for funds, our share of all United States commercial bank deposits, be it noted, stayed rather close to 16½%. That level is a far cry from the 1940 figure of 27%.

After the crackup in the stock market the New York City percentage began a rise that lasted all through the 1930s and amounted to 10 percentage points in all. From that wartime peak a drop set in that extended all through the 1940s. New York banking's experience during and after World War II has an almost exact precedent in the years during and after World War I. As we try to estimate the significance of events in the years since 1940 it is wise to keep this historical perspective in mind.

Reason for the Shifting Tides

The forces that underlie these shifting tides in New York City bank's deposits can be isolated and identified. We should begin, I think, with an appreciation of the fact that New York City is both a heavy importer and a heavy exporter of funds—of bank deposits, if you will—but seldom do the exports and imports balance off at any one time. These generalizations appear warranted: when industry and business are slack or disturbed, funds have a habit of piling up in New York City. In periods of active business, when the money supply is rising all over the country, funds flow out of New York City's commercial banks as fast or faster than they flow in. To a larger degree than anywhere else in the country, New York City banks' customers are national and international enterprises. Funds borrowed here are to a large extent spent elsewhere. It is almost inevitable that increased commercial lending by New York banks goes to swell bank deposits more in other parts of the country than here.

Let the demand for commercial loans die away, however, and a decline in business make for deposit stagnation, then you will find balances accumulating in New York without an outlet. A large portion of the idle and unemployable funds at the disposal of banks in other parts of the country was sent to New York in the 1930s because the banks in the interior had nothing to do with them at home. That is the magnetizing influence which a money market always exerts. What our banks here mainly have to fear is not a dispersal of funds throughout the country in times of booming business but the springing up of one or more important money markets elsewhere in the country. That does not appear to be in prospect. Greater decentralization of industry and marked growth in banks in other parts of the country do not in themselves give rise to rival money markets.

The Inflow of Capital from Europe

Let me add another important fact about 1940, the peak year in New York City's deposit concentration. It followed several years of inflow of flight capital from Europe. With dictators' bombast and threats of war filling the European air, great quantities of liquid funds in Europe took refuge in New York banks. The flow of capital is not running as strongly from Europe these days, but the normal, the long-range attractiveness of New York to foreign funds seems undiminished.

Certainly there is no falling off in the foreign bank representation in our market or in the funds these agencies have in their custody. I wonder if you realize that there are 31 foreign banking agencies in this city under the Banking Department's supervision. These agencies have about $1,200,000,000 of resources, of which five-sixths are assets in New York State. They do not publish call reports, their condition statements are usually not spread around and their figures are not included in New York City's banking totals.

We have also a number of investment companies, some of which are engaged in activities closely related to banking. Catering to the public's savings is less exclusively a commercial banking function in this city than in some others. New York has a more highly developed mutual savings system than most cities have. Indeed, our banking structure is designed along functional lines to an unusal degree. In measuring New York's role in the banking scene for the whole country we must keep the sum of all these various activities before us. They give us a better overall showing today.

No Real Diminution of New York Deposits

I may sum up this discussion of deposits by saying that I see no signs that New York is experiencing any real diminution in its importance as the money and banking center of the nation and the world. It is true that our commercial banks in New York City have not shown a growth as vigorous as their opposite numbers in other parts of the country since 1940. But I have tried to show that 1940 was an abnormal year which marked the culmination of a trend that began with and marked the great depression; that New York commercial banking's current share of the nation's deposits is almost exactly equal to that of the roaring '20s, and that the drop in the percentage in the last several years is an inescapable accompaniment of the enormous expansion in business and the huge demand for credit.

The Earnings of New York Banks

When I say that the alarms are unfounded, I do not mean that there are no problems anywhere around and that New York banking can indulge itself in a dash of the luxury of complacency. We should direct our concern and study, I should say, less toward the amount of business the New York banks are doing and will do than toward their relative earning power. This brings me to my second major theme. In spite of all the careers in demagogy that have been based on denouncing our New York banks, the fact is that for some years now they have not had earnings up to the standard of banking generally, and they have fallen short by an even wider margin of earning the return on capital that industry has shown.

The persistent discount under book value at which most of our banks' stocks sell reflects this unsatisfactory situation. The discount is troublesome when it comes to raising new capital, a step which most of them have to take at one time or another. Banking strength resides as much in a good capital position as it does in asset quality. I am sorry to say that this matter of relatively low earnings and its reflection in the value of bank capital in the market is not a new development. We can trace it back for almost 20 years.

Our large banks are laggards in earning power for various reasons. For one thing, they are more strongly capitalized than most banks are and thus the earnings dollar has farther to go around. For another thing, they deliberately sacrifice some earnings for the sake of higher asset quality and liquidity. Beyond those things, however, the earning power of our banks is held back because of burdens laid on them in other years on the assumption that their profits were good both absolutely and relatively and their ability to shoulder a public responsibility almost unlimited.

Before I go any further in this direction I should like to sketch out the effect on earnings of the New York banks' capital and asset quality positions.

To begin with, New York City's banks had at the year end a ratio of capital to assets of 8.29%, against one of 6.63% for all banks. Our banks here had net current operating income of 13.8% of capital accounts, against 17.8% for all banks. Net profits here were at the rate of 6.3% of invested capital, against 9.0% for all banks. The lower earning power of the bank capital dollar in New York City stands out.

I want to show you that the difference in capital ratios between New York City banks and all banks does not explain all of the difference in earning power. I have subtracted enough capital from the New York City banks' total to put their ratio on a parity with that of all banks. This brings their rate of net profits up from 6.3% to 7.9%. The new and higher earning rate is still well below that of 9.0% for all banks. The remainder of the earnings gap reflects the New York banks' policy of deliberately sacrificing earnings in the interest of keeping asset quality high.

Situations of New York City Banks

Thus we have here in this city a group of big banks that is deserving of high marks for relative adequacy of capitalization and soundness and liquidity of assets. They are strategically situated in our banking structure; they are iniquely responsible; we expect them to be both exemplars of good banking practice and bearers of a full share of the cost of keeping the heart of our banking sound. I wonder, though, whether we have overdone it a bit in piling the burdens on the strong and rather long suffering backs.

In this connection I want to raise three questions. The first question I should like to offer as deserving study is the level of reserves required of central reserve city banks, that is to say, the big New York City and Chicago banks. Why, you might ask, is that level so much higher than elsewhere? A complete answer would take us far back into banking history, long before there was and Federal Reserve system, to a time when New York and Chicago banks kept the bulk of the cash reserves of institutions in other centers small and large. You can readily see that the liquidity of the entire banking system in those days depended on the ready availability of these interbank deposits, and you can understand that the lessons of those times, learned through panics and crises, became a banking tradition. To this day the idea that required reserves should be the highest against banks holding a large part of other banks' liquid funds can be found among the cardinal articles of the central banking faith.

Changes in Our Banking Notions

Yet it is equally plain that today our notions about what constitutes the ultimate liquidity of our banking system have radically changed. Look at the vast discretionary powers given to the Federal Reserve to make bank assets liquid in times of crisis. Our supply of notes and currency is no longer rigid as it used to be in the old days. Still, in spite of all these reforms, one of the changes we have failed to make has been in the pattern of reserve requirements. What used to be sound common sense has become with the passage of time discrimination which falls most heavily on our large banks. The survival of this regional discrimination is quite irrelevant to the basic purpose of required reserves today, which is to control the money supply. All that discrimination does is to lock up assets that our banks could put to far better use in improving their income position.

It would be harsh and unfair to put all the blame on the Federal Reserve. For 15 out of the 18 years since the Banking Act of 1935 we have witnessed inflation when major changes in reserve requirements would have added fuel to the fire. But now that a leveling out period seems ahead of us the time may be ripe for a new look at reserve requirements. If this should bring about a removal of the inequities that exist against banks in New York City, a redress will be made which is long overdue.

The second and third questions that I should like to raise concern policies and assumptions that are tied in with deposit insurance. Any debate over the wisdom of continuing deposit insurance has long since ended. It has given our banking system the full measure of public confidence that is so vital to the achieving and maintaining of economic stability at or very near full employment. There is no turning back of that particular clock.

My only questions have to do with the way the cost of deposit insurance is being borne. It seems to me that the burden is disproportionately heavy on the New York City banks particularly, and all big banks to some degree. Our banks here pay a heavy share of the freight for deposit insurance. They do this in more than one way. In the first place, our big banks here retained the public's confidence right up to and through the banking holiday and they still have it. If any banks could do without deposit insurance, it is our big banks here. They are better capitalized than most and they are conservatively operated, as we have noted. The insurance of any part of any deposit in banks which do not enjoy so large a degree of public confidence can only cut in to some extent on our big banks' business. Deposit insurance has undoubtedly led a good many big corporations to leave funds on deposit with many a small bank that would otherwise have been shifted to our big banks.

Where the weight of deposit insurance has fallen hardest on our big banks, though, is the system of extending the assessment to those parts of deposit balances that are not covered by the insurance. Remember, anything above $10,000 in a balance is unprotected by the FDIC. In order to get deposit insurance started 20 years ago it was, no doubt, the

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*An address by Supt. Lyon before the Dinner Meeting of the Metropolitan Group of the Association of Bank Women, New York City, May 13, 1954.

Monetary Policy's New Look

By E. SHERMAN ADAMS*

Deputy Manager in Charge of Dept. of Monetary Policy
American Bankers Association

Mr. Adams recounts monetary developments since the Federal Reserve-Treasury Accord, during which time there were alternate policies, the first aimed at restricting credit expansion, and a later policy aimed at easy money conditions. Discusses question whether monetary policy is doomed and will never again be used to combat inflation. Concludes, despite the independence of the Federal Reserve, monetary policy cannot be an isolated operation, since it has become the direct concern of the broad economic program of the government. Warns easing of money rates should not be overdone.

Since 1950, monetary policy has been acquiring a new look. Events have already demonstrated that this remodelment has far-reaching implications for banking and for our whole economy. It is important for bankers to appraise carefully the emergent new role of monetary management.

Dr. E. S. Adams

Varying interpretations vie for acceptance. Some hail the renascence of monetary policy as the dawn of a new era of economic stability. Others say that monetary policy has shot its last bolt. Some profess to see a conspiracy to ruin the country with "hard money." In between are views of varied hues—the official Federal Reserve pronouncements, the Republican "party line," those who feel that the monetary policy has been too timid, and those who feel it has been too bold. Clearly, it is still a free country.

One would be rash indeed to try to delineate exact truth in this field. Nevertheless, we can at least avoid unbalanced views. We should also be able to distinguish areas of general agreement and reach certain conclusions regarding some of the points at issue.

The Accord and After

From the outbreak of the Korean War until the spring of 1953, the Federal Reserve sought to prevent excessive credit expansion in order to combat the threat of inflation. What conclusions can be drawn regarding this period?

It is generally agreed that at least through 1952, Federal Reserve policy was well conceived and well executed. The Federal Reserve-Treasury accord of 1951 was surely a landmark in monetary history. The abandonment of the par pegs for government bonds paved the way for the rehabilitation of monetary policy as an economic stabilizer.

During 1950-52, credit tightened moderately and interest rates were generally firm. Official support in the government securities market was greatly reduced. Member banks were forced to borrow rather heavily from the Reserve Banks to obtain the additional reserves they required.

There is widespread agreement that during this period, monetary management made an important contribution to the stability of our economy. It goes without saying that it was not the only stabilizing factor, but it was one of them. Many would go so far as to say that stability would probably not have been attained during this period if the support-at-par program had not been abandoned.

The Credit Squeeze

The story since 1952 is less unanimous. There is considerable agreement, nevertheless, on a number of major points.

One of these is that economic conditions early in 1953 justified some stepping up of the Federal's restrictive credit policy. Our economy was booming and getting boomier. Business inventories were increasing at an unsustainable rate. Demands for credit were abnormal. A policy of greater restraint appeared to be warranted.

It is generally conceded that for a short time last spring credit did get too tight. The Federal Reserve has explained this partly in terms of underestimating the expectations of investors. What happened was that some investors and borrowers got the impression that the Federal Reserve and the Treasury might follow really get-tough credit and debt management policies. Fear of a financial crisis created a temporary credit squeeze.

It should be noted that this squeeze never came even close to being an old-fashioned panic. It consisted largely of a temporarily demoralized bond market. The general public was unaffected. There were no bank runs, no hoarding, no financial failures, no spiral of credit liquidation. On the contrary, the credit mechanism continued to process a record volume of loans and investments, and the nation's 15,000 banks continued to serve the credit requirements of their customers very much as usual.

Effects of Credit Restraint

Was the net effect of the credit restraint program of early 1953 beneficial or harmful to the economy?

Opinions naturally differ as to precisely what effects this program had. There is considerable agreement, nevertheless, that it probably helped to moderate the boom and thereby contributed to the long-run stability of the economy. If the boom had gone further, the inevitable readjustment would probably have been more severe.

Federal Reserve officials have had the commendable candor to admit that for a time last spring credit became tighter than they intended. Unfortunately, some people have the impression that this was a serious blunder. There is no evidence that this short-lived stringency had any lasting ill effects. In fact, a case could easily be made that this kind of "shock treatment," even though unintended, was just the right prescription to prevent another wave of inflation.

Indeed, it seems clear that monetary policy served as more than simply a deterrent to renewed inflation. The evidence suggests that it actually caused some shifting of capital investment from 1953 into 1954. This was particularly apparent in the case of housing and industrial construction. Monetary policy thereby helped not only to temper the boom but also to cushion the readjustment.

From an economic standpoint, therefore, the restraint program appears to have been, on balance, definitely a success.

The "Hard Money" Charge

There is a different standpoint, however, from which some believe that this program may have been unfortunate. The tightening of credit in 1953 was sufficiently spectacular to encourage some opponents of the Administration to try to make "hard money" a major political issue. The monetary authorities were accused of raising interest rates and making money scarce in order to serve the interests of bankers and other lenders.

Ridiculous as these charges seem to bankers, they are widely regarded as being politically effective. In fact, they are still being made in spite of the fact that interest rates have been declining precipitously for almost a year.

Some people wonder whether the Federal Reserve and the Treasury may have become overly sensitive to these attacks. It has been suggested that this may partly explain why the Federal Reserve has moved so actively in the direction of easy money and why the Treasury has not undertaken any long-term financing since the issuance of the 3¼'s.

In short, it is argued that the credit restraint program was unfortunate because it led to attacks which may tempt the Federal Reserve and the Administration to lean too far in the opposite direction.

Is Monetary Policy Doomed?

A few observers have gone so far as to say that the Reserve Board and the Administration were forced to abandon their sound money policies in 1953 when it became evident that the political results might be serious. It is even contended that after the experience of last year, no political party will assume the risks involved in permitting interest rates to rise. This would mean that general monetary policy would never again be used to combat inflation.

This viewpoint is surely extreme. If the monetary authorities are defunct, they show no signs of having heard the news. One might perhaps contend that the authorities might have been forced to abandon their sound money policies if the inflation had continued, but that is entirely in the realm of speculation.

Some confusion on this point may arise from the fact that the Federal Reserve did engage in some open market operations as early as May, which was before the boom had passed its peak. Those operations were undertaken, however, because the market was becoming demoralized. They did not constitute a reversal of the policy of preventing excessive credit expansion. It is certainly clear that the easy money policy of the past year has been an exercise in monetary flexibility, not a retreat from it.

The fact of the matter is that the timing of the reversal of monetary policy from restraint to ease was amazingly good. Seldom, if ever, have the monetary authorities acted so promptly to ease credit while business was still so close to the peak. This performance admittedly may have contained some element of luck, but it nevertheless deserves special citation.

As for the future, it seems naively cynical to assume that no efforts will ever again be made to restrain credit expansion. Such an assumption is reminiscent of the premature obituaries of monetary policy that were being bandied about only a few years ago when government bonds were being pegged. Reports of its demise, as of Mark Twain's, proved to be exaggerated.

Need for Understanding

There may be a real danger here, nevertheless, that should not be ignored. It is not a new discovery, to be sure, that sound monetary management requires courage; but perhaps it takes more courage to be courageous today than it used to. The Federal Government has now assumed considerable responsibility for the nation's economic health. As a result, despite the greater degree of "independence" achieved by the Federal Reserve since 1950, monetary policy can no longer be considered as an isolated operation. It has become a matter of direct concern to the government and is now regarded as a component part of its broad economic program.

Moreover, the events of the past year do suggest that political opposition to a program of credit restraint may be more potent than formerly.

These considerations emphasize the need for more widespread understanding and support of monetary management. This is a matter that presents a challenge both to the monetary authorities and also to bankers.

The Advent of Ease

Over the past year, the credit situation has been completely reversed. Stringency has been replaced by ease throughout the entire credit market.

This has been reflected in the spectacular rise in bond prices and decline in interest rates. Long-term government bonds have advanced more than 10 points from their lows of last spring. Yields on 90-day Treasury bills, which approached 2½% a year ago, have been averaging less than 1%.

During most of this period, the Federal Reserve System has actively promoted monetary ease. There is almost universal agreement that this policy has been in the right direction. Monetary flexibility obviously must be a two-way proposition. Policy should flex in the direction of restraint when inflation threatens and in the direction of relaxation when there is some slack in the economy.

The Treasury has followed a somewhat comparable policy with respect to its debt management operations. It has done some lengthening of the bank-held debt but has refrained from offering really long-term securities which might compete with other borrowers for investment money.

Natural or Managed?

To what extent has the decline in interest rates been caused by "natural" supply and demand factors and to what extent by Federal Reserve and Treasury policies? This question is obviously one of considerable practical significance from the standpoint of bankers and other investors.

Some confusion on this point seems to have arisen as a result of the emphasis which the Federal Reserve authorities have placed on the increased freedom that has been achieved in the money market over the past few years. At times, they seem to go a long way in the direction of disavowing responsibility for the level of interest rates. At the same time, they describe their policy as being one of "active ease." Some bankers have difficulty in reconciling these ideas.

Part of the answer may be that the Reserve authorities take pride in having contributed to the much greater degree of freedom that now exists in the money market. As they have repeatedly pointed out, the market today is a far cry from the rigidly pegged market of only a few years ago. This has been a major accomplishment and one for which the Reserve authorities deserve a great deal of credit.

On the other hand, admiration for the virtues of a free money market can be overdone. After all, central banks are instituted among men because modern monetary systems require some degree of management.

Moreover, it is generally recognized that the money market is not and cannot be completely free by any means. This is abundantly clear if one stops to review the extent to which the market has been affected by the actions and the statements of the Federal Reserve and the Treasury over the past year and a half. After all, the Reserve System is the key factor on the supply side of the credit picture; and the Treasury is a major factor on the demand side. Neither agency can possibly avoid influencing money market conditions.

It is obvious, for example, that the Federal's open market operations are bound to affect the reserve positions of the member banks and thereby influence short-term interest rates. It is equally apparent that longer term rates will be affected indirectly.

Investors Carry the Ball

Yet, the money market does today enjoy a notable degree of freedom. The Federal Reserve now operates only in very short-term securities in order to affect prices and yields as little as possible. Its basic approach is to supply a suitable quantity of bank reserves, not to determine the level or pattern of interest rates.

Moreover, while government security yields are admittedly sensitive to changes in the reserve position of the banking system, this relationship is by no means constant and fixed. This is true even in the case of short-term yields. The relationship between bank re-

Continued on page 36

*An address by Mr. Adams before the Richmond Chapter of the American Institute of Banking, Richmond, Va., May 7, 1954.

Our Foreign Economic Policy

By HARRY A. BULLIS*
Chairman of the Board, General Mills, Inc.

Prominent industrialist, commenting on need of a definite economic foreign policy, points out foreign trade is a two-way street, and has not merely a commercial but also a political and military meaning. Gives a quick rundown of where we stand in foreign trade, and outlines President Eisenhower's program, which he supports. Deplores trade and tariff restrictions and urges increasing our exports and foreign investments to match the outflow of our goods. Sees need of enlarging East-West trade and calls for a general return to convertible currency.

This afternoon I'd like to discuss a vitally important international problem—but discuss it in a homespun way. For no matter how many languages are spoken or how many different currencies are involved, despite the conflicting social and bread-earning patterns in other countries and the explosive differences between moral philosophies, the problem of our country's foreign economic program is like those very human family problems that rise every so often to plague us in our own homes.


Harry A. Bullis

What we have to decide in our American family conference is what are we going to do about foreign trade. Ever since the end of World War II, we've been helping the rest of the world in various ways. Now we must answer "yes" or "no" quickly to the question of whether or not we shall continue to carry on in the same way or adopt the new program sponsored by President Eisenhower.

Fundamental Points

To answer that question it might be well for us to recall certain fundamental viewpoints regarding our foreign trade which we are inclined to forget when we come to discuss particular industries or commodities. For example, we all know that trade is a two-sided affair. It helps both the seller and the buyer and generates a cycle. It enables the seller, with the proceeds of his sale, to buy from his foreign customer and thereafter enables his foreign customer to buy in turn from him. Sort of a one hand washing the other affair.

A second fundamental which we should bear in mind is that the importance of foreign trade has a new meaning to us here, not merely a commercial meaning but also a political and military meaning. For example, some of our allies have found it difficult to maintain the military outlays required for their own defense and at the same time keep their economy from collapse. Recognition of this caused us to offer military aid in the fiscal year 1953 of around $4.3 billion. Such aid consisted largely of material made in this country and donated to our foreign friends. I might say here that the donation procedure was very largely replaced with giving orders to our allies for military equipment, this process being called "off-shore procurement," which amounted to about one and a half billion dollars in fiscal 1953.

The third fundamental which we must remember is that with many countries — for example, France, England, Western Germany, and Japan—foreign trade is a necessity for survival. The Russians have taken full stock of this situation and one of their most recent weapons in the cold war has been to dangle before the hungry mouths of England and France about a billion dollars worth of commercial orders. With these thoughts in mind, as well as the fourth and most important point of our own capacity and the necessary strength of our own internal economy, let us see what our program in the past has been.

Where We Stand

Here's a quick rundown of what we have been doing and the problems we face:

(1) We have spent about five billion of the taxpayers' dollars a year for the past seven years on loans to Britain, France and other countries, Mutual Assistance and other shots in the arm to foreign economies on our side of the ideological fence. These dollars have also served to a degree to finance our own exports.

(2) "Terms of trade" have favored foreign countries. "Terms of trade" refers to the average price of our exports compared to the average price of our imports. The price of goods we make here and export has not increased as much as the price of goods our economic cousins in other parts of the world sell us.

(3) The high water mark of American tariffs was in 1930, when the average rate we slapped on imports was 48%. But since then we have been reducing our tariffs. Our average tariff rate was down to about 13% in 1952.

Our bilateral trade agreements should get credit, too, for many tariff reductions that helped our former allies struggle to their economic feet again.

And, specific tariffs have helped, too. These specific tariffs were levied at a rate on each physical unit, for example, so many cents a pound. The increase in the price of the commodity has, under the specific tariff, resulted in a lower weight of fixed tariff in relation to price. For instance, a rate of 25c a pound on wool is 25% when wool is a dollar a pound, but it is only 12½% when wool is $2 a pound.

This raises the point whether we should maintain this lower tariff scale and reduce it still further in order to help our allies become self-supporting and take the heat off our savings accounts.

(4) For some time now, Americans have been making private foreign investments to the tune of about a billion dollars a year, confined largely to Canada and in the case of petroleum facilities to a few other countries. Although this capital was ventured in the hope of profit for themselves, it certainly gave a boost to foreign industry. Here we may ask, shall the United States Government continue to encourage our businessmen to increase their profit and at the same time give blood transfusions to the economies of our allies by these investments?

Private foreign investment must of necessity be considered from a profit viewpoint rather than from an altruistic one. A Board of Directors will only authorize the construction of a plant abroad if it can see earnings flowing after a period of time and if it considers that the climate in the foreign country for its investment will be reasonably favorable. This means that the American investor should have a chance of getting his earnings out, of not having his plant taken from him by expropriation or nationalization, and that both the native and American employees will be able to work under reasonably stable conditions. It should not be forgotten that part of the great power of trading nations such as England and Holland arose from the ability to recognize opportunities abroad and the willingness to take chances in foreign lands with their savings.

(5) The fifth way the United States has helped our war-shattered relatives is through economic assistance under the Point Four program. We haven't spent very much money on this kind of assistance. And it hasn't been too easy. Like many relatives most of us have known, foreign countries can get quite ornery when you try to show them how to improve their production methods and how to extend their social welfare activities, even though they have begged for help. Nevertheless, technical assistance is planting ideas that will result in more fruitful years to come.

All these questions of foreign trade touch human lives all over the so-called civilized world today—and will tomorrow and for years of tomorrows.

The are really not much different in human values from those irksome but serious questions most solvent families have to face up to—such as what to do with a selfwilled child, how to stabilize a debt-ridden son-in-law or what answer to give to still another touch from cousins who seem to have more children than business sense, or even how to make Aunt Marianne realize that that big brute she is making eyes at is just a liar and a cheat.

No responsible members of a family when faced with such problems would just shrug them off—not unless they decided to let the rest of the family go hang. Nor can we businessmen, stable members of the American branch of the international family, adopt a do-nothing attitude toward the violently urgent problems of foreign trade—not unless we, in the face of Russian threats, decide to let the rest of our capitalistic world go hang.

The President's Program

President Eisenhower is convinced that his foreign economic program is vital to the economic health of the Anti-Red family of nations. He says our national interest in the field of foreign economic policy is clear.

Its purpose is to get as much trade as possible and the most efficient use of capital and resources that squares with our own national security and is also profitable and fair for everyone.

Let's take a quick run over the main points of the President's well-balanced program. But remember this point—he insists that all parts should be accepted because if we junk any one part, the whole program would be weakened. He is very definite on that point.

(1) The Reciprocal Trade Agreements Act. This has been in effect for 20 years:
- Extend for three years.
- Amend to permit certain reduction in tariffs.
- Reductions through trade agreements.
- But limited to 5% of present rates in each of three years.
- Larger reductions on products imported in very small quantities, or not at all.
- No across-the-board reductions.
- Gradual, rather than sudden, reductions.
- Peril and escape clauses to be kept.

(2) Simplify customs administration:
- Too complex now.
- Heavy burden on trade.
- Make it easier to dispose of customs cases quickly.

(3) Encourage private investment abroad:
- By more favorable tax laws.
- By broader guarantees against losses by war, revolution, and insurrection.

(4) Exempt from controversal "Buy American" legislation those bidders from nations that deal with American bidders on same basis as their own nationals.

(5) Raw materials:
- Protect our domestic sources by import quotas instead of tariffs.
- Survey field of our policies on minerals.

(6) Help maintain foreign markets for our agricultural products.

(7) Study possibility of supporting our Merchant Marine on direct basis.

(8) Encourage international travel: Increase duty free allowance for tourists.

(9) Economic aid should be by loans instead of grants:
- Except where mutual defense makes grants necessary.
- Loans not to interfere with Export Import Bank.

(10) Technical cooperation developed vigorously by providing experts and know-how instead of large funds and goods.

(11) Continue embargo on trade with Red China and North Korea, but permit East-West trade in non-strategic goods.

(12) Stress currency convertibility: Support use of International Monetary Fund to strengthen currencies.

There you have the bare bones of the President's foreign economic plan. He, himself, breaks it down into four major objectives.

(1) **Aid**—which we wish to curtail.

(2) **Investment**—which we wish to encourage.

(3) **Convertibility** — which we wish to facilitate.

(4) **Trade**—which we wish to expand.

"If we fail in our trade policy, we may fail in all," he warns. "Our domestic employment, our standard of living, our security, and the solidarity of the free world are all involved," according to President Eisenhower.

Tariffs and Trade Restrictions

Moderate as the President's plan is, it does spotlight the economic problems of the world—the crying need for more and more trade.

Does he ask us to lower tariffs drastically? No—far from it. He asks for a three year extension of the Reciprocal Trade Agreements Act—it's been serving our interests well for 20 years. And he asks for authority to continue with gradual reductions on selected commodities.

I think we have to look at this question of tariff reduction without emotion or without pointing the finger of criticism at our foreign cousins. Let's admit they haven't always played ball. During the past 20 years when we were lowering our tariff walls many other countries have been raising theirs.

Surely their policy is not an example of "How to Win Friends and Influence People."

But if we review the economic picture of the past 20 years with intelligent self-interest instead of self-righteousness, we'll discover an interesting fact. We, the nation which has reduced its tariffs, have grown strong. But those nations which raised their tariffs have not grown strong.

Where's the joker?

I think the answer lies in that popular American word "Competition."

Our foreign cousins have just not had to hustle as much as we have. They don't like competition. They seem a little dense about free enterprise. They're not very alert to our mass production methods. So they hedge themselves in with tariff walls and other restrictions.

In Europe, nationalistic markets, limitations and tariffs tend to keep far too many inefficient industries in production. Their national markets are not large enough to encourage modern production methods.

Our own situation is dramatically different. We have a huge market right here at home. Competition among us is so keen that we have attained a remarkable degree of efficiency. So far as most of our industries are concerned, the tariff means little.

Let's look a little further into the contrasting European set-up. In England, Belgium and the United States steel sells for $117 a ton. The steel workers in England and Belgium are paid only 65 cents an hour. But because of our greater productivity, American steel workers are paid $2.35 an hour.

Those figures come from Dr. Gunnar Myrdal of the United Nations Economic Commission for Europe. He adds that Western Europe today is producing 86 different makes of automobiles. No one maker sells more than 150,000 cars a year. But to get high efficiency and low costs in automobile production, a company must have a minimum output of 250,000 cars a year.

Dr. Myrdal says that because Europe is broken up into small national pieces, each with tariff and trade barriers, there is no one vast market, such as we have. He urges economic consolidation of these national pieces so that Europe can provide a large market for the steel industry which is ready to expand. If the European steel industry is enabled to expand through economic consolidation, that would take a load off our minds. Europe could then carry a larger share of her own defense burden.

Trade, you see, makes the world more productive. And more trade encourages specialization. I mean by that—doing the things which each country can do easiest and best and with greatest returns to its own people. And it works out this way — as specialization increases, production increases and there's more pie to go round.

My point is that our foreign relatives can come out of their economic fog and have more pie if we, in our position of world leadership, step up our trade with them. Like the solvent members of any family, it's to our advantage to get our poor relatives on their feet. If we don't they'll be on our feet. That situation produces financial corns and anything but loving kindness.

Bad economic situations between members of families and nations alike, often produce hurt feelings and political unrest. Certainly, with world tensions so acute as they are today, the United States cannot risk bad political situations with its economic relatives.

Let's face it. Foreign countries are continuing stringent controls which discriminate against both goods and services of the United States. If we refuse to buy their products, they won't let our goods into their countries without penalties. That situation produces bad feeling in the family.

The solution, and a vital one, is to increase our imports and foreign investments to match the outflow of our goods. That's what the Eisenhower program has in mind.

His proposed extension of the

*An address by Mr. Bullis at the Annual Meeting of the Millers' National Federation, Chicago, Ill., May 18, 1954.

Reciprocal Trade Act has the same objective. We haven't time in our family conference this afternoon to discuss this part of his program in detail. Certain industries are fearful of the competition from cheaper foreign goods. There can be no doubt that there would be hardship in certain cases. Whether to force a hardship case to seek another industry or whether to pay a direct subvention (and in effect this is what a tariff sometimes is) is one of the very difficult problems. Everyone likes to theorize about what the other fellow should do, but when the shoe pinches there is a howl of pain. These conditions have their counterpart abroad just as well as here. Perhaps we should recall that the volume of our own foreign trade is a small percentage of our total volume of trade.

But the gate will not be flung wide open and most of our industries today are too strong to fear competition. The situation was different years ago when our struggling new industries were starting. And further, the escape clause and peril point provisions of the Eisenhower program will not let American industry down.

East-West Trade

Deal with the Soviet bloc? When the President mentioned "a greater exchange of goods between the East and West" he meant just that—but, of course, only in terms of consumer goods. Let's face the facts of economic life. Today, the Reds are getting Danish butter, Cuban sugar, French textiles, Australian wool and United States tallow. Now they want to buy meat, hides, tobacco, dried milk and other foods from us. In return, our "cold war" adversaries offer us and Western Europe manganese which we must have.

Increased trade between East and West is serving to relax some economic pressures, particularly in those countries unable to sell to us because of dollar shortages and tariff restrictions. But the Battle Act directs the President to withdraw our aid from any country not strict about its security controls on trade with the Soviet bloc. But how important do you think that provision will be if we diminish our foreign aid to the vanishing point?

We might as well face up to the fact for the reasons of survival mentioned earlier there is going to be some increase in the East-West trade. The Western World does not want to increase the military potential of the Soviets. There has been the thought that even selling consumer items such as butter or textiles to the Soviets would release manpower for military production. In this connection the following remarks were made by Mr. Kenneth Hansen, of the Foreign Operations Administration, in a speech given on April 24 before the World Affairs Council of Northern California:

"During 1952 and 1953, the free world exported to the Soviet bloc a grand total of about $2.7 billion worth of goods. That is only an exceedingly small fraction of world trade. Furthermore, it is less than one-half of one percent of the total goods and services produced within the Soviet bloc."

Of course the United States permits no imports which originate in Communist China or any exports to Communist China or North Korea. Some countries operate in the same way, partly on their own initiative and partly because of our insistence.

We have to open our eyes wide to the situation in Japan. Her natural trade would be, as it always was before the war, with the Chinese Mainland and Southeast Asia. Now she is forced, and none too happily, to look to us and the free world for raw materials and also as a place to sell her manufactured goods. Unless we step up our trade with her, as encouraged by the Eisenhower program, the Japanese economic and political situation could become explosive.

Convertibility

There's another devil in international trade that must be driven out. I mean the absence of convertibility. Actually, convertibility of a currency means complete removal of all exchange controls.

Even the most stubborn of economic optimists will admit that such complete convertibility of currency for any large number of foreign countries cannot happen in the near future. But the Eisenhower plan does give hope for progress in a limited way.

The volume of gold and dollar reserves in foreign hands is still not sufficient to give our foreign cousins economic security. A large part of the foreign reserves are the result of expenditures which the United States has made abroad to build up military defenses. These will decline eventually and if our national policies are not favorable to world trade it is difficult to see how convertibility could be maintained.

Our Independence on Trade

So what does all this add up to in a family way—in a family of free nations way? We are are big shots in the family picture, the ones who live in the large house on the hill of prosperity. But we can't live up there alone for very long. It wouldn't be very healthy not to have well-fed kinfolk near by if trouble blows up. And if there is one thing the free world doesn't lack today it's the threat of trouble.

Just how independent of our foreign relatives do you think we can be? We depend on them for many critical materials. In 1950, we imported all the tin we used, all the industrial diamonds, natural rubber, coffee, tea and cocoa, 99% of our nickel and chromite, 95% of our asbestos, 90% of our cobalt and manganese, 52% of the tungsten, 45% of the lead, 35% of our copper and zinc. We continue to be dependent on imports of these materials from foreign countries.

On the export side, too, international trade is necessary to our own agricultural and industrial health. We have been exporting cotton, rice, wheat, soybeans, sorghum, tobacco, tallow and lard — exporting from 20% to 40% of our production of these various agricultural products.

Exports of our industrial products are important, too. In 1951 we shipped abroad 35% of our rolling mill machinery; 20% of our tractors, sewing machines and textile machinery; 16 to 17% of our printing machinery, oil field machinery and office appliances; 15% of our motor trucks and 12% of our agricultural machinery. In 1952 tractor manufacturers sold 23% of their output in foreign markets and machine tool manufacturers sold 11% of their production abroad.

Without exports, we cannot support our excess industrial capacity which can be turned at need into defense production. This fact makes it very plain that we are not self-sufficient and dare not withdraw into the Never Never Land of isolationism.

Intelligent self interest must be the watchword as we weigh the total Eisenhower Foreign Economic Policy Program. We are in the position of leadership — we cannot escape the implications of that family position. Nor can we deny the economic wisdom of that old-fashioned saying—"We all live in the world together."

The most important way we can continue to assist the rest of the world is to keep our own economy strong. Expanding production with high employment keeps our economy sound and encourages a high inflow of imports.

Conclusion

Naturally each of us in our own companies and in the various industries think of the effect of such a program on us rather than on the country as a whole. I am not going into detail with you today as to what my personal opinions are in this connection. I prefer to leave that to the future, when definite proposals are made which in themselves have a direct bearing on the well-being of the flour milling industry.

Our industry has many able men, well informed and alert, who will be able to present our case to the government when the necessity arises. I am sure that the presentation will be made in an atomosphere of friendly and sympathetic understanding. For the present, I believe we should take our position in support of the Eisenhower foreign trade policy program, as citizens of the United States, believing that what is good for the country as a whole should have our united support.

If we walk into the new era of friendship among nations with an open mind and a firm conviction that peaceful progress is more beneficial than progress through war, I am sure that our productive capacity on the farm, in the mills, and in the field of selling will enable the milling industry to keep pace with the progress of this country and our relatives in the family of the free world.

Gordon Pfau Joins Bache Co. in Phila.

PHILADELPHIA, Pa. — Bache & Co., members of the New York Stock Exchange, announce that the firm's Philadelphia office, 121 South Broad Street, has added to its facilities with the addition of a municipal bond department, specializing in general obligation and authority issues of the Commonwealth of Pennsylvania. Gordon W. Pfau is Supervisor of the new municipal bond department.

Gordon W. Pfau

Mr. Pfau has been active in the securities business in Philadelphia for the past 20 years, and in recent years he has specialized in Pennsylvania muncipal bonds. He was formerly with Stroud & Company.

Minton Clute to Be Straus, Blosser Partner

DETROIT, Mich.—On June 18, Minton M. Clute will be admitted to partnership in Straus, Blosser & McDowell, members of the New York and Midwest Stock Exchanges. Mr. Clute will make his headquarters in the firm's Detroit office, Bankers Equitable Building, with which he has been associated as sales manager.

N. Y. Security Dealers Elect Trustees

The New York Security Dealers Association has elected Herbert Singer, Singer, Bean & Mackie, Inc., a member of the Board of Trustees of the Gratuity Fund, to fill the vacancy caused by the death of Harry MacCallum, Jr.

With G. H. Walker & Co.

(Special to THE FINANCIAL CHRONICLE)

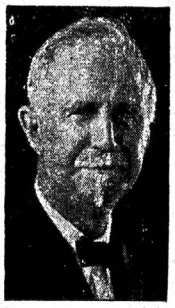
HARTFORD, Conn.—Karam S. Jacobs has become affiliated with G. H. Walker & Co., 111 Pearl Street. He was previously with Brainard, Judd & Co.

June Graduates

By ROGER W. BABSON

Commenting on changed employment conditions, because of the development of electronics, Mr. Babson holds, though employers will always need human help, they will require the intelligence and judgment of high school and college graduates. Says he envies young people who are to graduate this month.

Labor leaders have forced employers to resort to unprecedented research. This research is teaching employers that they can get on without routine workers. This should be a warning to those now graduating from high school or college.



Roger W. Babson

The development of electronics furnishes the basis of modern automatic machinery. A simple illustration is the "electric eye," which opens doors at the correct time without any help from you. Another illustration is the record-changer and turnover on our phonographs, including the automatic stopping of the machine. The most complicated are the new "missiles" which chase and catch an airplane without any human direction.

This same electronic principle is being applied to operation of a factory by a dozen employees, in contrast to the 400 formerly required. As their chief duty will be to "press push-buttons," this can be done by women as well as by men. Labor does not realize the great changes ahead. Employers will always need human help; but not for many present-day jobs. They will want the intelligence and judgment of high school and college graduates.

Serious Blow to Russia, China and India

Russia has been depending on her massed armies to overrun Europe the first day of her attack. As the Free Nations of Europe learn to use atomic weapons, wars will also go on a "push-button" basis. The great masses of Russians, Chinese and Moslems will be a nuisance to clutter up a battlefield. Premier Nehru recognizes this. It explains his great desire to remain neutral. Electronics and the atom will cause tremendous changes in both warfare and education.

It surely is wonderful to live here in the United States, which is leading in these new developments. I envy our young people who are to graduate this month. They will have so many more opportunities than we oldsters had. I wish the schools and colleges would wake up to these changes that are ahead. Better pension off the professor who can teach only the orthodox old-fashioned courses, instead of forcing young people to take these courses in order to get an A.B. degree.

Character and Brains

I forecast that the above changes mean young graduates will need good character more than ever before. Better training by homes, churches and colleges will be absolutely essential in this new electronic push-button age. Wise are the young people who now take evening courses which will enable them to move forward to better jobs when the dull ones are cast aside. I forecast that even the Linotype machine which sets the type for this column will be abandoned for a new automatic photo process.

The typical salesgirl of today could become obsolete. She could be replaced 70% by "self-service" counters, 20% by push button vending machines, to which I have previously referred, and 10% by highly-paid, intelligent salesmen and clerks who secure new customers. Such qualifications must be had by the June graduates who are to get good jobs. The field of advertising and selling is yet in its infancy, with marvelous possibilities for those who properly train therefor.

I Forecast That This change Means:

(1) Manual and routine labor will gradually become obsolete.

(2) To keep employed those unable to do anything else, their hours of work will constantly be decreased with the same take-home pay. This will boost the "Build-It-Yourself" industries!

(3) The pay increases will go to the serious and intelligent employees. There will be no limit to the salaries of those who have the needed character, brains, loyalty, and initiative.

(4) The great U. S. problem will not be to raise crops, or to build homes, or to manufacture merchandise, but to get people to buy. Hence, instead of subsidizing farmers, we will subsidize merchants and salesmen.

(5) I am advising young men to become expert machinists, instead of lawyers; trained outside salesmen, instead of inside pencil-pushers; and after graduation this June, to attend night school in preparation for the NEW AGE.

THE MARKET . . . AND YOU

By WALLACE STREETE

Industrial shares continued this week to push their reading to the highest level in a quarter century despite all the caution around and the fact that the market has climbed to the 325-330 area which is all that technical studies had indicated for this swing. The long-heralded reaction continued to elude all the sold-out bulls around, and the 70-odd point climb in a few short months after the lows of last September comes close to being something of a record swing without any corrections worthy of the name.

* * *

Some individual issues showed all the earmarks of a buying climax, what with pinpoint demand hectic enough to add a handful of points to their value, in some cases amounting to a 10% or better improvement. But these momentary runups die out and any of the excesses that might be indicated have no effect on the list generally. Lee Rubber and Copper Range featured in such sudden movements as the holiday-shortened week got underway, each issue adding a handful without any specific news to account for it.

* * *

Large blocks of individual stocks were also being liquidated steadily, many of them via normal trading although a few special and secondary offerings were noted. In the latter category was 187,791 shares of Merritt-Chapman & Scott, one of the larger secondaries of recent note. Packard, on rumors of a merger with Studebaker that lacked offic l confirmation, traded regular way on one 34,000 block which is one of the largest of the year except for a couple of flareups in RKO Pictures and New York Central.

* * *

Two Strong Seaboards

In some of the cases of sudden activity, the reasons became apparent this week including the 3-for-1 split proposal in Seaboard Oil which followed several weeks during which the issue was outstanding on the side of strength. It is the first split for this issue which, available as recently as 1949 at below $40, had climbed to three times that level by the time the split was announced. By coincidence, another good performer was something of a namesake, Seaboard Air Line Rail Road. But here the motivation was another dividend hike which has become somewhat expected of this company since payments have been increased annually since 1948.

* * *

Seaboard fared better than most rails although Union Pacific, aided by a relatively good earnings statement, was able to put on an above-average performance for a carrier. Here again majority sentiment has suffered a setback because it had been widely expected that once the rails built up enough steam to breach the 1954 high of 103, the assault on the 1952 and 1953 highs in the 112 bracket would be automatic. But the list spent more than a week lolling a couple of points under the "signal" level without indicating any intention of confirming the industrial "bull" swing. Some of the April profit reports, however, have indicated that the roads are getting expenses under control and improving their earnings a bit in the face of lower revenues. So few of the analysts gave up hope of a confirming move while revising their timing.

* * *

Waning Leadership?

The leadership lately, too, has been a shade less than perfect. This is another of the signs the students watch for as a signal of the final phase of a bull swing. But while the so-called secondary issues have become more prominent, there have been few speculative excesses and the buying, far from being haphazard, has concentrated on what some observers call the light blue chips.

* * *

In the aircrafts the leadership also passed mostly to new hands, such as North American Aviation and Grumman, the latter finally working into position to better its 1952 mark, which makes it something of a laggard since most other issues moved to all-time highs earlier this year. But while these issues fared well, the "standard" leaders, the recently split Douglas and Boeing, were able to put on some spirited moves to show that they are far from out of the running. Also in the coincidence category is the fact that the latter started out the week by scoring identical gains an eighth short of two points each.

* * *

Oils as a group were far from spectacular and it was pretty much left to individual situations like Seaboard to keep the group interesting. The division had been shaken a bit by Washington talk of cutting depletion allowances somewhat, but didn't return to popularity with any gusto when such plans were spiked. Richfield and Gulf, as a matter of fact, showed definite signs of easiness at times. Jersey Standard Oil, however, succeeded in working up to the 90 bracket for an all-time mark.

* * *

New Status for the Steels

Steels turned a little bit ragged after their recent general improvement but in their ability to hold their ground during market softness show evidence of a new investment status quite at odds with their old-time reputation of being the most cyclical of all the boom-and-bust segments of the American economy. Their ability to keep up profits even when the operating rate recently dropped below 70% for a couple of weeks belies all the dour estimates of the immediate postwar period when statisticians were trying to prove that red ink would result at anything short of 85%.

* * *

The utilities continued quietly to earn favorable investment attention in a calm fashion without any sudden outbreaks except for Panhandle Eastern Pipe Line, the erratic member of the staid section. This issue, incidentally, has slipped a bit recently but it still commands a price better than the best the issue reached before its 2-for-1 split in 1949. Utility issues that have doubled in price in that time are the exception rather than the rule.

* * *

American Telephone had had its moments of indecision lately after a marked demand for it, presumably from the institutional section of investors. The old high of 1947 of nearly $175, however, hasn't been in any jeopardy in the runups. The better than 5% yield, against "growth" stocks with close to a 3% return, apparently isn't as enticing as better opportunities elsewhere for capital gains. Telephone, which is included in the Dow Jones averages, which says prices are the "highest since 1929," exemplifies the non-uniformity of the averages.

* * *

Continued large-scale construction and the glowing estimates of the total building starts to be achieved this year has kept the cement issues in moderate demand. Lehigh Portland and General Portland both made the new highs list in short order as the new month started. For both it was a story of all-time high recordings.

[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.]

From Washington Ahead of the News

By CARLISLE BARGERON

Scientists may be supermen and not subject to the rules of society and the laws by which ordinary men are governed, as has been claimed since the advent of the atomic age, but happenings over at the Atomic Energy Commission would seem to indicate that in many ways they are plain human beings. Apparently they have their jealousies, their petty meannesses and the frailties which beset the rest of mankind.

Carlisle Bargeron

This highly secretive and sacrosanct agency where memoranda and stenographic notes are destroyed daily under the watchful eyes of a highly trusted guard is in the throes of office politics which is just about the most destructive thing that can happen in any organization. If it doesn't turn out that the general public will suffer, I shall be greatly surprised. The scientists are peddling tales on their fellow scientists. They are even resorting to the old Washington custom of feeding stories to gossip columnists. They are applying smear tactics.

Not having access to the closely protected offices in the AEC or even to its marble pillared corridors, my information is necessarily sparse and I am confined to putting together the bits of gossip which come to me, gossip which appears in the left wing columns, tracing its source and coming up with some sort of a pattern as to what is happening.

What seems to be happening is that there is a movement after Chairman Strauss' scalp on the part of other members of the commission and of the subordinates. They are after his scalp because he initiated a loyalty investigation of Dr. Oppenheimer, the wonder man.

I am sure that the merits and demerits of the Oppenheimer case are over my head and I have been perfectly content to let it be settled by the eminent men who are handling it. But its effect upon the Atomic Energy Commission is of concern to the country as a whole. Here is an organization that has been given billions of dollars and as a matter of fact it accounts to nobody. The appropriation committees of Congress have only a vague, if any idea as to what is done with the money. The General Accounting Office which watches over the expenditures of other government agencies does not pry into the affairs of the AEC. Everything it does, every penny it spends is hush hush. There is a joint Congressional committee which is supposed to keep abreast of what the AEC does but the members of this committee know only slightly more than the general public. They are informed to the extent that they can occasionally make speeches of forebodings and portents but that is about as far as they know.

Thus, for men charged with the responsibility and confidence given to the AEC members and subordinates to be engaging in the wrangling and backbiting and the peddling of gossip against their colleagues in the same manner that the regular run of government agencies do, is a very serious thing. We are told that these men hold the power of life or death over all civilization. To picture one of them talking to a gossip columnist in a back alley, figuratively speaking, is disturbing.

Chairman Strauss has seemingly conducted himself with the dignity befitting his office. In the first place he never made public and let leak out in any way that an investigation of Dr. Oppenheimer was taking place. The good doctor did this himself.

The stories now of dissension in the agency and of martinet practices on the part of the chairman are not coming from him. He is keeping a discreet silence and the result is that not a pretty picture of him is building up in the public mind. Stories are circulating that he is jealous of Oppenheimer, that he is a Hoover reactionary, having served with the former President right after World War I. The fact that men serving with and under him would be planting such stories with the leftist columnists stamps these men as unworthy of the power they hold. They are not supermen at all. Indeed, in this endeavor, they are not even unusual men. They are acting like and seemingly are like the rest of the bureaucrats who every time they have an office grievance run with it to a sympathetic gossip columnist. It is a situation that to my mind should be looked into and looked into promptly.

Bechtel Director of J. P. Morgan & Co.

Henry C. Alexander, President of J. P. Morgan & Co. Incorporated, has announced that Mr. Stephen D. Bechtel of San Francisco, California, had been elected a Director of the Bank.

Mr. Bechtel is President of Bechtel Corporation with headquarters in San Francisco, Calif., and is chief executive officer of various Bechtel affiliated domestic and international engineering and construction organizations.

He is Vice-Chairman and a member of the Executive Committee of the Business Advisory Council, United States Department of Commerce, and is serving as a director of a number of corporations including Continental Can Company, Southern Pacific, United States Lines, Industrial Indemnity Company, Joshua Hendy Corporation.

He is also Chairman of the Board of Trans Mountain Oil Pipe Line Company, a Trustee of the Stanford Research Institute, and a member of the Advisory Councils of both the School of Engineering and the School of Business Administration of the University of California.

During World War II, Mr. Bechtel was Chairman of the Board of California Shipbuilding Corporation and a Director of Marinship Corporation.

E. J. Gannon III With Shearson, Hammill

DALLAS, Tex. — Shearson, Hammill & Co., members of the New York Stock Exchange and other leading Exchanges, announce that E. J. Gannon III has become associated with their Dallas office, Fidelity Union Life Buillding.

FHA and GI Loans as Life Insurance Investments

By DEANE C. DAVIS*
President, National Life Insurance Company
Montpelier, Vt.

Mr. Davis, in discussing Federal guaranteed housing loans as life companies' investment, holds these loans afford a security virtually equivalent to a government bond, and adds, in addition to being an obligation of the United States Government, these loans are a first lien on a piece of real estate. Decries importance of recent allegations of FHA scandals.

It is our belief that when we buy an FHA loan or a GI loan, we are not buying a mortgage loan in the conventional sense of the word. I am sure, as apparently everyone is, that no lender in his right mind would make a 90, 95 or 100% loan without a substantial guarantee. When the National Life Insurance Company first entered the field of FHA and GI loans, it of course represented a real departure for us as it did for other lenders. It took us, I must confess, a little time to orient our thinking to this new pattern of investment. But as time has gone on, we have become thoroughly convinced that we may rely almost entirely upon the FHA insurance and the VA guaranty, particularly when the latter represents more than 50% of the loan. This is because the guarantee of principal and interest of debentures issued pursuant to the contract of insurance by FHA and the guaranty under a VA loan are by express terms of the law unconditional obligations of the United States Government, which obligations for credit purposes are of equal binding effect with the obligation expressed in a government bond.


Deane C. Davis

As a matter of fact, we go so far in our thinking that we are willing to buy such loans solely on the guarantee **provided** we have a borrower of good credit standing on the paper. This attitude reduces the costs of originating the loans and increases our return. We also believe that, as a lending institution, we have a great responsibility to make loans to the extent that they are guaranteed or insured when the government of the United States has expressed its willingness to give its guarantee. Unless we are willing to accept this guarantee in good faith and at face value, it behooves us to be less critical of government inroads into the field of private finance. Because we are willing to rely upon FHA insurance and GI guaranties, by the same token we are willing to make 100% loans, loans without cash down payments, and also to go to 30 years on the term of the loan, relying again on the guarantee.

These statements may seem a bit extravagant in the light of some of the allegations made during the past several weeks about FHA activities. However, it should be emphasized most vigorously that at no point has any suggestion been made that FHA loans are not good investments or that the insurance of such loans is not gilt-edged regardless of what might have happened in connection with an occasional loan. The insurance of these loans and the ability of the mortgagee to obtain debentures guaranteed as to principal and interest by the United States Government provide an investment of which any institution can be proud. The credit of the United States Government is still the finest credit in the world regardless of any errors of judgment or acts of malfeasance on the part of any government official. If unconscionable acts have been committed by borrowers or FHA officials, the investigation and cessation of such practices should serve effectively to strengthen the position of FHA loans in the future, rather than to detract from the appeal of their quality.

This policy of the company is in complete accord with the spirit and letter of the law of Vermont authorizing the purchase of FHA loans. Under this law we are authorized "to make and invest in loans secured by mortgages which are insured under the National Housing Act, and to obtain such insurance; . . . ." This statute not only permits but suggests complete reliance on the insurance of the Federal Housing Administration, and the same is true of the statutes of other states. Review of the statutes pertaining to GI loans indicates a like intent on the part of legislatures that lenders might rely fully on the guaranty of the Veterans Administration.

When buying an FHA loan or a VA loan, we believe that we are obtaining as security not only the virtual equivalent of a government bond, but even more. In addition to the obligation of the United States Government, we have a first lien on a piece of real estate, and also the credit obligation of a carefully selected American citizen.

We have noted many times a raised eyebrow when we say that we are willing to make loans for 100%, and we of course respect the opinions of those who insist upon a cash down payment. On the other hand, even though there may be no cash payment, let us not forget that the borrower has an equity in his house. In the first place, he has used all or a large portion of his guarantee, which is not available to him again. In the second place, his furnishings have been adapted to the particular house, and it would not be easy for him to refurnish another. In the third place, this country has always taken pride in home ownership, and we have noted time and again that people will cling to their homes so long as it is possible for them to do so. Furthermore, let us not overlook the fact that the mortgage payments usually are about equal to or less than the sum which would be paid for rent. And finally, with each monthly payment the equity of the owner increases.

Over the years we have studied very carefully the attributes of our mortgage portfolio, so-called, and we have been increasingly impressed with the inherent liquidity of a modern mortgage loan portfolio. I already have emphasized the importance of the instalment payments, which provide a steady flow of cash calling for reinvestment. Apart from these regular payments, there are substantial payments on the loans in excess of scheduled amortization, resulting from a great many causes. Should we encounter trouble, we receive a cash payment on the GI loans and debentures on the FHA loans which are readily marketable or may be used for the mortgage insurance premium.

Despite the recent publicity containing allegations of FHA scandals, I wish to pay highest tribute to the faithful and self-sacrificing members of the FHA staff who have assisted in making the Federal Housing Administration an important part of the mortgage financing structure of this country. I especially compliment Guy T. O. Hollyday for his statesmanlike assumption and execution of the responsibilities of FHA Commissioner, and for the well-known efforts which he exerted to improve the operations of FHA. I also wish to express my appreciation for the willingness and enthusiasm of Acting Commissioner Mason in assuming the responsibilities imposed upon him by the President in connection with his new office. He has assumed the position at a very difficult time, but is vigorously undertaking a program which should serve to maintain FHA in its very important position.

The Federal Housing Administration is indeed a unique institution. It was financed with capital furnished by the U. S. Government, all of which has been repaid. Consequently, the FHA today while normally a government agency, really functions as a private mutual mortgage insurance corporation with a government charter plus a governmental obligation. The financial plan of FHA with high ratio loans brought home ownership within the reach of millions of people who could not otherwise have enjoyed it and was a major factor in the solution of the housing crisis of the past decade. By providing mortgage insurance, FHA made it possible for financial institutions to make high ratio loans with the insurance features caring for the small proportion of risk in excess of that which institutional lenders ordinarily would make under conventional standards. The FHA not only made this financing possible, but popularized an improved pattern of mortgage lending with monthly loan payments approximately equal to monthly rental payments. Limitations of time prevent doing full justice to the accomplishments and importance of FHA, but a few conclusions are apparent:

(1) The FHA has become an integral part of mortgage financing in this country;

(2) The FHA as a mutual insurance company with a government charter should be kept free of politics, and deserves only the highest quality of business management;

(3) FHA with its generation of successful operation should not ever in the future be sacrificed on the altar of unsound social welfare schemes.

In inviting me to speak here today, the Chairman of your program committee asked me particularly to explain to this group the manner in which we determine when we shall buy loans heavily. There was almost a subtle suggestion that we possess some kind of magic formula or insight into the market. I appreciate the implied compliment, but honesty compels me to assure you most emphatically that such is not the case. As investors of life insurance funds, we are trustees of the funds committed to us and our activities are specifically limited by law, and our investment policy is even more conservative than the statutes prescribe. Beyond this, the National Life Insurance Company always has been reluctant to take market positions. The minute one takes a market position, whether he likes it or not, he is approaching, if not entering, the field of speculation. And I do not believe that we should speculate with life insurance funds.

We make careful studies of the amounts of money we are likely to have available for investment. We project the flow of these funds approximately 18 months ahead. We analyze our commitment account and know just about how rapidly we shall be called upon to pay out. We then follow a policy of keeping closely invested at all times at the best rates of return available to us. If at a particular time we believe that a specific type of investment offers unusual value, we may then consider buying a few months ahead within the limits of our available funds as determined by the process I have just outlined.

Let me illustrate this specifically, and again at your request. Last autumn, at the company's maple breakfast held during the Mortgage Bankers Association meeting in Miami, we expressed a willingness to consider the purchase of $15 million of FHA and GI loans "at prices satisfactory to us," for delivery this year. Within the next three days we had $40 million of loans offered to us, and we committed on $19 million at a discount of $1 million. It was our belief at the time that at those prices FHA and GI loans were an attractive purchase. Why? In the first place, FHA and GI loans were then available at the highest yields in many years. In the second place, there had been a series of indications from June on, that the Federal authorities had definitely revised the monetary policies which had prevailed in the early part of the year. These indications included official pronouncements, purchase of bills by the Federal Reserve System, and the reduction of rediscount rates. These revisions in policy seemed to us to indicate an avowed determination on the part of the Administration to re-establish lower interest rates with consequent higher security prices. Furthermore, experience indicates that mortgage prices tend to lag behind bond prices, and even though bond prices had risen by November, the historic lag of mortgage prices had caused them to remain at relatively low levels. Had the prices of FHA and GI loans gone lower, we still would have had a good buy. As developments since that time have indicated, we made a very favorable purchase. But if our insight had been as good as your Program Chairman was kind enough to suggest, we would have bought $40 million instead of $19 million. However, to have committed for $40 million at that time would have gone beyond our projected schedule of available cash.

*From an address by Mr. Davis before the Texas Mortgage Bankers Association Convention, San Antonio, Texas, May 20, 1954.

Wahler, White Join McDonald, Evans Co.


Leonard A. White John E. Wahler

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Leonard A. White, John E. Wahler, Clarence K. Atkinson and Louis J. Sommer have become associated with McDonald, Evans & Company, 1009 Baltimore Avenue. All were formerly associated with Wahler, White & Company, of which Mr. White was President and Mr. Wahler, Secretary-Treasurer.

Wall Streeters to Aid Greater N. Y. Fund

Completion of an investment bankers committee for special gifts to The Greater New York Fund's 1954 campaign was made today by Samuel R. Walker, Chairman of the Fund's Private Firms division and Vice-President of the City Investing Co., with appointment of nine members.

The appointees are James A. Edgar, of Baker, Weeks & Company; John W. Dayton, Jr., of Clark, Dodge & Co., Inc.; Miller H. Pontius of F. Eberhardt & Co., Inc.; Raymond D. Stitzer, of Equitable Securities Corp.; Charles L. Morse, Jr., of Hemphill, Noyes & Co.; Amyas Ames of Kidder, Peabody & Co.; Elwood Boynton, of Hallgarten & Co.; Robert Powers, of Smith, Barney & Co.; and Reginald Pressprich, Jr., of G. H. Walker & Co. The committee is headed by Hudson B. Lemkau, Chairman, of Morgan, Stanley & Co.

Contributions obtained by the investment bankers committee go to the Fund's campaign and are distributed among 423 voluntary agencies serving human needs in the five boroughs.

The Struggle for Sound Money

By WILLIAM H. NEAL*
Senior Vice-President
Wachovia Bank and Trust Company, Winston-Salem, N. C.

Referring to recent discussions regarding sound money as partly complicated, distorted and above the heads of average people, Southern banker defines sound money as the kind that will buy approximately the same today as in the future. Says sound money is the very base of our national growth, and urges bankers to organize and work for it. Advocates renewed vigorous support to the United States Savings Bond Program.

Money is big news these days. It has attracted the spotlight of nationwide public attention. Columnists, commentators, politicians, Government leaders, economists, and a lot of just plain people are talking about money—its functions, its value, its uses, and its abuses.

As bankers, we are tremendously interested in this discussion because money is not only everybody's business, it is our stock in trade.

Some of the discussion is complicated, some of it is distorted, and most of it is over the heads of average people. I believe that bankers have a responsibility to help clear up the confusion, to correct some of the misinformation, and to take a bold and courageous stand in support of sound money.

All sorts of terms are being used to describe money. We hear of hard money, easy money, tight money, honest money, and sound money. These terms are confusing to a lot of people.

What is sound money, for example? Sound money is the kind of money that will buy approximately as much next week, next month, and next year as it will buy today. It is stable money—money that you can depend on, not only today but in the future. It is money on which future plans can be based with confidence.

Sound money is at the very base of our national growth. Sound money is required as an incentive for saving, which is the source of the new capital investment upon which our economic growth depends. *Without* confidence in the future worth of their money, people will either save less or not at all. *With* sound money, Americans will keep saving and make possible new capital investments as the base for new employment and the production of more and better things for a more fruitful life for all.

But you ask, "What can I as an individual banker or what can our organization of bankers do to help?"

There is something we can do—something everyone of the nation's 15,000 banks and every banking association in the country can do to help. It is not new. It is not dramatic. But it can be effective. And it can be most helpful in establishing and maintaining a sound economy in this country. It is this: *We can give renewed, vigorous support to the United States Savings Bond Program.*

The fact that 40 million people hold $37 billion of "E" and "H" Bonds is of tremendous importance in the debt management program, and sound debt management is essential to sound money. In 1954, $5.6 billion of series "E" Bonds mature. The maturities for 1955 total $4.4 billion. While many "E" Bond holders will keep their bonds beyond maturity, an aggressive promotional effort will nevertheless be needed simply to keep Savings Bond holdings at their present level. Unless the public is persuaded to purchase new "E" and "H" Bonds in substantial amounts, the Treasury will be required to borrow from other sources to offset these redemptions. If we can push sales beyond the volume of redemptions, it will afford a means of retiring bank-held Government obligations and getting a larger portion of the national debt into the hands of private investors.

Bankers have a distinguished record in the field of service to the nation through support of Savings Bonds since 1941. *For 12 years, bankers have been effective bond salesmen.* They have provided leadership for the program at national, state and local levels. For 12 years, they supplied a major portion of the servicing essential to the issuing and redeeming of billions of dollars worth of bonds held by millions of people. It has been an outstanding achievement. It is a record of which we can be proud.

When we think again of the millions of people who for 12 years have bought Savings Bonds and later used them to build homes, to buy farms, to educate children, to go into business, to provide for old age, and for countless other worthwhile purposes, our interest is revived and we have a new determination to go out and help others to gain the same kind of benefits.

This is a time for us to renew our efforts, to rededicate our time and our energies to a program that is vital, one that is essential to our economy and to our nation in these days of crisis.

National security and national solvency are identical because one is impossible without the other. It is up to us as bankers to provide individual leadership of the highest type, not only by increasing the usefulness of bank services to our 100,000,000 customers but by active educational effort on behalf of sound monetary policy.

We should help to inform the people of what "sound money" means to them and then do our share by actively pressing the sale of U. S. Savings Bonds, for certainly the sale of the bonds is a foundation stone in actually attaining sound money. Up until now we have been handicapped in combining these two efforts; but with a national Administration committed to the cause of the sound dollar, we have our first opportunity to tie in our efforts to advocate sound monetary policy with the sale of bonds.

Bankers believe in Savings Bonds and they have a favorable attitude toward the program. Yet, it is often a passive attitude rather than active support. It is a favorable opinion, but not an aggressive policy. Facilities for handling bonds are provided in most banks, but often our efforts are confined to bond servicing as distinguished from bond selling.

Aggressive Action Needed

Our first job, therefore, is to change this passive attitude into aggressive sales support. To accomplish this, we must start with top management.

If the executive officers in each bank will call together their officers and employees and let it be known that it is the policy of the bank to have everyone actively support and sell Savings Bonds at every opportunity, a tremendous amount of additional sales would be developed. There are many thousands of officers and employees who are waiting for some word, some definite assurance from top management before renewing their efforts to sell bonds.

Each bank should look into its own payroll savings plan and see what can be done to stimulate it. What is your percentage of participation? How long has it been since a person-to-person canvass was made for payroll deductions to buy bonds?

Is your bank cooperating by distributing bond advertising material regularly? Do your bank customers know that their bank recommends and urges them to buy Savings Bonds? Are you offering your services to county and regional bond leaders, and do they realize that you are giving them wholehearted support? Do you take advantage of opportunities to talk to schools, civic clubs, women's organizations, and other groups in your community, urging people to buy bonds?

Do you promote the Bond-A-Month Plan? Do all of your officers and contact employees know about the advantages of the new "H" Bonds? Can they discuss these advantages effectively with prospective buyers?

In the Savings Bond Program we have the ideal vehicle to use in carrying the sound money message to the people of our communities. This struggle for sound money *can* be won. It *must* be won. But if we don't win it now, we may never again have such a favorable opportunity!

*A talk by Mr. Neal at the Annual Convention of the Arkansas Bankers Association, Hot Springs, Ark., May 25, 1954.

Bond Club Plans For 30th Field Day

On Friday, June 4, a good part of Wall Street will forget all about proxy fights, negotiated deals and competitive bidding, as members of the Bond Club of New York head for the Sleepy Hollow Country Club at Scarborough, N. Y. for their annual field day.

The Field Day Committee headed by John W. Dayton, Jr. announced today that it had completed its plans for the club's 30th outing. It has issued a Schedule of Events, outlining a day jam-packed with sports and entertainment.

Here are some of the things in store for Wall Street bondmen on their annual holiday:

Golf—Tournament open to all members, with three trophies at stake for low gross, low net and match play against par, plus a variety of individual prizes. Also a golf show by expert professionals — "Swing's the Thing" — and a hole-in-one contest.

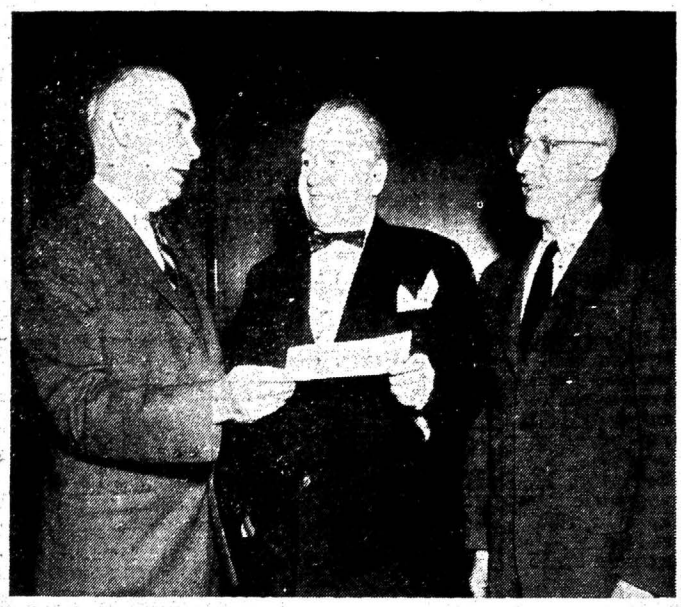
Tennis—Bill Talbert, Captain of the U. S. Davis Cup Team, and Edward Moylan will play an exhibition tennis match and then will pair with the winners of the Bond Club tournament in a special doubles match.

Stock Exchange trading (Bond Club version); Annual appearance of the "Bawl Street Journal," the club's world-famous funny paper; Skeet shoot, horseshoe pitching tournament and exhibition, and baseball batting contest.

Beefsteak or swordfish luncheon at tables surrounding the swimming pool, with continuous entertainment by radio and television stars.

Buffet supper, with music by Stan Rubin and his Tigertown Five and an evening of special entertainment including "Beat the Clock," with Bud Collyer and Roxanne.

Complete Massachusetts Turnpike Offering



A check for the $239,000,000 bond issue to finance construction of the 123-mile Cross-State Massachusetts Turnpike is handed to William F. Callahan, Chairman of Massachusetts Turnpike Authority (center) by John O. Stubbs, of F. S. Moseley & Co. (left), which headed nationwide underwriting group offering the bonds. At right is Henry S. Parker, Vice-President of The First National Bank of Boston, Trustee for the Authority. The bond issue was oversubscribed a few hours after it was offered on May 5.

Terms Seasonal Business Pickup 'Disappointing'

Jules Backman points to relatively small decrease in unemployment, and modest gains in steel production and carloading as evidence industrial slump has not entirely abated.

There has been some seasonal pickup in business, but it has been "disappointing," Dr. Jules Backman, Professor of Economics, New York University School of Commerce, Accounts and Finance, told the Carpet Institute, meeting in New York City, on May 26. As evidence of this disappointing seasonal rise, the speaker emphasized the relatively small decrease in unemployment, the relatively modest increases in steel production, carloadings and total industrial production, lagging automobile sales, and the post-Easter decline in retail trade.

Dr. Jules Backman

"Economic activity continued to taper off in the first quarter of 1954. However, the rate of decline in the second quarter has been less severe than in the closing months of last year or the initial months of this year. In some instances, the decline has been halted—at least temporarily. Meanwhile, end-product demand of consumers, business and government has been fairly well maintained. Sharp cutbacks in production, accompanied by high, sustained demand for final products, suggest that the major part of the cyclical correction has taken place."

Dr. Backman pointed out that "a number of basic expansionary pressures of a long-term character are at work currently on the American economy. Among such factors are (a) population growth; (b) accelerated technological research and the demands for new capital formation such research generates; (c) the long-term upward trend toward more efficient use (productivity) of both capital and labor; (d) further tax reform to stimulate individual and business incentives; and (e) the prospect that requirements for defense will continue to run high for many years. These longer-range forces undoubtedly have some favorable short-run implications. Thus, tax relief already granted in 1954, the continuing sharp rate of growth in our population and the rate at which technology is revolutionizing American industry have a subtle but important effect on the atmosphere in which economic decisions are being made currently.

"The factors affecting the business situation today may be divided into (1) expansionary, (2) sustaining, and (3) negative," the university professor pointed out. "Among the evidences of expansion are the recent rise in commodity prices, the continued high level of construction awards, tax relief, rising levels of local and state expenditures, and the easy money policy of the federal government.

"The sustaining forces include the high level of consumers' disposable personal income, the high level of savings of American consumers, the continued strength of foreign economies, and various built-in stabilizers." In connection with the latter factor, Professor Backman noted that "income and demand continue to be supported in part by such institutional factors as unemployment insurance, old age annuity payments, floors below agricultural prices, and heavy reliance upon income taxes as a source of federal revenues (in periods of contraction the tax burden contracts more sharply than income). Government spending at a relatively high level is likely to be continued."

"The need for further inventory liquidation and for repayment of consumer credit indicates that no significant upturn in business is likely over the next few months. Although there has been considerable public discussion concerning the decrease in inventories, they still seem high," the speaker stated. "Inventories rose by $6.5 billion in the year ending September 1953. In the following six months, the decrease was only $2 billion. The annual rate of liquidation, therefore, has been less than the prior accumulation. Busi-

ness inventories and inventory-sales ratios in general are still high, judged by normal peacetime standards. It is far more likely that inventory liquidation will continue in the months ahead, than that the economy will be stimulated by a demand for inventory accumulation."

Among the other negative factors stressed by Dr. Backman were the following: new orders in manufacturing industries are still lower than sales, a further decline in agricultural income is likely below the 1953 level, defense spending has continued to decline, and total business investment is headed lower.

Dr. Backman stated: "Thus far, only a relatively small dent has been made toward repayment of the record amount of consumer debt outstanding. At some later date, consumers may again be in a position to accelerate their consumption by borrowing heavily against future income. Currently, however, dept repayment is a significant negative factor as it relates not only to the purchase of new durable goods, but even to other forms of consumption which must bow to the inevitable priority of payments of both principal and service costs on existing consumer debt. Last year, consumers were spending more than their current income—with the difference attributable to borrowing. This year, they are spending less than their current income—the difference represents repayments on last year's loans.

"During the first quarter of 1954, wool carpet and rug production totaled 15.5 million square yards as compared with 20.4 million in the corresponding period of 1953. This was a decline of 24%. Production during that period was the lowest it has been during recent years. However, the continuation of high level disposable income and the high level of new housing starts suggests that there is a market for a considerable volume of carpet sales. Some improvement in the volume of carpet production and sales should take place in the months ahead."

IBA Approves Use of Photo Off-Sets of Bond Legal Opinions

In resolution, adopted May 20, Board of Governors urge members and dealers generally to use and accept photo off-sets or other such reproduction processes, of legal opinions of municipal bond attorneys to reduce costs and possible errors in preparing duplicate copies.

On May 27, the Board of Governors of the Investment Bankers Association of America forwarded to Association members a copy of a resolution adopted by the Board on May 20th, in which it is recommended that municipal bond dealers and brokers use and accept photo off-sets of attorneys' opinions rendered on the legality of municipal bond issues. A copy of the letter accompanying the transmittal of the resolution states that "The matter of providing copies of opinions covering the legality of municipal bond issues has been of increasing concern both as to the accuracy of copies and the cost of preparing and furnishing such copies, especially in view of the increasing number of opinions required and in many cases the increasing size.

"The use of photo off-sets or like processes of such opinions will, we believe, contribute much in this regard. The matter has been carefully considered by The Municipal Forum of New York, by the Municipal Securities Committee of the I. B. A. and by the Board of Governors of that body."

The text of the resolution follows:

"*Whereas,* The Municipal Forum of New York, recognizing the time, cost and possible errors involved in preparing copies of opinions approving the legality of municipal bonds, recommends the use of photo off-sets of such opinions.

"*Whereas,* the Municipal Securities Committee of our Association has carefully studied the procedure recommended by The Municipal Forum of New York respecting copies of such opinions; and

"*Whereas,* it finds that the recommended procedure would assure accuracy, be legally effective and result in substantial saving in time and cost in preparing such copies; now

"*Therefore, Be It Resolved,* That the Board of Governors of the Investment Bankers Association of America recommends to its members and to dealers generally the use and acceptance of photo off-sets of approving legal opinions or copies prepared through like processes where such reproductions have the approval of attorneys whose opinions are recognized to be nationally marketable."

Geo. Stewart Admits

George Stewart & Co., 350 Fifth Avenue, New York City, members of the New York Stock Exchange, will admit Alfred T. Manacher to limited partnership on June 15.

With Brew-Jenkins

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Henry E. Schlass is with Brew-Jenkins Company, Inc., First Wisconsin National Bank Building.

Banking During the Transition Period

By MARCUS NADLER*
Professor of Finance, New York University

Pointing out we are experiencing a transition from an economy of shortages to one of surpluses—a transition that has psychological as well as material consequences—Dr. Nadler finds both strength and weakness in current situation. Among strong factors he mentions: (1) growing population; (2) sound financial position; (3) backlog of public works, and (4) a more favorable attitude of government toward business. He lists as weaknesses: (1) rigidity of prices and wages; (2) an unrealistic farm policy; and (3) heavy public debt. Reviews banking situation, and finds there are opposing forces, since an increase in deposits from investments will offset a decrease arising from reduced commercial borrowing.

Introduction

The general belief that the economy of the United States is merely undergoing a normal cyclical inventory readjustment is only partly true. If the country were confronted solely with the problem of a cyclical inventory readjustment the future course of business could be predicted with a fair degree of accuracy. The situation is, however, more complicated because the inventory readjustment is accentuated by the liquidation of debt, notably consumer credit, contracted under more favorable employment conditions than prevail at present. More important, however, is the fact that the United States is experiencing a transition from an economy of shortages to one of surpluses, from a sellers' to a buyers' market, with increased productivity resulting in very keen competition and the ability of manufacturers and distributors to shift any increase in the costs of doing business to the ultimate consumer becoming more and more difficult, if not impossible.


Marcus Nadler

The transition from a sellers' to a buyers' market not only has economic but also psychological consequences because during the period of the boom merchandise sold itself, sales effort was of little importance and management did not play as important a role as is the case today. This transition from a war to a peace economy was bound to come. It was long expected and the consequences could be clearly foreseen. It should be noted that nothing has happened in recent business developments that could not have been predicted. The transition from a sellers' to a buyers' market was caused by the following factors:

(1) The termination of the Korean War, which made possible a decrease in military expenditures. The so-called new military look has resulted in a further decrease of expenditures by the Department of National Defense.

(2) The pent-up demand created during the war for all kinds of durable consumers goods, capital goods and homes, had been met. The only exception was in the field of public works for which there is still a considerable accumulated demand.

(3) The increase in our productive capacity which is now capable of meeting the maximum effective demand of the civilian population and greater national defense requirements than exist at present.

(4) The increase in the productive capacity of the free world, notably Western Europe, which has made these countries less dependent on the output of American fields and factories.

All these developments were foreseen. It was quite evident early in 1953 that a downward readjustment was in the making. What could not be predetermined was when the turn would take place, how extensive the readjustment would be, and how long it would last.

The effects of the transition from an economy of shortages to one of surpluses will continue to be felt even after the inventory readjustment and debt liquidation have run their course and both inventories and debt, particularly consumer credit, return to more normal levels. An upturn in business in the late summer or early fall is quite likely. However, this does not mean a return to the business pattern that prevailed from the end of 1946 to the middle of 1953. Short of an outbreak of hostilities on a major scale, a return to an economy of shortages or a sellers' market in goods and in labor is not likely. After the current inventory readjustment and debt liquidation have been completed a new pattern of business will evolve in our growing and dynamic economy which will be marked by keen competition and great efforts in cutting costs in production as well as in distribution. It would be a mistake to assume that the moment the present inventory difficulties have been overcome that business activity will automatically return to boom conditions.

Economy's Strong Points

The economy of the United States is sound but certain weaknesses have become apparent. The strong points of the economy, briefly summarized, are:

(1) A growing population with a rising standard of living, a dynamic growth in both production and consumption, a constant change in the mode of life and with much greater economic security than ever before. All this indicates a high level of civilian demand for all kinds of goods and services.

(2) In spite of the sharp increase of private indebtedness the financial position of the private sector of the economy is sound. The working capital of American corporations is large and adequate to maintain a higher level of business than prevails at present. Practically all private debts are amortized, thus removing the danger of inability to refund when large debts mature. The banking position of the country is strong, the loanable funds are large and can be increased by the actions of the Reserve authorities. All banks have substantial reserves against possible bad debts.

(3) There is a huge backlog of public works and the construction industry is operating in high gear. The lower level of money rates will stimulate not only public works but also the erection of homes.

(4) The government is alert to business trends and ready to intervene if the readjustment should assume a more serious character than can be envisaged at present. Both the credit policy of the Reserve authorities and the debt management policy of the Treasury have undergone considerable changes during the last year and now operate to stimulate business activity. Moreover, the fact should not be overlooked that there has been no abuse of bank credit or of any phase of the economy.

(5) The more favorable attitude of the Government to business. The improved economic climate for business is reflected in the Administration's policy of getting out of competition with private business and its tax proposals favoring accelerated tax amortization on new plants.

Principal Weaknesses

(1) The principal weakness that one can detect at present is a considerable degree of rigidity of prices and wages. In spite of the fact that industrial production from July to March has decreased by 10% the level of wholesale prices has remained practically unchanged. The consumer price index is near its peak and hourly wage rates are still increasing. A rigid wage and price structure, if it persists, may prolong the transition from a war to a peace economy.

(2) The Congress adheres to an unrealistic farm policy which has led to the accumulation of large quantities of farm products at the expense of the taxpayers. Production for storing and stockpiling does not seem to be sound.

(3) The public debt is large and was not reduced during the period of the boom. Budget deficits are in prospect for the next several years and corporate as well as individual taxes, in spite of the elimination of the excess profits tax and the reduction of personal income taxes and of excise taxes, are very burdensome.

Whether these weaknesses will continue to plague the economy of the country for an indefinite period of time or whether they will be rectified in the near future remains to be seen.

The Banking Situation

Banking activities will continue to be influenced by the policies of the Reserve authorities and the debt management policy of the Treasury, both of which in turn will be materially influenced by the trend of business. It is not necessary to elaborate on the powerful influence business conditions exercise on banking, for banking is merely a handmaiden to industry and trade and the channel through which the credit of the country flows. Business activity, debt management by the Treasury and the credit policies of the Reserve authorities will have an impact on the banks as regards their deposits, loans and investments.

Deposits: Total deposits of the commercial banking system during 1954 are bound to increase as a result primarily of the large bank investments in Government securities, tax-exempts and mortgages. At the end of the year total commercial bank deposits should be larger than they were at the beginning of the year. The deposits created through investments in all probability will more than offset any possible reduction in deposits that may result from a decline in loans. The growth of deposits should apply to time as well as to demand deposits because experience of the last few months has demonstrated that the decline in business activity and the increase in unemployment did not lead to a reduction in savings.

Interest on Savings Deposits: During the period when interest rates were rising, many commercial banks increased the rate of interest on their savings accounts in order to meet the competition of other institutions. While the general level of interest rates was rising such a policy could be justified. Today, however, the question arises as to whether a reversal in bank interest rate policy is not advisable. Interest rates today are lower than they were in 1951 and the long trend of interest rates is still downward. The rise in money rates from about 1948 to the middle of 1953 was merely a temporary interruption of the long-term downward trend in money rates which set in after World War I. The operating costs of commercial banks have increased considerably and a reduction is not yet in sight. Interest rates paid by banks should be flexible, reflecting money market conditions and demand and supply. Now that the upswing in interest rates has come to an end and the trend is again downward, banks which have increased their rate of interest on savings deposits should carefully consider whether a continuation of such a policy is in the best interests of the economy and of the banks themselves.

Loans: The trend of business activity is bound to have an influence on the volume of loans made for industrial, agricultural and commercial purposes. The level of commercial loans in 1954 will be subjected to two sets of forces, one tending to increase, and the other to reduce their volume. The factors that will operate to bring about an increase in loans, briefly, are as follows:

(1) Tax borrowings by corporations in June will in all likelihood be larger than was the case in March or in June, 1953. Not only are corporations confronted this June with the task of paying 45% of their 1953 tax liability but it is also quite probable that earnings of many corporations during the first half of 1954 will be smaller than was the case in the corresponding period a year ago. This is bound to force some corporations to borrow for tax purposes.

(2) As business activity decreases there is a tendency for the payment of accounts receivable to slow down. This, too, is likely to cause some business concerns to have more recourse to the banks.

(3) The decline in business activity accompanied by a decline in profits will have an adverse effect on the cash position of many business concerns and compel their resort to increased borrowing from the banks.

The factors that will operate to reduce the volume of loans, briefly, are:

(1) A lower volume of business activity normally means reduced working capital requirements. The same also is true when inventories are reduced. A decline in inventories invariably leads to a decrease in the demand for bank loans.

(2) One may expect that at least in the immediate future there will be a tendency for consumer loans to continue to decrease. In that event the demand for loans by sales finance companies will also decline.

It is as yet difficult to state which of the two sets of forces will be more important. On balance it would appear that an increase in loans is not to be expected, and that a relatively minor decline can be anticipated.

Quality of Loans

In a period of declining business activity and particularly in a period of transition from a sellers' to a buyers' market, when the inefficient and incompetent firms are weeded out, some deterioration in the quality of loans is bound to take place. In some cases repayment of loans will not be as prompt as anticipated when the loans were made originally. In others, workouts will become necessary. However, no serious trouble is to be expected because the decline in business activity has been orderly and commodity prices have remained remarkably stable.

There is no need to adopt a negative attitude toward loans. The economy of the country is sound and no serious trouble in the future can be envisaged. On the contrary boldness on the part of bankers in granting loans is more important today than was the case during the period of the sellers' market. Assistance granted to a customer in a period of readjustment tends to make business friends for a long time and in the long run proves to be profitable. Pressing customers unduly for repayment of loans is harmful both to the customer as well as to the banker and gains the latter the reputation of a fair-weather friend which is the worst reputation that a banker can have. Under conditions as they exist today the loan officer in determining his loan policy would be well-advised to consider the following factors:

(1) **Management**—i.e., whether tested or young and inexperienced. So long as a sellers' market prevailed, every management was successful. The test of management will be determined to a considerable extent on ability to cut costs both as regards production and distribution and to stimulate sales. Competition is keen and is likely to become keener as time goes on. In the period of a buyers' market only the experienced will operate profitably. It is, therefore, of the utmost importance for the banker to make it his business to know the management well.

(2) **Solvency:** The banker should inquire whether the firm is essentially solvent rather than whether a loan can be repaid when it comes due. It is, therefore, necessary to ascertain what the net worth of the prospective borrower would be under the poorest of circumstances. If even under such circumstances net worth will be larger than the loan, a positive attitude should be taken by the banker.

(3) **Status of Industry:** The status of the industry or field of business in which the borrower is engaged and how it will be affected by the dynamic economy, by new inventions, by the growth of chain stores, supermarkets, etc. A dynamic economy, as is well known, creates new values and destroys old values. As a result of the huge amount of money spent on research by American business concerns many new products are continually coming on the market. These will compete with older products. The banker, therefore, in appraising the merits of a loan, must not only consider the current position of the borrower's industry or field of business but he also must endeavor to the best of his ability to ascertain what new competition may arise and how the old product will stand up against the new one.

The utilization of balance sheet figures is always useful and balance sheets must continue to be used by the banker. Figures, however, are altogether too often used to say "No" and when a loan is declined the general attitude is that there will be no trouble from that source. It requires a knowledge of more than figures to make a good loan out of a poor financial statement. This is the essence of a good banker. While banks must of necessity be conservative there is no need under present conditions to adopt a negative policy. Upon the loan policies adopted by the banker will depend to a large extent business developments in the not distant future.

Mortgages

Banks operating with savings deposits will continue to invest

*An address by Dr. Nadler at the 51st Annual Convention of the New Jersey Bankers Association, Atlantic City, N. J., May 7, 1954.

in mortgages. In this connection the following facts should be borne in mind:

(1) The pent-up demand for homes has to a large extent been met. Home starts during the last two years were larger than the total number of family formations.

(2) Real estate is not selling as freely as before and prices particularly of older properties have shown a tendency to decline. Prospective buyers have become more value-conscious and the pressure to acquire homes irrespective of price or of quality of construction is a thing of the past.

(3) Even real estate is subject to swings and after a prolonged rise a moderate decline is to be expected.

All these factors clearly indicate that in dealing with conventional mortgages a conservative appraisal on the part of the banker is essential. The rate of amortization under current conditions is as important as the rate of interest.

Government-insured and -guaranteed mortgages are, however, riskless assets for they rest on the credit of the government. The main problem confronting investors today is whether to acquire mortgages with a very low down payment, if any, and a maturity of 30-40 years. It would seem logical that anybody who is in the market to acquire a home should be able to make at least some down payment. This is particularly so today when for many years job opportunities were ample, wages were high and overtime quite common. To acquire mortgages without any down payment would not, therefore, seem to be sound.

Longer maturities than prevail at present are desirable particularly if families in the lower income groups are to be enabled to acquire their own homes. However, in the extension of a mortgage loan for a period of 30-40 years, even though such loan may be guaranteed or insured by an agency of the government, the lender must take into account the possibility that before the mortgage matures the house, for various reasons, may have depreciated to a point where no buyer could be found.

Since the Administration appears anxious to assist individual families in lower-income groups to acquire homes with small down payments and 30-40-year mortgages the Administration should give consideration to enacting legislation which would give the holder of such mortgages the option to turn them over to the government after 20 or 25 years and receive the unpaid balance in cash or a bond for the remaining years of the life of the mortgage with a corresponding rate of interest. Such a provision would make mortgages with a maturity of over 25 years much more attractive to prospective buyers. The fact should not be overlooked that if private lenders do not buy such mortgages a governmental agency in all probability will be established to finance the mortgage requirements of families in the low-income groups.

Investments

The transition from an economy of shortages to one of surpluses is bound to exercise a considerable influence on bank investments. So long as the trend of business activity is declining and unemployment remains at present levels, one may take it for granted that the Reserve authorities will follow a policy of easy money and this naturally is bound to have an impact on interest rates. The return on high-grade bonds under these circumstances, therefore, is bound to be lower and many institutions will be under pressure to lengthen maturities in order to maintain income. The readjustment may adversely affect the price of certain credit bonds whose fluctuations are determined primarily by business conditions and particularly by the position of the individual companies rather than by changes in money rates.

Since the readjustment will be marked by a weeding out process during which the poorly-managed and poorly-financed companies may suffer considerably, selectivity in investment in such issues becomes of the utmost importance. At present it would appear to be advisable for commercial banks to exercise extreme caution in investment in credit bonds.

While the Reserve authorities will do everything within their power to stimulate business activity, no change in the System's flexible credit policy appears likely to develop. Temporary swings in bond prices are, therefore, to be expected. Experience has shown that even though an upturn in interest rates may be only cyclical in character the prices of long-term bonds including governments can decline materially. Purchases of long-term bonds should be made only after the institution is sure that such issues can be held for an indefinite period of time. The need of maintaining adequate liquidity is paramount if an institution is never to be under the obligation of selling medium- or long-term bonds in order to meet its liquidity requirements.

Tax-exempts are suitable investments for commercial banks. However, it should be noted that their liquidity is not as great as that of governments and that swings in prices of tax-exempt bonds are more numerous than is the case in government obligations and are influenced by supply and demand factors as much as by money market conditions. While a portion of savings deposits may be invested in high-grade long-term tax-exempt obligations, maturities above 15 years are not particularly desirable. Certain types of corporate bonds are also suitable for commercial bank investment. However, here also long-term obligations with maturities of 25 years and over do not seem to be attractive under present conditions.

The soundest policy for a bank to follow in its investment program is to coordinate loans with investments. Whenever loans increase, maturities in the investment portfolio should be reduced, and whenever loans decrease, maturities may be lengthened. It cannot be stressed too often that the quality of the obligation is of prime importance at present.

Conclusion

The decline in business activity since July, 1953, constitutes not merely an inventory readjustment aggravated by the liquidation of private indebtedness, notably consumer credit, but also represents a transition from a war to a peace economy. While the trend of business is likely to level off in the near future and begin its upturn later on in the year, a return to boom conditions such as prevailed from 1946 to the middle of 1953 is not likely.

The transition to a peace economy is bound to have an effect on all the major activities of the commercial banks. Because of the larger than expected deficit of the Federal Government, the changed credit policies of the Reserve authorities and the debt management policy of the Treasury, one may expect that the holding of government securities by the commercial banking system at the end of 1954 will be higher than at the beginning of the year, thus creating new deposits.

The increase in deposits created by investments is bound to counteract the decline that may result from a reduction in the volume of loans. The transition from a war to a peace economy will also have an impact on the lending policies of the banks. However, now is not the time to adopt a negative attitude toward loans. On the contrary, this is the time for banks to be bold and to assist their customers to overcome current difficulties. The most important factor to consider in loan policy is the borrowing firm's management since the transition will weed out the incompetent and inefficiently managed business concerns.

The economy of the country, on the whole, is sound and while certain weaknesses, such as the rigidity of costs, have developed, these, too, will be overcome through more efficient labor-saving devices and management. Once the transition is over, based on the dynamism of the economy, the rapidly growing population and the increase in the standard of living, business activity is bound to reach levels higher than those which prevailed during the period of the boom.

Bank of America Group Offers Los Angeles School District Bonds

A group headed by Bank of America, N. T. & S. A. is offering two new bond issues totaling $30,000,000 consisting of $10,000,000 Los Angeles City School District and $20,000,000 Los Angeles City High School District, 2½% bonds, election 1952, Series C, due July 1, 1955-79 inclusive. The bonds are priced to yield from .80% to 2.70% according to maturity.

Also associated in the offering are: The Chase National Bank; The National City Bank of New York; Bankers Trust Company; Harris Trust and Savings Bank; J. P. Morgan & Co. Incorporated; Guaranty Trust Company of New York; The First Boston Corporation; Blyth & Co., Inc.; Smith, Barney & Co.; American Trust Company, San Francisco; Continental Illinois National Bank and Trust Company of Chicago; Chemical Bank & Trust Company; The Northern Trust Company; Lazard Freres & Co.

Drexel & Co.; R. H. Moulton & Company; Glore, Forgan & Co.; C. J. Devine & Co.; Merrill Lynch, Pierce, Fenner & Beane; The First National Bank of Portland, Oregon; Security-First National Bank of Los Angeles; Seattle-First National Bank; R. W. Pressprich & Co.; The Philadelphia National Bank; California Bank, Los Angeles; Equitable Securities Corporation; Bear, Stearns & Co.; Dean Witter & Co.

William R. Staats & Co.; Heller, Bruce & Co.; John Nuveen & Co. (Incorporated); Mercantile Trust Company, St. Louis; Reynolds & Co.; J. Barth & Co.; Laidlaw & Co.; Trust Company of Georgia; A. M. Kidder & Co.; Schoellkopf, Hutton & Pomeroy, Inc.; Laurence M. Marks & Co.; Clark, Dodge & Co.; Wertheim & Co.; W. H. Morton & Co. Incorporated; L. F. Rothschild & Co.; Francis I. du Pont & Co.; Bacon, Stevenson & Co.; Chas. E. Weigold & Co. Incorporated; R. S. Dickson & Company Incorporated; The Illinois Company; City National Bank & Trust Co., Kansas City, Mo.; F. S. Smithers & Co.; G. H. Walker & Co.; Roosevelt & Cross Incorporated; Ira Haupt & Co.; Bacon, Whipple & Co.; Shearson, Hammill & Co.

CORRECTION

In the "Financial Chronicle" of May 13 in reporting that Henry G. Isaacs had become associated with Shields & Company in Florida it was indicated that Mr. Isaacs had formerly been connected with Wyllie and Thornhill in charge of their Norfolk office. We are informed that this was in error as he had never been affiliated with the latter firm.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market continues to back and fill, because it is waiting to see what is going to be done to make the intermediate and longer-term issues attractive to investors. Demand for Treasury bills and other short-term issues continues to be as strong as ever. Commitments as far as most investors are concerned, aside from those that are being made in the short Governments, seems to be confined mainly to preferred stocks and private placements. Likewise, there appears to be no shortage of offerings in the corporate and tax-free fields, the calendar for next month or so being on the full side. This has taken more than a minor amount of interest away from the longer Government securities.

It seems as though the money markets were not given enough help during and after the recent refunding and new money raising operation to bring about the proper digesting of the securities which were involved in that affair. It is reported that the floating supply of the new 1⅞% note is still fairly large, even though this issue is still moving into strong hands.

Technical Position Confusing

The Government market is again in one of those technical spots which it gets into every once in a while, because investors as well as traders and dealers are confused by the way the market itself is behaving. There is no denying that the financial community is still looking for the answer as to why the short-term market should be so strong compared with the rest of the market. This is particularly true without "liquidity preference" being the important force, which is not the case this time. The abundance of money which is available for the purchase of Treasury bills is further supplemented by the buying of these same securities by the Federal Reserve Banks. To be sure, this is one way in which money is made available to the money markets by short-term "open market operations," but on the other hand, it does increase the competition for the available supply of Treasury bills.

The intermediates and longer end of the Government list has not been effected so far by the Treasury bill "open market operations" of the monetary authorities, and there are indications that it will not be for quite some time to come, if at all. The fact that President Sproul of the Federal Reserve Bank of New York has been talking about "open market operations" being something other than just the purchase of Treasury bills seems to be rather well illustrated by the way in which the intermediate and long-term Government market is acting.

Long Positions Eschewed

The mental make-up of the present money market is such that dealers and traders are not interested in taking positions in anything but the shortest maturities. It is admitted, however, by most money market specialists that there is no feeling of bearishness in the Government market, nor are there any signs of liquidity preference coming back into the picture. These two factors are the forerunner of tighter money conditions, which is not likely in the foreseeable future.

Nevertheless, it seems as though there will not be much of a change in this attitude of the trading fraternity until something more tangible comes into the picture either through different or expanded open market operations or a change in reserve requirements of the deposit banks with time deposit requirements also being lowered along with the others.

Life Companies Selling on Balance

There are reports of switches being made by some of the larger life insurance companies, with the extending of maturities being the main theme in these operations. There are also advices to the effect that certain of the so-called very big ones in the life insurance business have been sellers of the intermediate and long-term Governments in order to get funds which have been put into preferred stocks and private placements. It is indicated that these sales have not been too sizable but, because of the uncertain position of the market, they have had a marked effect upon prices from time to time.

Pension funds, mainly the public variety, continue to make purchases of the more distant Treasury issues, but in this case also, there has been a reduction in the amounts seeking investment and there is a greater tendency to go shopping before making commitments. The private pension funds have been pretty much on the sidelines, because it is reported that private placements will tend to keep them on the well invested side for the time being.

Commercial Banks Offset Loan Decline

Commercial banks in the out-of-town areas, according to advices, have been among the important takers of the new 1⅞% notes as well as the 3¼s of 1978/83. It is reported that these institutions have been putting new money into the 1⅞s of 1959, because there has been some rather sharp declines in loans in certain of these areas.

Savings banks have also been in on some of the switching which is going on, with the 1959/62 maturities being let out in some instances in order to go into selected longer-term obligations. Because of the thinness of the market, piece-meal operations have been resorted to in certain of these operations.

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 June 1, B. Douglas Hill was appointed an Assistant Vice-President. He was formerly an Assistant Cashier and will continue in his present assignment in the Mid-West District of the Bank's Domestic Division.

* * *

The appointment of Harold W. Rasmussen, Vice-President of **The Marine Midland Trust Company of New York** as head of the Bank's Foreign Department has been announced by James G. Blaine, President. Mr. Rasmussen has been associated with this department since 1946.

Mr. Rasmussen was associated with the London Office of the **Chemical Bank and Trust Company, New York** from 1936 to 1939.

* * *

A. Sumner Gambee was elected a Vice-President of **Empire Trust Company, New York,** it was announced on June 1 by Henry C. Brunie, President of the Bank. Mr. Gambee will be in charge of the Bank's formed Insurance Department. He was a former officer of the **Chase National Bank, New York.**

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Appointment of Charles P. Markey as a Trust Officer of **Manufacturers Trust Company, New York,** was announced on May 28 by Horace C. Flanigan, President.

Mr. Markey is assigned to the personal trust department at the Main office, 55 Broad Street.

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Lawrence E. Van Etten has been elected Assistant Secretary of **Bankers Trust Company, New York,** according to an announcement by S. Sloan Colt, President.

Mr. Van Etten, who joined the bank staff in 1937, is associated with the corporate trust department in its bond division.

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Effective May 21 by sale of new stock the **Lafayette National Bank of Brooklyn in New York, N. Y.** increased its common capital stock from $1,250,000 to $1,375,000.

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The Nassau County Trust Company, Mineola, N. Y. received approval on May 20 from the Banking Department of the State of New York to increase its capital stock from $750,000, consisting of 30,000 shares of $25 par value per share to $1,000,000, consisting of 40,000 shares of the same par value.

* * *

The Nassau County National Bank of Rockville Centre, N. Y. increased its common capital stock from $550,000 to $670,000 by sale of new stock effective May 19.

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The Rye National Bank, Rye, N. Y., with common stock of $500,000, and the **Rye Trust Company, Rye, N. Y.,** with common stock of $215,000 consolidated as of the close of business May 14, under the title of "The Rye National Bank."

At the effective date of consolidation the consolidated bank will have capital stock of $732,200, divided into 366,100 shares of common stock of the par value of $2.00 each; surplus of $293,000; and undivided profits of not less than $100,000.

* * *

An increase in the common capital stock from $3,888,750 to $5,000,000 by a stock dividend effective May 20 was made by **The First National Bank of Philadelphia, Penn.**

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The **Ambler National Bank, Ambler, Penn.,** increased its common capital stock effective May 21 from $100,000 to $200,000. $50,000 of the increase was made by a stock dividend and $50,000 by sale of new stock.

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The **Upper Avenue National Bank of Chicago., Ill.,** increased its common capital stock effective May 18, from $600,000 to $800,000 by a stock dividend.

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By a stock dividend the **First National Bank of Manitowoc, Wis.,** increased its common capital stock from $200,000 to $300,000 effective May 18.

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By a stock dividend effective May 18 **The Florida National Bank of Gainesville, Fla.,** increased its common capital stock from $100,000 to $200,000 effective May 18.

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Election of William Henry Greenfield, of Chicago, as Vice-President of **Republic National Bank of Dallas, Texas,** effective June 1, was announced by Fred F. Florence, President of Republic.

He was employed by the **Continental Illinois Bank and Trust Company, Chicago, Ill.,** in 1933, and except for two years in the U. S. Navy, has been continuously employed by that bank, having advanced to the position of Second Vice-President.

His positions have included assignment in general operating divisions of the bank, its trust tax division, auditing, special service, collection and personnel divisions.

* * *

The Farmers and Merchants National Bank of Santa Cruz, Cal., with common stock of $100,000 and the **Peoples Savings Bank, Santa Cruz, Cal.,** with common stock of $100,000 consolidated as of the close of business May 14. The consolidation was effected under the title of "The Farmers and Merchants National Bank of Santa Cruz."

At the effective date of consolidation the consolidated bank will have capital stock of $200,000, divided into 8,000 shares of common stock of the par value of $25 each; surplus of $300,000; and undivided profits of not less than $188,000.

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The First National Bank of Oakdale, Cal., increased its common capital stock from $100,000 to $300,000 by a stock dividend effective May 18.

* * *

Neil J. McKinnon has been elected a Vice-President and a Director of **The Canadian Bank of Commerce, Toronto, Can.,** the bank announced. Mr. McKinnon will continue as General Manager of the bank, a post to which he was appointed in October, 1952; following seven years as Assistant General Manager, and extensive service in other positions in the bank.

* * *

The directors of **The Standard Bank of South Africa Limited, London, Eng.,** have resolved to recommend to shareholders at Annual General Meeting to be held on July 28 next payment of a final dividend of one shilling and three pence per share payable in British Currency and subject to income tax of nine shillings in the Pound, making total distribution of two shillings and three pence per share for the year ended Mar. 31, 1954, to appropriate £175,000 to writing down bank premises carring forward a balance of £338,133. Hitherto part of final distribution has been in form of bonus to shareholders. The whole of distribution now recommended is in form of dividend and will make the total payment for the year at the same rate per share as last year but on the increased capital. Bank's investment stood in books at less than market value as at Mar. 31 last and all usual and necessary provisions have been made. Register of shareholders will be closed from July 7 to 20, both dates inclusive.

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Air Conditioning Industry to Reach $4 Billion Mark in '58

C. E. Buchholzer, of the Airtemp Division of Chrysler Corporation, forecasts five sales record-breaking years for the industry with sales reaching $4 billion in 1958.

"The air conditioning industry can look forward to at least five sales record-breaking years," C. E. Buchholzer, of Airtemp Division of Chrysler Corporation, asserted in a recent discussion on the outlook for air conditioning.

Carl E. Buchholzer

"Our business is at the point now where companies must cease the 'make do' efforts to increase capacity as surging sales demand, and invest heavily in new plants, equipment, better production techniques and more flexible service training techniques.

"In all probability, the air conditioning industry will surpass the two billion dollar business volume mark this year. At its present rate of annual increase, the industry should top the four billion dollar record by 1958," the Chrysler Airtemp President predicted.

"If we can be guided by past economic history in this country, we realize now that we will have to sell more products to meet and surpass competition. This means a far greater production capacity must be developed—substantially more than what the entire industry now has at its disposal," he said.

"But by no means is it a sink or swim proposition," Buchholzer cautioned. "The individual air conditioning manufacturers are going to have to invest heavily in both added facilities and improved production techniques for the next two to three years in order to meet the four to five billion dollar potential market.

"It will be a mighty worthwhile investment," Buchholzer assured, "since both the demand for and ability to purchase air conditioning exists already and no doubt will continue to exist in our economy."

E. G. Phillips With Equitable Secs. Co.

Equitable Securities Corporation, 2 Wall Street, New York City, has announced that E. Gordon Phillips has joined the firm in its sales department.

Mr. Phillips had previously been associated with Carl M. Loeb, Rhoades & Co.

LETTER TO THE EDITOR:

Differ With Admiral Ramsey On Silver Purchase Act

Ben Harrison, President, and Ben Redfield, Secretary of the Spokane Stock Exchange, challenge views expressed by Admiral Ramsey in issue of the "Chronicle" of May 6, in which repeal of the Silver Purchase Act was advocated.

Editor, Commercial and Financial Chronicle:

You recently published an article by Rear Admiral Donald J. Ramsey (Ret.) urging repeal of the Silver Purchase Act. It was the kind of propaganda that could be expected to come from the legislative counsel of the Silver Users association. It so distorted the true picture that we cannot let it go unchallenged.

He asserted that the Silver Purchase Act is unsound from a monetary point of view and silver producers are being paid a subsidy at the expense of our monetary system. Doesn't he believe in having our silver certificates backed by silver? Or is he an advocate of just printing paper money as we need it? Is it unsound that the United States Treasury department in 1953 made a *seigniorage* profit of nearly $10,000,000 under the act by buying silver bullion from domestic producers at 90½c an ounce and then revaluing it at $1.29 an ounce to secure silver certificates? Testimony at a recent Congressional appropriations hearing revealed that the Treasury's revenue from this source in the last eight years totaled more than $300,000,000. Would Admiral Ramsey rather get this revenue from higher taxes on silver users and others?

He seemed greatly perturbed that the Treasury is paying silver miners about 5c an ounce more than the world price of silver. He called this a subsidy. If the producers are entitled to aid, he said, it should be on the same basis as every other commodity. He should know that the so-called silver "subsidy" is the only government monetary policy which doesn't cost the taxpayers a dime and also the only one yielding a profit.

He charged that the present silver "subsidy" is a windfall to some producers. The facts are that very few lead, zinc and copper mines could operate at a profit today without the income they derive from their byproduct production of silver. The Idaho-Washington Emergency Lead-Zinc committee pointed out recently that virtually all lead-zinc mines in the area would be closed now except for the silver content of their ores which has provided their profit margin in the period of low base metal prices.

Admiral Ramsey charged that silver producing interests exploit every opportunity for obtaining a higher price for silver. And he complained that the "silver block is prowling around again" with a bill to increase the price of silver to around $6.50 an ounce. Actually, it has been the well-financed lobbyists of the silver manufacturers who have prowled around every session of Congress for years seeking to knock out the Silver Purchase law. They used to blame these laws for the high price of silverware. That was before Former Idaho Congressman Compton I. White dramatically showed in Congress that the amount of silver going into a piece of silverware accounted for only a very small portion of the cost of the manufactured item.

As for silver producers wanting $6.50-an-ounce silver, none of them out this way ever even dreamed of such a figure. The largest domestic silver producer, Sunshine Mining Company, operating in northern Idaho, recently called attention to rising production costs and the fixed price of silver and said there is a need for the government to reduce its *seigniorage* charge of approximately 38c on each ounce of silver purchased.

Sunshine, incidentally, earned 58c a share in 1953, compared with $6.45 a share for International Silver Company, the world's largest silverware manufacturing firm.

Raising the price of silver would be a great conservation measure in that it would make possible the mining of submarginal zinc and lead ore now passed by and often lost forever in abandoned mine workings.

Repeal the Silver Purchase law and watch the already ailing zinc-lead mining industry fold up completely. That would delight the boys in the Kremlin. We believe it is high time that certain silver users stop being so greedy and halt their campaign of misleading propaganda against producers of this highly important metal.

Respectfully yours,
SPOKANE STOCK EXCHANGE
By BEN HARRISON,
President
BEN REDFIELD,
Treasurer

Spokane, Washington
May 27, 1954.

Am. Stock Exchange Honors Old Employees

Eighteen centuries of service by 63 employees of the American Stock Exchange were honored tonight (May 27) when John J. Mann, Exchange Chairman, awarded gold watches to the members of the market's Employees Quarter Century Club at the organization's seventh annual dinner at the Vanderbilt Hotel. The 63 individual members represent 30% of the total eligible employees of the Exchange. Five new members were inducted at the dinner.

The organization, organized in 1946, is composed of employees of the American Stock Exchange and its subsidiary, the American Stock Exchange Clearing Corporation, who have been with the Exchange for 25 or more years.

Guests of honor at cocktails and dinner, in addition to Mr. Mann, included Edward T. McCormick, Exchange President; Charles J. Kershaw, Vice-Chairman; David U. Page, Realty Associates President; Bertram R. Lowenfels, Clearing Corporation President; John S. McDermott, Members Five & Twenty Club President; Peter Barbis, Exchange Floor Clerks Association President; and honorary club members, Dr. Louis J. Fox and Henry H. Badenberger of Francis I. du Pont & Co. who helped organize the association while he was with the Exchange.

Joseph R. Mayer, President of the Quarter Century Club and Assistant Treasurer and Director of the department of finance of the Exchange, stated that the three vice-presidents of the Exchange, all of whom are members of the club, have a total of 105 years of service. Charles E. McGowan, Vice-President and Secretary of the Exchange will have a total of 38 years of service on May 28. He is the oldest employee in length of time with the Exchange. Of the seven departmental directors of the Exchange, five are members of the the club and have a total of 150 years of service.

LETTER TO THE EDITOR:

Burgess Statement an Argument For Return to Gold Standard?

Frederick G. Shull says continued confidence in the dollar requires immediate return to redeemable currency.

Editor, Commercial and Financial Chronicle:

In a statement before the Subcommittee on Federal Reserve Matters of the Banking and Currency Committee of the Senate on Mar. 29, 1954, Mr. W. Randolph Burgess, Deputy to the Secretary of the Treasury, said:

Frederick G. Shull

"From the founding of our nation until 1933, with interruptions in time of serious war, the dollar was firmly attached to gold. The gold value of the dollar, established under Washington and Hamilton, was not changed, except fractionally, for over 140 years. The confidence in the value of the dollar which this helped to instill in our people and the people of other countries was one of the foundations of the nation's spectacular success."

That statement is one of the strongest arguments I have yet seen in support of the theory that the United States should promptly return to the gold standard. In other words, it clearly admits that much of the "spectacular success" which the U. S. achieved was made possible by the "confidence in the value of the dollar" resulting from the fact that "the dollar was firmly attached to gold," and that the "gold value of the dollar, established under Washington and Hamilton, was not changed, except fractionally, for over 140 years."

Mr. Burgess admits that "savings and investments all depend on confidence that money will keep its value"; and that when "this confidence is broken," the "economic life is disorganized and retarded." Then, since it is so important that we establish "confidence that money will keep its value"—and since the gold standard is the only known reliable method by which money can be made to "keep its value"—why is the Administration so averse to getting back on the gold standard? All it needs to do is to lend support to legislation now pending in Congress.

More than 120 years ago (Feb. 22, 1834) Daniel Webster, addressing the Senate on "A Redeemable Paper Currency," said: "I have already endeavored to warn the country against irredeemable paper; against the paper of banks which do not pay specie for their own notes; against that miserable, abominable, and fraudulent policy, which attempts to give value to any paper, of any bank, one single moment longer than such paper is redeemable on demand in gold and silver."

Since 1933, we have been operating, continuously, with "irredeemable paper"; we continue to operate with it—notwithstanding the fact that the 1952 Republican Platform pledges the Administration to return our currency to "a dollar on a fully convertible gold basis."

How much longer must we go on with this "miserable, abominable, and fraudulent" type of money?

FREDERICK G. SHULL,
Connecticut State Chairman,
Gold Standard League.
2009 Chapel Street,
New Haven 15, Conn.

Eccles Urges Compromise Policy Toward Communism

Former head of Federal Reserve in talk before the National Association of University Presidents says our attitude toward Red China and other Iron Curtain countries only serves to weld Communist world more closely together.

Marriner S. Eccles, former Chairman of the Federal Reserve, and now Chairman of the First Security Corp. of Salt Lake City, Utah, in a talk before the National Association of University Presidents on May 3, stated that in any realistic appraisal of the world today we are bound to ask ourselves, "Are we embarked on the road to peace or the road to war?" We should have learned, he maintained, from the logic of events that wars never solved any of the world's problems but only accentuated them. Today we must recognize that the world generally is divided into two divergent political systems — the Democratic and the Communistic. Any idea that there could emerge a victor in a war between these two systems is totally unrealistic in the light of today's completely destructive weapons.

Marriner S. Eccles

Democracy, after winning World War II, Mr. Eccles holds, lost its opportunity to enforce the conditions of peace without risk of war. We are therefore forced by the relentless logic of events to accept the unpalatable fact that Russia and her satellites are copowers with the Democratic World.

We should know by now, he added, that the forces of Communism cannot be contained by isolated military efforts around the world and the cost in blood and treasure in attempting to do so is formidable, endless and futile. It would be far less costly and more successful to use our knowledge and substance to create economic and political conditions in the backward countries of the world which the Communists cannot exploit.

Mr. Eccles stated that it is equally important that we discontinue our blessing and backing of the reactionary governments that lack the confidence and support of their people, such as Chiang Kai-shek, and the French Colonial Government of Indo-China. We much not repeat the costly and futile mistakes of Korea by a military intervention in Indo-China. Having recognized Russia and all her satellites as well as Tito, Peron and Franco, it would seem that the time has passed when the Communistic regime of China should have been recognized by us as the ruling power which it is. Great Britain and most of the other countries of the Free World have done so long ago.

Nothing is solved by our denial of the fact that the Communist Government is the government of China, Mr. Eccles declared, stating that in fact our attitude toward China only serves to weld the Communist world more closely together. Realism instead of political expediency is sorely needed. A solution of the involved problems of Korea and Indo-China, which so directly affect Red China and the Free World now being discussed at the Geneva Conference, will not be hastened by Mr. Dulles' refusal to either speak to or look at Mr. Chou En-lai, Red China's Premier, as reported by United Press.

We must recognize sooner or later that economic necessity is more powerful than any other force in ultimately determining the course of history, is the view of Mr. Eccles. We are therefore going to find ourselves increasingly isolated from our natural political alliances if we do not accept the fact that the nations of the Free World must trade with those of the Communist World, Mr. McCarthy notwithstanding. Japan, for example, cannot long survive as a free nation without such trade.

Mr. Eccles concluded that "Although at this time it is unfortunately still necessary for the Free World to maintain a defense effort sufficient to deter war, it is, however, even more important that we recognize the wisdom and the value of the principles of compromise. Essentially the human race has no wish to blow itself to bits for with all of its diversity it has far more in its heart that unites it than divides it."

Bond Club of L. A. Annual Field Day

LOS ANGELES, Calif. — Plans for the Annual Field Day of the Bond Club of Los Angeles are moving rapidly ahead with the appointment of a Field Day Committee under the Chairmanship of Deeb Peter, of Blyth & Co., Inc. Members of the Committee include Robert Crary, Jr., of J. Barth & Co.; Thomas Drummond, of Paine, Webber, Jackson & Curtis; Olaf Lighthill, of Gross, Rogers, Barbour, Smith & Co.; Wm. McCready, Jr., of Revel Miller & Co.; Donald Summerell, of Wagenseller & Durst, Inc.; Wm. Witherspoon, of Witherspoon & Co.

Under the direction of the Committee, Bond Club members will participate in a full day of activities at the Wilshire Country Club on June 11.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of the late William H. Bade to Louis J. Dupre was approved by the Exchange, May 27.

Transfer of the Exchange membership of the late Arthur J. Vogel to Edwin R. Wallace was approved by the Exchange, May 27.

Transfer of the Exchange membership of the late Alexander J. Burns to Robert H. Oliver was approved by the Exchange May 27, 1954.

Transfer of the Exchange membership of Harold S. Baird to Earl S. Baird will be considered by the Exchange June 3.

Transfer of the Exchange membership of the late Miles H. Vernon to Earl T. Risser will be considered June 3.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

In the search for investment values one of the most common practices among analysts is to look for those securities selling below book or liquidating value. The thought behind such efforts is that it is possible to profit by realizing the discount either through merger, liquidation or a higher appraisal of the shares.

As a general rule, insurance stocks sell at discounts and would seem to offer an attractive field for investment on this basis. However, it should be pointed out that very seldom is an insurance company liquidated. Occasionally a company is dissolved because of financial problems but this is not for the purpose of withdrawing equity capital. Similarly merger has not been a popular practice in recent years of realizing discounts among insurance companies. In part this is a reflection of the shortage of insurance capital and in part the method of doing business.

Thus in seeking values among insurance stock too much significance should not be attached to liquidating values. However, it should be used in combination with other factors in judging the potential of a particular situation. Also it is interesting and instructive to see how investors value the effectiveness of invested capital in different companies by determining the extent to which shares sell above or below book value.

Accordingly in the table below, we show the current market, the liquidating value as of Dec. 31, 1953, and the market as a percentage of liquidating value for 26 of the leading insurance companies. Where appropriate figures have been adjusted to the present capitalization of the respective companies.

	Current Market	Indicated Dividend	Yield	Liquidating Value Dec. 31,'53	Market As Percent. of Liquid. Value
Aetna Fire	63½	$2.40	3.77%	$101.38	62.6%
Agricultural Insur.	31½	1.60	5.08	54.54	57.8
American Insurance	29¼	1.20	4.10	38.44	76.1
Boston Insurance	36½	1.40	3.84	46.86	77.9
Continental Insurance	85¼	3.00	3.52	97.25	87.7
Federal Insurance	31½	.70	2.22	29.47	106.9
Fidelity-Phenix	86¼	3.00	3.48	109.11	79.0
Firemen's (Newark)	33⅛	1.00	3.02	47.67	69.5
Glens Falls	67¾	2.00	2.95	83.25	81.4
Great American	39¼	1.50	3.82	47.65	82.4
Hanover Fire	40¼	1.80	4.47	69.30	58.1
Hartford Fire	168	3.00	1.79	149.90	112.1
Home Insurance	43½	2.00	4.60	61.47	70.8
Ins. Co. of No. Amer.	92¾	2.50	2.70	78.16	118.7
National Fire	81	3.00	3.70	137.41	58.9
New Hampshire	44	2.00	4.55	70.56	62.4
North River Ins.	33	1.40	4.24	45.29	72.9
Pacific Fire	87	3.40	3.91	141.21	61.6
Phoenix Insurance	103½	3.40	3.29	148.33	69.8
Providence Wash'gton	28¾	1.50	5.22	49.47	58.1
St. Paul Fire & Marine	44	1.00	2.27	33.72	130.5
Security Insurance	43½	1.60	3.68	63.65	68.3
Springfield F. & M.	52	2.00	3.85	85.03	61.2
U.S. Fidel. & Guaranty	69½	2.00	2.88	73.49	94.6
United States Fire	43½	1.80	4.14	63.71	68.3
Westchester Fire	27	1.10	4.07	36.74	73.5

Some qualification should be mentioned in connection with the above figures on liquidating values. As a substantial portion of the value is based upon appreciation in security holdings, either of subsidiaries or direct stock investments, it is obvious that a sizable tax liability would be incurred should the securities be sold or the company liquidated. Therefore, to the extent that a tax liability might be incurred the liquidating values are overstated.

Obviously the potential tax liability is greater for some companies than for others. Where a company has held a large common stock position for a long period, its profits may be greater than one where a policy of investing primarily in bonds has been followed.

In the above table it is interesting to see that investors are willing to pay 30.5% above the liquidating value of St. Paul Fire & Marine for its stock and accept a yield of 2.27%. In sharp contrast are Hanover Fire and Providence Washington which sell at 58.1% of liquidating value and yield 4.47% and 5.22% respectively. Obviously, investors view the future prospects of the companies quite differently.

Of the twenty-six companies only four sell at premiums over year-end liquidating values. Only one other sells above 90%. The average for the group is around 75%.

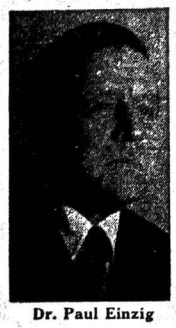
Historically insurance stocks have frequently sold closer to liquidating values than at present. Given a reasonably profitable period and a further modest increase in dividends, we would expect investors in time to value insurance shares closer to liquidatng values. In individual instances, the size of the discount on premiums will continue to depend on the investor appraisal of the efficiency of the capital employed.

Pressure for Sterling Convertibility

By PAUL EINZIG

Commenting on the widespread offensive, both in Britain and on the Continent, to force an early restoration of Sterling convertibility, Dr. Einzig holds, in some ways, Britain's position today is distinctly less favorable for a return to convertibility than it was in 1947. Contends when most civilized countries were on the gold standard, London's international position was exposed to shocks, because of the burden of maintaining convertibility of other European countries, and this burden Britain cannot bear today.

LONDON, Eng.—The last few weeks witnessed a revival of the agitation in favor of an early restoration of sterling's convertibility. Dr. Erhard, the German Minister of National Economy, is heading the campaign. In frequent intervals he makes public statements foreshadowing an early decision, possibly at the September meeting of the International Monetary Fund, but at any rate within the next 12 months, before the renewal of the European Payments Union agreement expires on June 30, 1955. His views are shared by many British economists, financial editors and politicians. And recently the British Broadcasting Corporation gave special radio facilities to Mr. Per Jacobsson, of the International Monetary Fund, who spoke in favor of an immediate return to convertibility.



Dr. Paul Einzig

Dr. Erhard's rather aggressive pleading tends to weaken rather than strengthen British opinion in favor of convertibility. He is respected and admired owing to his success in restoring the economic strength of Western Germany. But the fact that Germany is now a creditor while Britain is a debtor under the clearing arrangements of the European Payments Union is largely attributed to the lenient terms on which Germany's prewar debts were funded prior to her sudden recovery. And this circumstance makes British opinion reluctant to accept friendly advice from Bonn.

In any case Dr. Erhard would be the last person to claim that his advice is disinterested. He quite frankly wants Western Germany to eat her cake and keep it. He would like her to benefit by the freedom of trade within Western Europe, under which German exporters have a chance to unload large quantities of their goods in Britain and the Sterling Area. But at the same time he would also like to be able to acquire dollars with the aid of the sterling proceeds of those exports, in order to accumulate a gold reserve. Since it is quite obvious what he is after, his periodic pronouncements tend to strengthen British opposition to convertibility.

Mr. Per Jacobsson's pleading was much more liable to have made an impression, precisely because he has no obvious axe to grind. He does not favor convertibility for the sake of securing special advantages to his country — Sweden — at Britain's expense. For this reason his arguments have been subject to serious examination in Britain, all the more as he presented the case for convertibility from a new angle. His main thesis is that the convertibility attempt of 1947 was premature, and was foredoomed to failure, because it aimed at restoring freedom in foreign exchanges before it had been introduced in other spheres of the economy. In 1947 wartime controls were in full force. Now that most controls have been abolished he thinks Britain should try again to abolish exchange restrictions.

He is emphatic in condemning the provisions of the Anglo-American Loan Agreement of 1945, under which the premature convertibility attempt was made in 1947. But he is not on record as having criticized that provision at the time.

Mr. Jacobsson thinks that in 1954 convertibility would stand a better chance than it did seven years ago. He thinks that it is easier to restore convertibility in the absence of controls over production, trade and consumption. Yet on the face of it, it seems safer to make sterling convertible if the misuse of its convertibility can be kept in check with the aid of controls over other sections of the national economy. He believes that the removal of those controls has been made possible as a result of the mopping up of excess purchasing power inherited from the war. The fact is that the inflationary wages spiral is still in full swing in Britain. This means, that in the absence of controls, Western Germany and other dollar-hungry countries would be in a position to dump large quantities of goods on the British market, and that the conversion of the proceeds would make heavy inroads in Britain's dollar resources.

In some ways Britain's position today is distinctly less favorable for a return to convertibility than it was in the fateful year of 1947. At that time the dice were loaded in favor of British exporters, because there was a sellers' market in almost every line. By tightening the belt of the British consumer the British Government would have been in a position to secure a very large exportable surplus for which it would have been easy to find markets abroad. Today, even if it were politically possible to cut down domestic consumption, it would be very difficult, if not impossible, to find alternative markets overseas. In the meantime Germany and Japan have re-entered the field.

The only respect in which conditions are more favorable today than they were in 1947 is that this time Britain would not be the only country to restore convertibility. Western Germany, Holland, Belgium, and the Scandinavian countries would follow the lead, so that the burden of the pressure by dollar-hungry countries would be less unevenly shared. Even so, in practice it would be found that, owing to its position as an international banking center, London would have to shoulder the main burden. When most civilized countries were on the gold standard, London's international position exposed Britain to shocks, in spite of the fact that in theory all countries on the gold standard were supposed to share the burden. Before 1914 Britian's international financial position was strong enough to withstand the shocks, but between 1925 and 1931 they placed her at a grave disadvantage. There is no reason to believe that it would be otherwise if convertibility were restored in the near future.

The weakest spot in Mr. Jacobsson's case for convertibility is the absence of the realization that in the long run sterling can only remain convertible if British and Sterling Area goods are allowed a freer entry into the Dollar Area. While he has a great deal to say about the way in which convertibility would facilitate American exports he is silent on the question of how these exports could be paid for. Obviously, unless they could be paid for by the American taxpayer in the form of continued dollar aid, they would have to be paid for by means of increased exports to the United States. There are no indications of any increasing willingness on the part of American opinion to accept payment in that form. For this reason alone all arguments in favor of convertibility must de dismissed as invalid.

Puerto Rico Lists 33 Tax Exempt Products

10-Year term includes cigarettes, sanitary ware, canned foods, cosmetics, clothing and hosiery.

SAN JUAN, Puerto Rico, U.S.A. (May 28)—The Puerto Rico Economic Development Administration, sponsors of the Island's "Operation Bootstrap" program, has announced a list of 33 products exempted from taxation for a 10-year period under the Commonwealth's new Industrial Incentive Law No. 6. Under the law, any qualified firm locating here and manufacturing the listed items automatically enjoys complete exemption from all taxes for a decade. U. S. A. Federal Income Tax laws do not apply in Puerto Rico, which has no voting voice in Congress. Since Puerto Rico is a Commonwealth of the United States, goods manufactured in the Island enter the States free of duty.

Following is the list of products which grant firms tax exemption in Puerto Rico:

Straw, reed fibre products
Artificial flowers
Baseballs
Bedsprings, mattresses
Paints
Soaps
Canned foods and extracts
Ceramics, sanitary ware and tiles
Diamond and precious stone polishing
Fishing equipment
Slaughterhouse products
Leather products
Automotive bodies
Candles
Candy
Animal feed
Cigarettes
Perfumes and other cosmetics
Hosiery
Biscuits, crackers and pretzels
Furniture
Clothing
Gloves
Paper products
Rugs
Shoes
Cigars
Food pastes
Leather, tanning, finishing
Tin products
Edible oils and fats
Glassware
Hydroponics

Form B. F. Fagenson Co.

Bertram F. Fagenson, member of the New York Stock Exchange, general partner and Leon Hess, limited partner, will form B. F. Fagenson & Co. wth offices at 52 Broadway, New York City, effective June 15.

Chicago Analysts to Hear

CHICAGO, Ill.—On June 10, O. Parker McComas, President of Philip Morris and Co., Ltd., Inc. will address the luncheon meeting of the Investment Analysts Society of Chicago, to be held at 12:15 p.m. in the Georgian Room, Carson Pirie Scott & Co.

Continued from first page

As We See It

didly stated the opinion that the authorities showed faulty judgment in its firmer money policy during the earlier months of 1953. The psychological effect, so he says, was bad, and a turn-about in policy was promptly inaugurated. No one has taken the trouble to explain under just what conditions firmness in central bank policy is in order—if it was not due in 1952 and early 1953.

Of Doubtful Wisdom

The wisdom of all this as a matter of purely domestic concern or application seems doubtful enough in its own right. But, of course, such developments as these are rarely confined within the borders of one country — not when they take place in the economic center of the world. Higher rates have been attracting short-term funds to London, and sterling has been pushing steadily at the upper limits set by the British authorities, who, apparently, have been buying dollars to keep control of their own currency. And now more recently the British have come—somewhat reluctantly one suspects—to the conclusion that they had to follow New York with another reduction in their discount rate. The movement soon spread from London to the Continent, and the wave of easy money policies seems to be destined for world wide observance.

Is there any one who really believes that lasting good can come of this sort of thing? Apparently there are, for one finds defenders of the faith vocal enough in all conscience, but by what process of reasoning can they come to such a conclusion? It appears to have become a widely accepted assumption that steps which drive interest rates down quite arbitrarily and by brute force, as it were, are in order whenever the money managers get the idea that business activity otherwise is likely to decline. In recent times this idea appears to have gained such a foothold among the rank and file that one rather rarely hears it questioned any more—nor, for that matter, the companion notion that somehow the trend of business conditions can be reversed in this manner.

It appears now to be commonly supposed that notions of this sort come down from the ancient authorities and have been tested again and again in practical experience. Yet nothing could be further from the truth. Ideas such as these, contrary to what at times appears to be the common belief, had no place in the doctrines of the classical British theories of central banking. Nothing could have been further from the thought of Walter Bagehot, the leading authority in Britain on the subject. Bagehot took the initiative in insisting that good central banking demanded that funds be made available to worthy borrowers in times of financial panics more or less regardless of prevailing circumstances. His ideas on the subject prevailed and are regarded by close students of the subject today as fully valid. This doctrine sometimes seems to be confused with the belief that central banks should virtually force money down the throat of the financial community in order to stimulate business activity. The two are obviously wholly different proposals.

Time to Speak Up

The time is definitely come for those who know better than to accept these strange ideas to speak up. It requires courage, of course, and it is for that reason that we have been heartened to find in the current issue of "Banking," the journal of the American Bankers Association, a frank statement of some of the facts of this case by E. Sherman Adams, Deputy Manager of the Association. Says Mr. Adams:

"What can be expected from an easy money policy? Does it simply remove impediments to the flow of credit? Or it is, in addition, a positive stimulant to the use of credit? . . .

"The chief objective of an easy money policy, surely, is to make certain that credit is adequately available. This is largely a matter of eliminating pressures that might make lenders cautious and might inhibit lending and investment policies. It means seeing to it that the banks are amply supplied with reserves and giving them confidence that they will have no difficulty in obtaining additional reserves if they need them. It is largely a negative matter of avoiding a restrictive policy which might discourage the extension of credit. It also insures against a shortage of credit.

"An easy money policy cannot be expected to reverse a decline in business activity. It cannot do much more

than remove pressures that otherwise might be deflationary."

Here is a warning, an extremely cautiously worded warning, but still a warning which the apostles of the new thought about credit management should take to heart. The country, all of us in it, would be the gainer if the authorities did so.

Yet in certain particulars we feel constrained to go even further than Mr. Adams did. Is it always wise to encourage borrowing? Is there never a time when all of us would be better off if a restraining hand were laid upon reckless borrowers. Is it always wise to spur business on to greater activity by means as artificial as making it easy for it to go further into debt? We have no doubt that Mr. Adams would answer such questions as we would, but is it not time that some one raised them with the rank and file?

Continued from page 5

The Next Heat of Steel

of employee attitudes or in our research laboratories, are bringing to pass new and greater opportunities for the use of our products. We can visualize greater use of steel in construction, for interior and exterior walls; steel capable of withstanding speeds, pressures and temperatures for tomorrow's aircraft; steel in greater quantities to meet the ever-growing needs of our rapidly expanding population. In considering the long list of potentialities facing our industry is to realize that, despite the past progress of which we are so justly proud, the steel industry in these United States may well be only in its infancy.

As leaders destined to have a part in this dynamic era, we are confronted with greater responsibilities than many of us may have comprehended. None of us is exempt from the necessity and duty to marshal his talents, his ability and his energy in supporting jointly and individually through eternal vigilance the supremacy of our economy and our freedom and our way of life.

As steelmen, there is no limit to the scope of the role we must play in gearing the industry to new triumphs through application of all developments that will contribute to the national well-being. Doubtless, there are many other important phases of our business which need to be examined critically and programmed for inclusion along with other ingredients essential to the making of the next heat of steel.

Keeping Opportunity Open

In the early years of the Institute, the primary responsibility of its members in preserving private competitive enterprise was to render a service in the hope of making a profit. In the intervening years, however, much has occurred to divert us from this objective. Various forms of totalitarianism have swept over great portions of the earth. In our nation, for instance, as a result of long periods of war-time economy, with its controls, restrictions and regimentation, deep wounds were inflicted and lasting scars were left on the nation's economy.

Out of this national and international upheaval, it has become apparent that busines cannot survive solely on its original premise. We are confronted now with a greater challenge. It is the additional task of keeping the opportunity open to render a service and make a profit.

To understand how this new purpose of business came into being and to know how it can best be performed, one must be aware first of the tremendous forces which have been at work on the minds of our citizens. The elements that burrowed into the framework of our Federal Government were able to take advantage of our unbounded faith that Constitutional freedom would always prevail. Thus many who reached influential positions were able to dispense collectivist philosophies almost at will.

The steadily increasing complexities of business and finance, of government and community affairs, presented projects ready-made for the collectivists. This is well exemplified by an incident related to me some time ago by a friend of mine in the Navy. The submarine in its early stages, while an important component of the Navy, was nevertheless a relatively simplified mechanism. It was projected, as you know, into the realm of greater importance during World War II and many new and complex gadgets were added. Radar and numerous items of electronic equipment were installed. As my friend said, the only operations on a submarine not electronically controlled or mechanically performed were the card games in the crew's quarters and the daily entries in the Captain's log.

One important factor was overlooked. During a test, with all of this fabulous equipment functioning simultaneously, the horrifying discovery was made that the telephone system was inadequate. It was able to relay to the bridge only one-tenth of the vital information necessary for proper operation of the craft.

I mention this only to emphasize the point that the growth of modern industry parallels this closely. With the introduction of technical devices, new and varied processes, the addition of staff in engineering, research, personnel and methods, improvement areas, and the complexities growing out of the closer relationships between industry and community life, our communications became strained. We have had the leaders but have not been able to coordinate all of the necessary ingredients in our business to enable us to cope with the social and political theories that have vitiated our full potentialities. We have rendered a service in the hope of a profit, but our efforts to keep opportunity open still leave much to be desired.

Putting "Mental-Lurgy" to Work

Leadership, as all of us know, is a job that, once assumed, entails responsibilities far beyond the call of routine duty. It is with us 24 hours a day, and unless we give it 24-hour attention, our production of "off heats" will get out of hand.

It will be through the ability of steelmen to be expert "mental-lurgists" as well, that we shall prove finally that private enterprise can meet the challenges before it. We must give evidence that we are vitally interested in obtaining the full support and cooperation of our employees and management people. And this is where business leadership in the days ahead will meet its most crucial test.

As close as we are to the human scene, we have allowed others to speak for us too often in matters vital to the successful performance of our jobs. Many of us recall not so many years ago when we were divested of a long-recognized right — when we were literally denied the opportunity to exercise what we have always regarded as a responsibility in giving sound leadership and counsel to employees. The employer is the natural leader of his employees and always will be despite academic beliefs and doctrinaire teachings to the contrary.

There is another area wherein affirmative leadership is necessary, and that is in building a better understanding of our national economy among the members of business and industry. We need more frank and basic discussion in defense of private capitalism—not in terms of bath tubs and washing machines, but in terms of sound fundamentals.

Our people need to develop a stronger realization that money is useful only as it retains its potential to command goods and services, and anything which detracts from this potential lessens the value of that money. Our people need a better understanding of the elusive word "security." They need to know that security cannot be guaranteed at the bargaining table any more than it can be bought with taxes. The only real security the world has ever known is the product of honest effort and the ability, manifested in our way of life, to produce more at less unit cost to the end that our economy can be maintained on a healthy growing basis.

Rear Guard Action

An ingredient that should also be considered in the next heat of steel pertains to industrial leadership as expressed through business associations. It is a well known fact—particularly among subversive elements we might add —that we are a nation of joiners. The members of business and industry have more than 1,600 national trade associations which range in purpose from the exchange of highly technical information to a good excuse for a night out with the boys.

Recently, we had occasion to review an analysis of approximately 20 typical business organizations. This group alone listed annual budgets totaling more than $15 million—$15 million for only 20 out of 1,600 trade associations. These organizations provide information and services on a great variety of subjects and appear to be doing a good job in this direction. But do you know what your membership in these organizations is buying? Do you know what the organizations stand for, what their objectives are, what they are saying to the public and whom they are sponsoring in their day-to-day efforts?

For example, of the organizations covered in this review, only four listed the advancement of private enterprise among their principal aims. In six of the group, opposition to Socialism was considered a secondary objective. And almost without exception the associations were ignoring the importance of action and information at the state and local levels. One could only conclude that if the battle of the century is for the minds of men, private capitalism, the way matters have been going, is at a distinct disadvantage and at best pursuing a read guard action.

Local, State and National Action

The matter of state and local action comprises a third and equally important function. Think with me, if you will, what could be accomplished if every member of management, from the front-line foreman to the highest executive, were a ready, alert and forceful spokesman for individual freedom and our traditional economy. No longer would civic meetings and social gatherings be ready-made platforms for the promulgation of ideas and theories which are alien to human liberty and all that it has come to mean to us. Like me, some of you may not be ardent poker players, but I believe you will know what I mean in saying we must begin to "call the hands" of those who gamble with our economic and personal freedoms.

In the character-building institutions of this land and through such outstanding programs as Junior Achievement, Boy Scouts and other organizations, the future of individual and industrial freedom is being shaped in the minds of our young people. Such programs merit the wholehearted moral and financial support of all freedom-loving people. Again, what are we doing, as individuals, to assure that our educational facilities are giving our young people a clear and lasting understanding of the full potential of economic freedom? Participating citizenship is a major responsibility of business management, and it extends into every area of community activity.

And then there is the matter of our national efforts as businessmen and as individual citizens. If there is one quality which the people of this land require and admire in their dealings with business and with each other, it is the quality of integrity. We have done an excellent job in this respect within the business world. In all of my business experience, I have never encountered a situation where integrity was not the first requisite for success. A business may produce a service or seek to fill a human want, but regardless of its end product, its procedures must be honorable. It is through the respect we gain among the people of this land that we can best secure their wholehearted faith in a profit-motivated, privately operated economic system of unlimited opportunities for all.

Straightening Out Twisted Facts

Gentlemen of the Institute, I cannot flash a red alert, nor can I push the hand to one minute to midnight, but I am very much concerned. The problem of dissipating a people's freedom, or worse, letting it go by default, is not a new experience. In the long history of mankind, it is recorded that the world has known only a few centuries of constitutional government such as we have lived and flourished under in these United States. The experiences we have encountered personally have been experienced by men who have preceded us —men with just as much courage as you can find in the broad expanse of this land today. The only difference is that the free competitive enterprise system as fostered by this Republic has created an enlightened leadership in greater numbers than found in any previous era or under any other governmental system. Yes, we have more enlightened leaders, numerically, but unfortunately they appear to be more engaged on local job level problems than they are in those which impinge on our local government and national solidarity.

Commerce under the old dynasties and empires and even governments of more recent times, had its leaders but it was always an elite, a select group, definitely limited in numbers. In this country there is no select or elite class representing annointed leadership and at no period in history has there been the potential talent available as is present in this great land of ours and it should be encouraged to combat any time any forces inimical to the tenets laid down by our founding fathers.

In China around the Fifth Century B. C. a large bureaucracy was built up that laid the groundwork for some of our modern economic planners and many of the programs they espoused are as familiar as yesterday's news.

There is another warning for our nation in the factors which brought about the decline of the Roman Empire. It perished through the foolishness of its own citizens who came to believe that a powerful, central government could solve every economic problem. In turn, the people were burdened with higher and higher taxes and bigger and more arrogant bureaucracies. When there was unemployment, the Roman Government launched public works projects. When there was a flood or a famine, the provinces turned to the Roman Government for aid. Agriculture, industry and commerce were regulated and administered by the central government. And when this strangulation was complete, the Roman Empire perished.

Yet, we have learned little from the archives of past economic failures. Down through the years, in virtuallly every country in the world, progress has been held back for decades while socialistic theories run their course of hope and frustration to fail in the mire of excessive controls, taxes and bureaucracy.

And what of our own nation? The experience of the past 20 years, with the exception of the last year or so, was one of steady progress by the economic soothsayers. We have not as yet thrown off punitive taxes or vast government spending or government-sponsored monopolies and a cheapened national currency. In particular, we still have the graduated income tax system of Karl Marx. It is alarming that these programs are referred to in some quarters even now as landmarks in Twentieth Century progress.

Charge the Next Heat of Steel Well

How long can we continue to ignore these lessons of history? The answer, in part, lies with those of our leadership forces in this nation, who have not sufficiently interpreted the results of these experiments and thereby failed to alert their fellow citizens.

Gentlemen, as we prepare for the next heat of steel, let us embrace the number one attribute for success, which is to think logically and clearly to a conclusion so that we may charge it with vision and imagination; integrity and a full measure of employee understanding; a knowledge of the past and truthful appraisal of our future objectives; faith in freedom, and trust in Constitutional government. And above all, let us keep the opportunity open to continue rendering that service to our economy through profitable private enterprise with the just rewards that accrue to good honest American effort.

And every day, whatever your activity, keep watch over this vital task before us and say, with me, "God help us to preserve this land where freedom's bounties have no end."

La Salle Street Women Elect New Officers

CHICAGO, Ill.—The La Salle Street Women held their Annual Meeting on May 13, 1954 at the Chicago Bar Association.

Miss Joan Richardson of Glore, Forgan & Co. was re-elected President of the organization. The following officers will serve in the capacities designated:

Mrs. Aleta B. Kitchen, Illinois Agricultural Association, Vice-President; Miss Ivy Etter, Voss and Company, Recording Secretary; Mrs. Margaret Femyer, Glore, Forgan & Co., Corresponding Secretary; Miss Mary Barbatosta, Hallgarten & Company, Treasurer.

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Productivity, Competition And Dollar Shortage

American Aid ($7 billion in 1953, presumably $7.4 billion this year) is another unsafe anchor; so are last summer's good crops and last winter's Russian gold. The improvement of the dollar positions, combined with the relaxation of exchange and domestic controls in Europe, brought about a reversal of capital flight—perhaps the most important single factor, but one of doubtful duration, too. And the commercial progress of most countries is due not so much to an appreciable advance of their dollar exports, highly subsidized as these are, as rather to the ruthless cutting of their dollar imports. Which means that they cannot buy their imports in the cheap markets and have to maintain artificially high domestic price-cost levels. At that, several European countries, Britain and France in particular, profit dollar-wise by the mechanism of the European Payments Union, which permits them to buy on-the-cuff from other members: from Germany, Switzerland, Belgium, Holland—and Austria. (In addition to aid from America, the British and French "draw blood" from their neighbors, also.)

So far as most European nations are concerned, this is a highly unstable situation. The essential problems remain unsolved, namely, the necessity to increase their exports into the Dollar Area; and to attract capital therefrom. Of course, the second problem hinges on the first: foreign capital shies away from countries which constantly or intermittently clamp down on the servicing of debts because of a "fundamental disequilibrium" in their trade balances.

Productivity and Exports

Why are the European soft money countries still unable to achieve a genuine balance of their international accounts, and to forego American assistance as well as the vicious discriminatory policies against Dollar Area exports? A stock answer to this question consists in blaming the U. S. tariff. But that is refuted by the fact that the same accusers feel compelled to barricade themselves against American industrial products which are evidently either cheaper or of better quality (at the same price) than their own. For this same reason, U. S. goods displace British products on third markets—even within Empire preference barriers (Canada!). Obviously, U. S. duties are not responsible in the one case or in the other. Take, for example, the textile trade.

Britain was world leader in textile exports as late as in 1937. But between then and 1951, the share of the U. S. in world exports rose from 5 to 15%, while Britain's share fell from 36 to 27%, in spite of the fact that British wage rates are one-third of the American. "One reason for price (and cost) differences between European and U. S. products," for both cotton and rayon textiles, the April, 1953, "Staff Paper," of the International Monetary Fund pointed out, "appears to be greater efficiency in the United States," especially so in the weaving sector of the industry. This is a complex industry, with a vast number of processes and products, exposed to the consumer's whims. Standardization and conveyor-type production cannot be applied to any such extent as to give America's capital-supremacy an opportunity Europe could not match. The latter's plants need be neither smaller nor less well-equipped than ours.

This is very significant. American industrial supremacy in productivity terms is often ascribed to the fact that ample capital resources are available, while other countries are short of capital. In reality, capital shortage is to a large extent a consequence of misguided policies, such as anti-capitalistic tax systems, money manipulations, unruly labor conditions, etc., which discourage savings or drive them into hiding. "Physical" controls produce the same result. They, too, foster capital flight out of the respective countries, or impede the return of hidden funds. Shortage of risk capital is largely Europe's own undoing, not the least because governmental ventures and social expenditures absorb too large a share of capital market funds. And much of the governmental or "directed" investment flows into relatively unimportant, if not totally unproductive channels, wasting precious resources, to say nothing of the ultra-protectionist tendency to produce everything within each country, and to forget the drain on capital by such excessive industrialization.

Nay, American leadership in O. M. H.—output per man-hour—is not simply a matter of capital availability. Nor are we so much ahead in entrepreneurial ability, "know-how" and labor skill that Europe could not stand the competition. It actually does stand it along specific lines even under present circumstances. The difficulty lies deeper, first of all in Europe's comparatively inefficient use of such vital resources as are at its disposal. This is what comes to appearance in remarkably low labor productivity, measured by American standards. As a patriotic Englishman, Graham Hutton, pointed out in his penetrating study ("We Too Can Prosper," 1953): "Between 1950 and 1951, the mere **increase** in American output was more than the total output of Britain—yet America has only three times Britain's population, and has a smaller proportion of all her people at work in manufacturing industry." In fact, Britain's manufacturing employees number 50% of the Americans in the same endeavor, and work 10 to 12% longer hours than the latter. But—

> The American workman produces more in his hour, year, or life of work, not because of a higher American average of brain, brawn, skill, and potentiality, but because of much bigger (and easier) saving and capital investment, better arrangement of work, better application of the human being to the work as arranged, and better rewards for the work. That is the overwhelming and unanimous conclusion of the A.A.C.P. Teams. It is borne out by all the available evidence.

True, the average American worker has twice as much "horsepower" at his elbow. On the average, he is far better equipped with labor-saving instruments than is his Transatlantic counterpart. But Europe is lagging behind America in many other ways which do not depend on additional capital outlay, or to no major extent: in standardization and simplification of processes, in specialization and decentralization of functions, in the reliance on scientific measurements, the emphasis on research and innovations, close teamwork between labor and management, budgetary controls and standard-costing procedures, careful pre-planning of activities, the fullest possible speed and utilization of men and machines.

All of which is neglected in Western and Northern Europe, comparatively speaking (leaving aside the Southern countries), as borne out by the reports of the 47 labor-management and 21 "specialist" teams studying almost as many American industries on behalf of the postwar Anglo-American Council on Productivity. Their overwhelming consensus was that output per man-hour is two to five times larger in the U. S. than in the United Kingdom—where it is substantially ahead of the Continent, with the possible exception of Sweden and Switzerland. The reasons are numerous and complicated. They have to do with labor union policies resisting innovations which "create unemployment"; with the survival of antiquated traditions; above all, with the disincentives created by public policies. These disincentives impede entrepreneurs and employees alike.

Wages vs. Productivity

But competitive positions on the world markets are not determined by productivity differentials alone. What matters is costs per unit of output; wages enter into the equation, of course. Which brings us to the hard core of the problem.

More often than not, labor costs (including "fringe benefits") per unit of output are higher in European manufacturing than on this side, despite wage rates which vary between little more than one-half and one-fifth of the American rates. Yet, in Europe, total unit costs **tend** to be higher than ours.

The following figures on the comparative trend in manufacturing in the U. K. and the U. S. speak for themselves:

PERCENTAGE INCREASE BETWEEN THE AVERAGE OF THE LAST THREE PREWAR YEARS AND 1952

	U. K.	U. S.
Output per man	12%	40%
Hourly wage rates	100	130
Labor earnings	175	135
Volume of production	28	113
Wholesale price	220	100

In America, labor productivity rises at a rate three times faster than in Britain, but actual labor costs grow appreciably slower—there is the whole story in a nutshell, of the deterioration in the latter's competitive position. On a production volume and at a rate of output per man-hour, both of which lag far behind the progress of ours, labor in Britain records a progress in employees' earnings well ahead of ours. The same holds for a majority of European industries.

The **Dollar Gap reflects the lag of labor productivity behind paychecks.** To bridge the Gap, either wage rates must be reduced (which is out of the question) or per-man output enhanced. Competition being what it is, if Western Europe cannot adjust her costs to the (high cost!) American level, she will never regain a self-supporting status.

Germany's extraordinary progress since the 1948 monetary stabilization is rooted in the fact that her hourly wage **rates** in manufacturing lag behind labor productivity increases. The result is that **real** wage incomes rise and create more incentives for still higher productivity. For example, in the 12 months ending February, 1953, German industrial productivity per man rose by 6.1%, money wages by 4.4%, and real wages by 6.1%. In Britain, on the other hand, manufacturing output per operator has become almost stationary since 1951, while average wage rates have been boosted by 11% in 1951, 6% in 1952, and 3% in 1953. The discrepancy between paychecks and labor productivity is equally pronounced in France and in Scandinavia. Small wonder if Germany manages to displace her European competitors on the world markets; the physical volume of her exports increased by 80% in three years, while that of the U. K. declined slightly.

The Lack of Competitiveness

Prices "out of line" are not the sole element that brings about the inability to compete for export outlets. The London "Economist," in a recent article, pointed out that British engineering exports are handicapped by the shortage of proper servicing facilities. Everywhere, importers of British goods complain about delivery delays.

As to product quality, the complaints of New Zealand are characteristic, coming from Britain's most loyal Dominion from which American competition is virtually excluded:

> "Last year there was strong criticism in the New Zealand House of Representatives of the shoddy standards of some British imported goods. The complaints were well documented and were not presented in any factious spirit. If . . . restrictions were lifted, they (the British industrialists) might well be surprised . . . at the move there would be towards the U. S." ("The Economist," June 13, 1953.)

But coming back to the European disparity between labor costs and labor productivity: basic as that disparity is, it is only one among several factors which impair the export capacity of Western Europe. Prices, and therefore production costs, are over-raised in France, Britain, Scandinavia, etc., due to exorbitant excises and sales (transaction or purchase) taxes; to overly expensive and inefficient sales organizations; to bureaucratic red-tape and interference inherent in governmental "dirigism"; due also to market-rigging practices by private and public monopolies. In the inflation-saturated climate of over-employment and excessive social security, of all-out pressure group subsidizing and import restricting, the spirit of competition languishes. Economic systems, in which the prospect for individual betterment is replaced by price and job regidities, naturally lack incentives—the driving force of progress.

Railroad Securities

A recent report from the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission again highlights the severe drag imposed on railroad earnings by the recurring deficits on account of the passenger and allied services. For the Class I carriers as a whole it is indicated that this deficit last year hit a new high of $704.6 million. This loss absorbed nearly 39% of the $1,812.8 million net railway operating income realized from freight service. These figures are particularly disappointing when it is realized that huge sums have been spent in recent years on modernization of passenger services and that the railroads have all been engaged in aggressive programs for eliminating local runs and the most patently unprofitable operations.

Of course the figure for the large net operating deficit for the passenger and allied services does not represent a full out of pocket loss. The results are based on the ICC formula for allocation of expenses to the two services and not purely on the basis of the cost of running the passenger trains. It is claimed, and justifiably so, that even if the passenger and allied services were abandoned entirely the full maintenance outlays charged against such services under the formula would not be eliminated. Nevertheless, a large part of the expenses charged under the formula would be wiped out if the services could be abandoned and there is no question but that the passenger problem is a serious one, even on an out of pocket cash basis, to many of the railroads.

In the tabulation below we show for a number of roads the reported 1953 net operating income, the net operating income deficit under the ICC formula, and the passenger and allied services operating ratio. These allied services comprise the "head-end" business such as mail, express, etc., moving in passenger trains.

	1953 Total Net Railway Operating Income	Passenger & Allied Services 1953 Net Railway Operating Deficit	Passenger & Allied Services Oper. Ratio
Atchison, Topeka & Santa Fe	$75,109,000	$42,074,000	134.6%
Atlantic Coast Line	10,296,000	17,045,000	146.5
Baltimore & Ohio	43,798,000	36,737,000	180.0
Chesapeake & Ohio	59,916,000	15,121,000	179.4
Chic., Milw., St. Paul & Pac.	14,664,000	21,904,000	150.3
Chic. & North Western	8,956,000	23,420,000	152.8
Chic., Rock Island & Pac.	28,259,000	14,352,000	131.5
Denver & Rio Grande West	13,096,000	4,577,000	167.4
Erie	18,986,000	10,833,000	161.3
Great Northern	27,531,000	21,019,000	175.1
Illinois Central	32,940,000	13,482,000	128.5
Louisville & Nashville	34,384,000	15,052,000	144.1
Missouri Pacific	23,414,000	16,168,000	154.4
New York Central	63,180,000	52,439,000	119.2
N. Y., Chic. & St. Louis	21,772,000	2,993,000	157.2
N. Y., N. H. & Hartford	9,928,000	13,368,000	102.6
Pennsylvania	74,796,000	56,650,000	118.8
Seaboard Air Line	23,829,000	10,322,000	134.9
Southern Pacific	59,320,000	51,128,000	149.3
Southern Railway	41,986,000	14,717,000	134.1
Union Pacific	28,860,000	52,218,000	166.7

The passenger service operating ratios for the individual roads run all the way from 102.6% for New York, New Haven & Hartford, for which this end of the business is relatively the most important of the roads listed, to 180.0% for Baltimore & Ohio and 179.4% for Chesapeake & Ohio. These ratios do not in themselves tell the full story as to the drain on the individual carrier's freight profits—it is obvious that a passenger operating ratio of, say, 120% for a road that gets 20% of its gross from this end of the business will be more of a strain than a considerably higher ratio for a road that gets only 5% of its revenues from the passenger and allied services.

The most important consideration is the extent to which the passenger service deficit cuts into the freight service profits. Take a comparison of Chicago & North Western with a passenger operating ratio of 152.8% and Nickel Plate with a ratio of 157.2%. North Western's passenger business is relatively much heavier than is that of Nickel Plate and the freight business of the latter is handled more efficiently. Thus, last year the passenger deficit of North Western absorbed 72% of the road's profit on freight operations compared with only 12% for Nickel Plate. While this is an extreme example it will be noted from the table that wide variations exist throughout the list.

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The Security I Like Best

approximately $63 million of which $30 million was raised from the sale of bonds and the balance will be met from company's own financial resources and short-term borrowing to the extent necessary.

Operations

The total volume of crude transported in 1953 was 54 million barrels, an increase of 77% over 1951 operations and 29% above the 1952 figures. The operating revenues in 1953 showed a slight decline to $18,437,000 from $18,902,000 due to a voluntary reduction in tariffs effective Oct. 15, 1952. There was an increase of $1,145,000 in operating expenses due to the necessity of pumping 3 million barrels of crude to fill the new extension to Sarnia and operation of additional pumping facilities. No revenue accrued from the filling of the line as tariffs are not collectible until oil is delivered to the consignee. At the tariff rate of 64c per barrel from Edmonton to Sarnia the 3 million barrels would have produced revenues of $1,920,000. Earnings for 1953 were equivalent to 88c a share on shares outstanding at the year-end which included an additional 1,439,552 shares sold during the year. Per share earnings in 1952 were $1.32 on a smaller number of shares outstanding, after adjusting for a ten for one split, assuming full conversion of 4% Convertible Debentures and giving effect to interest savings after taxes.

Throughput of crude in 1954 is not likely to be very much higher than 1953 pending the completion of additional facilities but earnings are expected to improve moderately. A conservative estimate of 1955 earnings is $1.75 a share while full utilization of the system's capacity could produce earnings around the $4 level within five years. The development of new major markets might be accelerated by a cut in Canadian crude prices.

In view of the opportunities for further growth a price-earnings ratio of 15 times estimated 1955 earnings is a reasonable evaluation of future prospects. Dividends, now being paid at a rate of 30c annually, will constitute only a small percentage of earning power for some time ahead although some increase in the present dividend is possible next year. When the system is completed operating costs will be relatively low and a dividend payment of 75% of earnings is a reasonable expectation.

Interprovincial Pipe Line Company common is traded (current price 26) in the Over-the-Counter Market and is also listed on the Montreal and Toronto Stock Exchanges.

STANLEY HELLER

Senior Partner, Stanley Heller & Co., New York City
Members, New York Stock Exchange

Libbey-Owens-Ford Glass Company

A blue chip with positive long-term growth possibilities, selling around $54-$55 a share on the New York Stock Exchange, Libbey-Owens-Ford Glass seems one of the more attractive issues at current prices. Growth possibilities seem virtually unlimited and the company is not burdened with any bank loans, preferred stock or debt. Sole capitalization consists of 5,176,574 shares of $10 par value common stock outstanding.

Stanley Heller

The fields of operation of Libbey-Owens-Ford are widespread and all of its divisions should share in future growth. Its main divisions cover glass for both automotive and construction use. In addition, the company has entered the new and rapidly growing field of fiber-glass. Expiration of Excess Profits Taxes alone could mean close to $1 a share in the 1954 earnings as compared with 1953. This adds significantly to the growth possibilities for both net income and dividend payments.

This company supplies all of General Motors' glass requirements. General Motors, of course, is by far the leading automobile producer and is expected to maintain its competitive advantage in 1954 and 1955. The use of glass in automobiles in recent years has increased tremendously and this trend is expected to continue. Panoramic-type windshields will continue in more widespread usage as evidenced by preliminary reports of the 1955 line of cars. Adding to this trend is the greater use of glass in rear and side windows of cars. The 1954 cars, for example, have over 33 square feet of glass area or 50% more than the average 1940 model's 22 square feet of glass area.

It is estimated there are approximately 45 million automobiles on the road in the United States today. Even with only a 7% annual replacement of cars averaging 14 years, it would mean an annual volume of at least 3,150,000 cars just for replacement, not to mention growth of population, two-car families, etc. Since General Motors does about 50% of the annual sales in the industry, it would appear Libbey-Owens will benefit not only from new car production, but also from repair and window replacement requirements.

The use of glass in both office buildings and residential construction has increased tremendously in recent years and sales of this division should be well maintained in view of the high rate of new building activity. Here too, and perhaps to a greater extent, LOF should derive important benefits from repair and modernization work. Also, building activity has been surprisingly strong this year and it now looks like new residential starts will compare favorably with previous peak periods.

The use of Thermopane (two panes with a dead air space between) for picture windows in homes has outstanding growth. Thermopane with metal-to-glass bond still is regarded at the most effective unit for large areas and for non-standard sizes. It is believed the new Glass Seal Thermopane may lend itself to mass production methods in popular standard sizes and will probably hasten the time when single glazing of windows will be obsolete. Profits margins on Thermopane are considerably higher than on ordinary window glass.

The Fiber-Glass Division also has tremendous possibilities in the automotive industry. Fiber-glass currently is being used to manufacture the sports model Chevrolet Corvette. The use of this material in automobile body manufacture is new. Should public use and engineering tests prove fiber-glass auto bodies commercially feasible, it could mean a new field for LOF since it might well supply this material to General Motors.

Fiber-glass has been found to defeat corrosion and is fire resistant and vermin proof. Its colors are not inclined to fade or dull and it has great impact strength. In automobiles, damaged body parts can be easily and rapidly repaired. This material has many other uses including, insulation materials, navy life jackets, clothing inter-liner, twisted and plied yarns, bonded strand for the electrical industry, and roving and chopped strand for plastic reinforcements. The fiber-glass division is being expanded to double its original installation which was put into production in 1952. The demand for commercial applications has increased along with output destined for military aircraft and other defense requirements. Research is developing newer and wider applications of fiber-glass and new plants with more efficient and more modern machines are increasing the potential of this division. Its use as an insulation material has untold possibilities.

For defense work, Twin-Ground Glass, a fine polished plate glass which is the product of the new twin-grinding process at the Rossford plant, provides for maximum needs of the Armed Forces for precision glass for aircraft glazing and for flat component parts of military and naval optical instruments. Because of reduced military needs twin-ground glass will also be widely used for mirrors and other applications where glass of high quality, parallelism of surfaces, and freedom from distortion is demanded.

Gas properties of the Owens, Libbey-Owens Gas Department, owned jointly by LOF and the Owens-Illinois Glass Company, which serve plants of the two companies at Charleston, W. Va., include 626 wells on 135,261 acres of land, owned or leased, and 534 miles of pipelines. In 1953 the department furnished 7,660,568,000 cubic feet of gas for the glass making operations of the two plants.

Rossford, Ohio, one of the most modern plate glass plants in the world, covers 467 acres, employs over 2,100 people and is the home of the new twin-grinding units. Its products include plate glass blanks, polished plate glass, precision instruments for rifles, guns and aircraft, curved solid safety glass, glass doors, bent plate glass, transparent colored polished plate glass and heat absorbing plate glass. This plant also is the home of the Thermopane Division, producing Thermopane insulating glass for building construction, refrigerated cases, railroad cars, and productive farm buildings, Glass Seal Thermopane, aircraft canopies and windshields.

At Ottawa, Illinois, the factory site covers 363 acres and has 2,200 employees. This plant produces safety glass, plate glass blanks and polished plate glass, panoramic windshields, E-Z-Eye safety plate glass and shaded windshields, and laminated plastic sheets for aircraft. At Toledo, Ohio, the main plant produces safety glass, E-Z-Eye safety plate and shaded windshields, panoramic windshields, polished plate glass, Electrapane and aircraft glass, bullet-resisting and television glass, periscopes and vision blocks.

The plant at Charleston, W. Va., turns out window glass and plate glass blanks, while Shrevport, La., produces window glass. Parkersburg, West Va. is the center of the Fiber-Glass division and products include blanket-type insulation materials, super-fine flotation materials (navy life jackets), clothing inter-liner, continuous drawn fiber-glass twisted and plied yarns, fiber-glass bonded strand for the electrical industry, and roving and chopped strand for plastic reinforcement.

At Houston, Texas, LOF produces corrugated and flat fiber-glass reinforced translucent plastic sheets for skylights, awnings, partitions, and other construction uses. The Brackenridge, Pa., plant produces auto mirrors, transparent mirrors, metallic front surface mirrors, Cromir outside rear-view mirrors, rescue signalling mirrors and rear-view mirrors for fighter planes, vacuum applied coatings for gunsights and optical systems, electrically conducting coating for optical and electronic uses, hi-efficiency beam splitters and hi-efficiency Dichroic mirrors.

Since 1937, well over $100 million has been expended on plant improvement and modernization.

The trend of earnings has been one of constant improvement. Net income in 1953 amounted to $3.75 a share as compared with $2.88 a share in 1952. Currently, LOF is paying 60c a share quarterly against total dividends of $2.40 a share in 1953 which included a 30c year-end extra. This compared with $2.00 paid in each of the two preceding years. In view of the volume of business and future prospects, it is believed that the 60c quarterly dividend may be further liberalized this year.

Libbey-Owens is in excellent financial condition. At the end of last year, current assets aggregated $51,965,358, while current liabilities were only $22,676,590, or a current ratio of 2.3 to one. Cash and government bonds alone amounted to $17,488,480. It might be noted that $27,415,955 in cash and U. S. Government securities held in a "property improvement and replacement fund" was excluded from current assets. All of the expansion of the company has been through earnings and not through outside borrowings or financing.

In sum, the company's well entrenched trade position, strong finances and favorable outlook should allow for further important expansion in the years ahead. The stock, despite recent strength, still seems attractively priced as a quality issue providing a good yield and evidencing important long-term growth.

Securities Salesman's Corner

By JOHN DUTTON

Record Keeping Pays

Back in the roaring twenties I worked in an office where there were about 15 men in the sales organization and, in addition, there was one lone woman. Women customers' representatives are even quite rare today, but in those days this gal was very much alone in a man's world. But she had ability as a clientele builder. Not only was she attractive in the way that isn't a handicap to any capable woman in the business world, but she worked at the job.

She was the most conscientious record keeper I've ever known, and although I don't believe that anyone has to go as far as she did when it comes to record keeping, possibly this story will illustrate the point. In those days we used to sell bonds; primarily industrials on a 6% basis, and then later on we had a flood of foreign bonds that came along—the rest is history. It used to be quite a trick to trade out old issues that constantly went to a premium above the offering price for new ones. But in order to make everyone happy, which included your boss, yourself, and your customer, you at least had to keep a record of your client's holdings. Most salesmen in those days were lazy (they are different now I hear).

Anyway we didn't keep very good records. Sometimes we would write our customer's purchases and sales on his card that we kept in our desk. Other times we would not. Or we would omit such important items as the interest rate, maturity date, or series number. The main file in the office was also several weeks behind but we would consult it when necessary and hope for the best. Business was easy to come by in those years before the great big bustup, and everyone was gambling away without much thought of records, yields, or anything else. There was no capital gains tax either and the income tax was almost negligible. It was a "new era" and in all fairness to those of us who were in it, our customers wanted to make quick turns and easy profits, and there was very little you could do to stop them. Everybody was buying, selling, and inflating.

But to get back to our record keeping, "sellin' gal," she had a system. She procured some four by six record cards that were ruled in ledger form. On each card she recorded every customer's purchases, price paid, maturity date, etc., etc. She also had a record of his sales. Every time she talked with a client she pulled out his card and she discussed his holdings in a way that made him think that he was the only customer to which she had devoted any time at all. As she became better acquainted with her customers she added the names of their children, their wive's names, and bits of family interest such as birthdays, hobbies, etc. to her file of information. People liked her and I honestly believe that if it hadn't been for the 1929 crash she would either have ended up marrying one of her millionaire customers, or walking off with the job of mayor of the town. Her sales were always around the top of the list and her record keeping was to a great extent responsible for this. Now you don't have to believe this part of the story unless you feel so disposed, but if my memory is not becoming feeble with the years, I was there, and I saw and heard it. There was a restaurant where many of the bond salesmen used to eat; sort of a hangout for the fraternity. Often we would gather together and lunch with our competitors, or others we knew in the business. Because of this it was very seldom that you would take a client there for lunch. Even in those days we used to try and cover up the customers.

One bright day around noontime several of the bond selling boys were sitting around the table, and across the room from us were salesmen from other firms, and in walked little Dorothy with one of the town's best customers on her arm. As they comfortably sat at a nearby table she proceeded to deliver a bundle of bonds, coupons and all, to her client. As we sat there sort of pop-eyed one of the wiseacres at our table half whispered toward her table, "Better look out! With all these bond salesmen around here aren't you afraid you'll lose your star customer?" Without a moment's hesitation the little gal opened up her handbag and pulled out the neatest pair of silk pongee underdrawers you could wish to see and said, "When you can make 'em like this for him, with his monogram on them, then I'll start to worry." Amid the laughter, generously shared by her customer, she handed the unmentionables over to him and he grinned and took them.

When I got back to the office I told her that she had a sales technique that I didn't think any one of the rest of us could duplicate. "Listen, sonny boy," she replied, "I even have his size, too. That's the result of keeping records."

Continued from first page

The Textile Revolution

try has been excess inventory accumulation beyond the mill level. Now this undue accumulation has been pretty well liquidated. Even at the mill level, current stocks are not burdensome and in some branches of the industry they are low.

I'd like to summarize briefly the reasoning that lies behind my prediction, first, in terms of the industry itself and then in terms of business in general. I shall then go on to develop my reasoning for you.

(1) A primary factor behind the decline in your industry has been excess inventory accumulation beyond the mill level. Now this undue accumulation has been pretty well liquidated. Even at the mill level, current stocks are not burdensome and in some branches of the industry they are low.

(2) Normal coverage for Fall cannot be deferred much longer.

(3) This coverage will be made the more readily because prices are reasonable, indeed lower in some cases than officially quoted indexes show.

(4) The great variety of new fibers, new fabrics, and new blends should help sales. Experimentation and new products are a stimulus to the market and the sign of a healthy industry.

General Business Picture

Now, for the general business picture:

(1) The low in the general business picture has almost been reached, and while some indexes will remain near the bottom for a while, an upturn is expected within the next few months.

(2) The textile-apparel industries will be affected by this upturn in two ways. In the first place, consumer buying will be stimulated by rising employment and other indexes. In the second place, industrial textiles used by such industries as automobiles, agricultural implements, bagging, shoes, etc. will be in increased demand.

My predictions for the textile-apparel industries are based on my general view of the present decline. It is terminating on time, as the upturn terminated on time in 1953.

I think it is quite in order, and particularly before an audience of students and scholars, for an author to refer to his latest book in any speech he makes. As a matter of fact, I once received good advice to this effect from my very dear friend, the late Dr. Irving Fisher of Yale University. And I hesitate to ignore the advice of an old teacher. Last October I published a short book, "No Major Depression in Our Lifetime." Its thesis is stated in its title, and it lies behind my thinking here this evening. The present decline is clearly in line with my expectations. We overproduced and oversold for some months. We are compensating for that now. But this is not another 1937-38, or another 1920-21. It is certainly not another 1930-32. The present readjustment is to be compared more accurately with 1948-49 and 1951-52.

Well, that is the optimistic side of my forecast. But recall that I said I am a conservative optimist. The upturn will come within the next few months, and it will provide opportunities for better business, but the upturn will not guarantee a profit to all producers, distributors, processors, retailers, etc. There will not be blanket and unlimited opportunities. For this industry is entering a new phase, which operators must understand if they are to make the most of it. Hence my title, "The Textile Revolution."

Let me give you a little picture of the present situation in the industry. The production of textile fabrics, an excellent indicator for the industry as a whole, has been maintained at a record level. Total yardage in 1953 was practically the same as in the peak year of 1950 and only a quarter of a billion yards below the wartime high of 1952. The greatest support has been provided by cotton fabrics, which, in 1953, fell only a billion yards below the 1942 wartime peak. Rayons and woolens and worsteds have been produced at lower levels for the past several years.

Viewed from the consumers' side of the counter, this picture is still not as good as it should be. For despite the record yardages produced, the public during 1950-53, spent $1¾ billion less for apparel than they should have, based on the historical relationships of disposable income, employment, women working, and other significant factors.

Now there is a popular belief that the consumer has withdrawn his dollars from the apparel market in recent years because he has been putting them into consumers' durable goods: automobiles, appliances, and so on. I do not subscribe to this general belief. I also do not subscribe to that other popular belief that too great a portion of the consumers' income was going to meet the large instalment debt assumed at the outbreak of the Korean war.

Reasons for Reduced Dollar Volume of Apparel Sales

I want to outline some reasons which I believe have affected the reduced dollar volume of apparel sales.

The first is a factor which Mark Twain said everybody talks about and nobody does anything about: the weather. Unusually mild winters have affected sales of heavyweight garments, especially women's coats and men's overcoats. Since the average sales check for a woman's coat is considerably higher than for a blouse or skirt, any lag in sales of these heavy items markedly affects total dollar volume.

Style changes, the trend toward casuals and decline in demand for dressier garments, have also affected dollar volume. Perhaps you think that style changes are as unpredictable and as unmanageable as the weather. But they aren't. We can foresee style changes, and we can influence style changes.

I predict two style changes that will help bolster the upturn. Novelties are gaining in contrast to staples, and those businessmen who can follow this line will have advantages from it. Secondly, the trend toward dressier garments is again increasing. And along with this, I expect that the necessary replacement of consumers' inventories of women's coats and men's suits will occur. This will be in addition to the current increased interest in dresses.

If you can stand to hear some figures, I'll give you a little summary of where yardages went between 1939 and 1953. In this period the yardage used for coats, suits and dresses increased only 19.8%, while the total used for blouses and skirts increased 44%. In the men's wear trade the figures are even more startling. Yardage used for overcoats and suits declined 8.5% and yardage used for jackets and trousers increased 174.5%. I expect that in the period to come, the trend toward dressier clothes will partially reverse these ratios.

These various changes occurred gradually over a period of years, while some of us — not I — had our heads turned the other way. I call them part of the textile revolution, and I say no one can afford any more to turn his head the other way. The textile revolution began as long ago as 1920, when I first made my acquaintence with this industry. But the greatest impact has been seen in recent years, and particularly since the end of the war.

Development of the Textile Revolution

The development of the textile revolution, fiber by fiber, has gone something like this. First came the introduction of rayons and acetates which met with a phenomenal success. Now demand for these two fibers has turned down, at least temporarily. Then, during the war came the loss of raw silk; and, since the war, it has recovered slowly, aided by its increased use in blends — though its total remains low.

Shortly before the war, nylon entered the textile arena, substituting for silk during the war in essential industries. Since the war it has gained enormous popularity.

Cotton has also had its ups and downs. It lost out in the tire industry, and made a tremendous comeback in apparel textiles, mainly because of substantially improved finishing and processing. The stability in the cotton industry can also be attributed to government participation, such as loans, acreage control, etc.

Although wool has also received some government support, the fiber has suffered some losses in the upholstery industry, and some dislocations by the introduction of the non-cellulosic fibers, Dacron, Orlon, Vicara, Acrilon, etc.

I should also like to summarize for you some general economic factors that have affected the textile-apparel industry.

(1) During the war and immediately after there was a marked tendency to integration, a tendency that has now passed its peak.

(2) Large segments of the industry migrated from the North to the South, where unionization lagged.

(3) Synthetic fabric prices have fluctuated markedly, despite the popular belief that stability of yarn prices would stabilize fabric prices.

All these changes add up to an industry in which there have been and will continue to be many new developments, many shifts in emphasis, an industry in which ingenuity and an understanding of specific and general developments are the operator's greatest assets.

Perhaps the most revolutionary factor in the textile industry, the factor that has changed the industry most since I first observed it 30 years ago, has been the introduction of synthetic fibers. This is the factor that has supplied the necessary increment of fibers for our growing population and expanding economic needs; that has most fostered the development of fabrics; that has enabled us to provide better and more attractive lower-priced garments to the public.

But, as with any revolution, this new factor has brought new problems with it. It may seem, on a superficial examination, that synthetics have simply displaced the the older fibers. On the contrary, they have made possible new uses, greater refinements and greater variety of fabric production. And, still not meeting their own engineering and technical problems, they have introduced a spirit of experimentation that can only help the entire industry in the long run — although — a word of warning—some who cannot match the pace of the innovators may fall by the wayside.

Another great boon provided by the synthetics is that eventually, and even now, they help to equalize production with increasing demand. Cotton growing is subject to the whims of nature—a phenomenon that is a big headache not only to cotton processors, but also to business forecasters. Wool is a more stable commodity, the out-turn being limited by the possibility of grazing millions of sheep, especially in the Commonwealth countries. Silk production has always been small in relation to the total, but it serves the purpose of supplementing the other fibers. The synthetics, besides providing endless possibilities for use in their pure state and especially in blends, can act as the item whose volume of production can be varied purely in terms of economic needs, regardless of wind and weather.

Varied Use of Fibers

Now the American public will profit most, and the individual operator will profit most by this great possibility of varied use of fibers, if processors will recognize the growing need for all-purpose machinery. Those mills who, after the war, recognized the advisability of elasticity in their operations are cashing in at the present time.

At the end of the war, my organization advised clients who retained us for special studies that, regardless of the then favorable trend in all branches of the textile industry, it would be advisable to prepare for the intensified competition which was bound to come. This meant to try to set up machinery that could utilize all tyes of fibers within certain major classifications. If the spinner or the weaver has the proper machinery, it is of little consequence to him what yarns or fabrics he produces.

I believe that the time is coming, although it is still some time off before it will be universal, when most producers will classify themselves as "textile producers," rather than as cotton, wool or synthetics producers, etc.

One of the important lessons we have learned in recent years is that the answer to successful textile operations is knowing the possibilities of the industry and of the markets.

I have dealt at some length with the industry. A word or two about markets.

I contend that the industry has suffered by failure to observe and project market trends. How valuable it would have been if fabric producers could have projected the increase in demand for blouse fabrics from 46 million yards in 1939 to 254 million yards in 1953! How valuable it would have been for the woolen and worsted industry to know that while the use of fabrics in men's suits would decline eight million yards from 1938 to 1953, their use in trousers would more than double! How valuable knowledge or at least some intimation of these trends would have been, especially to selling agents and mills with their own selling organization!

Knowledge or guesses about such developments don't come from thin air. Style shifts are not blown upon us by crazy winds whose origin and destination are unknown to us. They derive from the very character of American life, and those who scrutinize the social scene carefully can not only explain but to some extent predict the trend of styles.

The trend to suburban living and the shifting distribution of American incomes are such social factors. Distributors have recognized the decrease in the ratio of those family units receiving an income of $3,000 and under, and the increase in the proportion of those receiving an annual income of over $3,000. And the distributors have been trading up. Yet the textile weavers seem to be producing fabrics at lower and lower prices, though such fabrics hardly show a profit, and often show a loss.

Some words need to be spoken before I close in regard to the international relations of our textile apparel industry, a subject on which I have not even touched. I refer particularly to the cotton fabric division, though I am aware that world wool output is of greater significance than domestic production.

Our cotton processors have never been too dependent on foreign markets. These were especially lucrative after the war, but this was a temporary phenomenon, for most nations can normally fill their own needs, or at least their minimum requirements. There have been periodic complaints of competition from imports, which represent only a small portion of total domestic consumption. However, in difficult periods, even a small import total looms large. In general I should say that I view the Textile Revolution as indicating greater national self-dependence all around. Competition from imports might gain and become an irritating thorn during a downward readjustment, but it will at no time be a serious threat to the domestic industry.

I'd like to tie up the loose ends of my discussion by summarizing my thinking about the status and future of the textile apparel industry.

(1) The low point in general business and in your industry has almost been reached. The imminent upturn will be gradual and lacking in uniformity.

(2) Competition in textiles will gain among fabrics, among industries, and within industries.

(3) Rayons and acetates, though temporarily in a declining trend, should not be written off. This industry has the greatest technical knowledge and research capacity.

(4) The greatest expansion in the use of synthetics will occur in blends. Total poundage will reach new heights. Price relationships between synthetic and natural fibers will fluctuate markedly for some time before a true relationship based on sound, stable factors is established. Textile mills will have to watch and predict these fluctuations.

(5) Textile mills will have to do a better job of observing not only the industry but also the markets. This includes: style factors, the position of consumers and prices. If you came in late on the trend toward casual clothes, don't compensate by going so all-out for this style that you forget to watch its shifts. Dressier garments are coming back into vogue. The trend toward novelties is gaining, providing a greater challenge to the creator, the stylist, the designer. The gamble in novelties is great; the return will be worth the gamble.

Again I repeat: watch your markets. "Turning on the faucet" in producing yarns and fabrics, without regard to what the market can absorb may mean you will drown in the overflow.

Many of us remember the term "New Era" from the twenties. Well it is now being recalled. Only this is a new "New Era." You may profit from it if you combine caution and knowledge with ingenuity and daring.

Larzelere, Obendorfer Resident Managers

PHILADELPHIA, Pa.——Salomon Bros. & Hutzler, members of the New York Stock Exchange, have announced that William G. Larzelere and Herbert Obendorfer are co-managers of the firm's recently opened Philadelphia office, 123 South Broad Street.

Elected Director

PHILADELPHIA, Pa. — W. W. Keen Butcher, a partner in the Stock Exchange firm of Butcher & Sherrerd, Philadelphia, has been elected to the board of directors of Botany Mills, Inc. of Passaic, New Jersey.

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The State of Trade and Industry

weeks noted in May at Chrysler Corp. and the Independents will be continued during June, with next week marking three-day operations at many plants.

"Ward's" said that average daily Ford car output was increased 8% in May, responding to the challenge issued by Chevrolet's second-quarter production boost effected in mid-April. However, Chevrolet out-produced Ford in the month, 131,500 to 126,000.

Steel Output Scheduled at 70.9% of Capacity This Week

June will be a little busier steel month than May, if current sentiment continues, says "Steel," the weekly magazine of metalworking. May had the best daily rate of steel ingot production since February, it notes.

When all of the May figures are in, it will be found that ingot production that month averaged approximately 70.5% of capacity. The February average was 74.3%; the March average, 69%; and the April average, 68.2%.

As May neared an end, steel ingot production continued increasing slightly and nudged "Steel's" production rate up to 70.5% of capacity in the week ended May 30. That was a rise of half a point over the preceding week, which had been the highest since the close of February.

June could well be a pretty good month, since summer vacations and hot weather don't start slowing things down that early, "Steel" declares. Good weather promotes the use of steel among such heavyweight customers as the construction industry. Threat of a steelworkers' strike could inspire a buying spree and demands growing out of the increasingly taut international situation could begin appearing, it points out.

Some new defense business is already coming out, it states. The Midvale Co., Philadelphia, received a $3,321,000 Army contract for mass production of high-explosive shells for atomic cannon. These shells will reuire forgings in excess of 11 inches in diameter. Contracts such as this may impart some strength to the steel bar market. The hot carbon bar market has been sluggish for some time. Now, however, the decline in defense requirements for bars appears to have leveled off, with some indications of an increase over coming weeks, it further states.

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 70.9% of capacity for the week beginning May 31, 1954, equivalent to 1,690,000 tons of ingots and steel for castings, as against 1,698,000 tons and 71.2% (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 69.4% and production 1,654,000 tons. A year ago the actual weekly production was placed at 2,246,000 tons or 99.6%. 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 Edges Slightly Forward the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 29, 1954, was estimated at 8,433,000,000 kwh., according to the Edison Electric Institute.

The current figure represents an increase of 60,000,000 kwh. above the preceding week, and an increase of 477,000,000 kwh., or 6.0% over the comparable 1953 week and 1,622,000,000 kwh. over the like week in 1952.

Car Loadings Lifted Lightly Above Week Ago

Loadings of revenue freight for the week ended May 22, 1954, increased 4,386 cars or 0.6% above the preceding week, according to the Association of American Railroads.

Loadings totaled 681,967 cars, a decrease of 87,651 cars or 11.4% below the corresponding 1953 week, and a decrease of 79,738 cars or 10.5% below the corresponding week in 1952.

U. S. Auto Output Declined 4.6% Below Preceding Week

The automotive industry for the latest week, ended May 28, according to "Ward's Automotive Reports," assembled an estimated 119,585 cars, compared with 126,474 (revised) in the previous week. The past week's production total of cars and trucks amounted to 141,830 units, declining 4.6% below last week's nine-month high of 148,645 established the week before.

Last week, the agency reported there were 22,245 trucks made in this country, as against 22,171 (revised) in the previous week and 12,519 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 6,514 cars and 1,252 trucks last week, against 7,859 cars and 1,489 trucks in the preceding week and 8,735 cars and 3,148 trucks in the comparable 1953 week.

Business Failures Drop in Latest Week

Commercial and industrial failures declined to 206 in the week ended May 27 from 248 in the preceding week, Dun & Bradstreet, Inc., reports. Despite this decrease, casualties were notably higher than a year ago when 168 occurred or in 1952 when the toll was 136. However, mortality remained a third below the pre-war level of 303 in the comparable week of 1939.

Failures with liabilities of $5,000 or more fell to 168 from 211 last week, but continued above the 138 of this size a year ago. A slight increase took place among small casualteis with liabilities under $5,000. Large liabilities in excess of $100,000 were incurred by 20 of the concerns failing during the week, as against 15 a week ago.

All industry and trade groups had lower mortality during the week, with the sharpest declines in retailing, down to 103 from 126, and in manufacturing, down to 41 from 53. More businesses failed than last year in all lines except wholesaling and service. Construction accounted for the most notable rise from the 1953 level.

The Middle Atlantic States' toll held almost steady at 81 as against 82 a week ago, but six other regions reported declines, including the Pacific States where casualties dropped to 39 from 60, the East North Central States, down to 26 from 40, and the South Atlantic off to 14 from 24. Only two areas had higher mortality during the week, the Mountain and West South Central States; in the latter region, the toll climbed to 19 from 6. Casualties exceeded the 1953 level in five of the nine major regions. Exceptions to this rise from last year occurred in the East and West North Central, South Atlantic and East South Central States.

Wholesale Food Price Index Attains New All-Time Peak

Up sharply for the second successive week, the Dun & Bradstreet wholesale food price index rose above the previous peak of $7.42 touched on March 30 to reach a new all-time high of $7.46 on May 26. This represents a gain of 0.9% over last week's $7.39, and compares with $6.47 on the corresponding date a year ago, or a rise of 15.3%.

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 Registers A Generally Lower Trend

The trend in the general commodity price level was mildly lower the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., fell to 274.95 on May 25, from 275.94 a week earlier, and compared with 277.35 on the corresponding date a year ago.

Grain markets were mixed last week with prices fluctuating within a narrow range. Strength in wheat reflected light country offerings and reports of large additional storage space which will be available before the harvest.

Moderate to heavy rains in the middle and southern portions of the Western Great Plains improved small grain prospects.

Harvesting of new crop wheat was reported underway in central west Texas and was expected to move into southern Oklahoma within the next week. Cash corn markets were steady to strong due principally to light producer marketings which were not sufficient for the demand. Trading in grain and soybean futures increased moderately.

Daily average purchases on the Chicago Board of Trade last week totaled 54,100,000 bushels, against 49,500,000 the previous week, and 36,700,000 a year ago.

Bookings of hard wheat bakery flours last week continued slow with buyers limiting their purchases to immediate and nearby requirements. There was some activity in soft wheat flours at the weekend but coverage was confined mostly to trade in need of early replacements. Cocoa was irregular but the undertone remained very firm as the world supply position continued to tighten and offerings became scarcer. Warehouse stocks of cocoa continued to decline and totaled 108,792 bags, against 114,371 a week previous, and 153,772 bags a year ago.

Coffee extended its gains the past week despite a mild reaction at the close. The market derived support from reports of continuing rains in Brazil which are affecting the corp.

The domestic raw sugar market displayed a somewhat better tone although the recent build-up in refiners' raw stocks precludes any further gains in the near future.

Lard prices declined in moderate trading. In the Chicago livestock market, hog values moved lower in the face of the heaviest market receipts in five months. Cattle prices generally were slightly lower under fairly heavy receipts.

Cotton was irregular the past week with the trend of prices slightly downward.

The easiness largely reflected selling induced by the steady volume of withdrawals from the 1953 government loan which has virtually eliminated the possibility of a tight supply developing prior to the new crop movement.

Some support was attracted at times by reports of unfavorable weather in parts of the belt, the need for considerable replanting and the better outlook for exports in the new season. Reported sales in the ten spot markets last week rose to 104,100 bales, from 92,400 a week earlier and 58,600 in the same week a year ago. Domestic mill consumption during the four-week April period, according to the Bureau of the Census, was 660,000 bales, equal to a daily average rate of 33,600 bales. This compares with 33,800 in March, and 36,900 in April last year.

Trade Volume Adversely Affected by Unseasonal Weather in Latest Week

The volume of retail sales in the period ended on Wednesday of last week dipped slightly below that of the previous week and continued below the year-ago level. Prolonged cool weather in many parts of the country restricted consumer buying; extended shopping hours, easy credit terms, bargain pricing and aggressive promotions generally did not counteract the influence of the weather.

Suburban stores reported slightly better business, however, than did large city department stores.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be 3 to 7% below the level of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: Northwest +1 to —3; Southwest and Pacific Coast —1 to —5; South —2 to —6; New England —4 to —8; East —5 to —9 and Midwest —6 to —10.

Apparel sales in men's and children's lines were below those of the preceding week and markedly below seasonal expectations. The largest decline was in men's suits; slacks and furnishings were somewhat more popular. The volume of purchases of women's clothes showed no change from the previous week and there were sizable sales of beachwear, separates, cotton blouses and lingerie. The buying of luggage rose slightly with the approach of the vacation season; plastic and natural leather pieces were gaining in popularity.

Housewives spent about as much for food as in the preceding week and more than in the similar 1953 week. Demand was particularly high for fresh vegetables, canned meats, frozen fish sticks and orange concentrate.

Retailers and consumer durables noted a continued drop in the demand for washers, freezers and some television sets, while air conditioners and electric fans gained in popularity. Sales of automobiles were spotty, with the greatest interest in used models.

Wholesale activity in the week decreased moderately from the previous week's level and was well below last year's volume. The greatest declines were in the textile markets.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended May 22, 1954 decreased 4% under the level of the preceding week. In the previous week, May 15, 1954, a decrease of 8% was reported from that of the similar week in 1953. For the four weeks ended May 22, 1954, a decrease of 5% was reported. For the period *Jan. 1 to May 22, 1954, department store sales registered a decrease of 3% below the corresponding period of 1953.

Retail trade volume in New York City last week advanced about 20% above the like week a year ago, which only had four days as a result of Memorial Day, contrasted with five days this year.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended May 22, 1954, registered a decline of 5% from the like period of last year. In the preceding week, May 15, 1954, a drop of 6% was reported from that of the similar week in 1953, while for the four weeks ended May 22, 1954, a decrease of 3% was reported. For the period *Jan. 1 to May 22, 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.

Emerson Loan Placed

Benjamin Abrams, President of Emerson Radio & Phonograph Corp., on June 1 announced that a loan agreement had been entered into with a group of institutional investors covering the sale of $7,500,000 of promissory notes maturing May 1, 1969. This loan was arranged by F. Eberstadt & Co., Inc., New York. A sinking fund of $575,000 per annum is to commence on May 1, 1957.

The proceeds of the loan will be used principally to finance an increasing volume of sales resulting from the company's entry in September, 1953 into the air conditioning field and the potential increase in volume anticipated when mass production of color television sets commences.

Light Metals Refining Common Stock Offered

Philip Gordon & Co., Inc., of New York City, are offering 1,250,000 shares of common stock (par $1) of Light Metals Refining Corp. at $4 per share "as a speculation."

The net proceeds are to be used as follows: For payment of advance royalties; construction and equipment of control and main plants, and for working capital and reserves.

Light Metals Refining Corp. was incorporated in Delaware on Oct. 8, 1953 for the purpose of developing under license the newly patented Sheer-Korman high intensity arc process for refining beryllium ore and the ores of other light metals. It is expected that the company's plant will be located in the New York area. Its office is located at 20 Exchange Place, New York, N. Y.

With J. G. Kinnard Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Paul R. O'Malley has joined John G. Kinnard & Company, 133 South Seventh Street.

Mutual Funds

By ROBERT R. RICH

TOTAL NET assets of Dividend Shares, Inc., a mutual fund managed by Calvin Bullock, at April 30, 1954, at the end of the fiscal half-year, were $136,541,621, compared with $113,651,038, a year earlier. A number of records were established both in value of assets and number of shareholders, now more than 68,000.

The net asset value per share was $2.04, compared with $1.86 on April 30, 1953.

The report refers to the sharp rise in common stock prices in the face of further deterioration of the business situation as the most conspicuous feature of the past six months. The company sees this rise as a reflection of growing confidence on the part of businessmen and investors arising from the belief that the business recession is approaching its end.

"The next few months," Hugh Bullock, president, stated "should be critical in the sense that they should provide indications whether the recent improvement in business is merely seasonable or marks a major turn.

"Under these circumstances your management during the past six months has proceeded steadily with the program of reducing more speculative and cyclical holdings and increasing those which provide reasonable assurance of well maintained earnings and dividends in the period lying immediately ahead and favorable growth shares over the long term."

THE MANAGEMENT of Group Securities reports increasing evidence that the business recession is leveling off, at a point historically excellent for business generally.

Shareholders were advised that some of Group's holdings in the more price stable food and public utility companies were sold and profits realized. Proceeds were reinvested in price depressed stocks in the more dynamic basic industries, such as steel, metals and agricultural machinery, and in growth industries at attractive price levels.

TELEVISION - Electronics Fund recorded an 11.5% increase in net asset value in its fiscal quarter ended April 30, last, as compared with a gain of 9.21% by the Dow-Jones Industrial Averages in the same period.

The report showed the Fund closed the quarterly period with a net asset value of $8.02 per share as compared with $7.19 a share three months previously, and with $6.93 a share six months earlier.

A record $7,146,259 increase in assets during the quarter boosted the total on April 30th to an all-time high of $38,656,140 as compared with $31,509,881 at the start of the quarter and with $27,835,-082 at the beginning of the Fund's fiscal year on Nov. 1, 1953.

New investments made by the Fund during the quarter included the common stocks of Union Carbide & Carbon Co.; Square D Co.; Allis Chalmers Manufacturing Co.; Arvin Industries, Inc.; Bell & Gossett Co.; ElectroData Corp.; Theodore Gary & Company; Marchant Calculating Co.; and Reliance Electric & Engineering Co.

The principal increases made in the quarter were in the common stocks of Admiral Corp.; Aerovox Corp.; Aircraft Radio Corp.; American Phenolic Corp.; Georle W. Borg Corp.; Borg-Warner Corp.; Clevite Corp.; Allen B. DuMont Laboratories, Inc. "A"; Eitel-McCullough Co.; General Dynamics Corp.; General Railway Signal Co.; International T & T; P. R. Mallory & Co., Inc.; Glenn L. Martin & Co.; North American Aviation Co.; Oak Manufacturing Co.; Radio Corp. of America; Robertshaw-Fulton Controls Co.; Sperry Corp.; Technicolor, Inc.; Tung-Sol Electric Inc.; United Aircraft Corp.; Vitro Corp. of America; Western Union Telegraph "A"; and Zenith Radio Corp.

Chester D. Tripp, president, called shareholders' attention in the report to what he described as "the extremely close relationship" between electronics and nucleonics. Mr. Tripp pointed out that after research and development in the nuclear field have been completed, the use of electronic devices is essential to actual production.

"Because," he continued, "of this relationship, research, development work and production contracts in the field of nucleonics are frequently awarded to those companies already in electronics. The Fund's portfolio, therefore," Mr. Tripp went on, "embraces atomic energy and several additions during the quarter just passed complement such holdings."

IN A STORY of two men who chose different roads to build a capital fund, Hugh W. Long and Company, national underwriters to Fundamental Investors, Inc., a $190 million mutual fund, compares the results of two 15 year "lay-away" plans.

Called "George and John," this latest edition of the Long organization's humanized study of financial planning shows that in each of the past 15 years the combination of term insurance plus investment plan had distinct advantages over the plan using only insurance.

During the 15 year period each man set aside $1,200 a year, or a total of $18,000. When used solely to pay premiums on an endowment policy this amount of money provided $18,613 of life insurance coverage for 15 years. At the end of the period the life insurance expired and the value of the policy was $18,613.

By contrast, the plan combining insurance with annual investment in Fundamental called for the same outlay of new cash, provided the same insurance coverage for the same period but resulted in a total investment value of $39,080 at the end of the period. This was more than 100% better, for the time period under study, than results under the plan using only insurance.

NET ASSETS of Financial Industrial Fund, Inc., attained more than $20,000,000 this month, the highest mark in the history of the Fund. One year ago net assets were $14,538,000 and five years ago they were $4,339,000. The capital of the Fund is invested in the stocks of 75 of America's corporations.

Shares of Financial Industrial Fund are marketed in these states: Arizona, Arkansas, Louisiana, Georgia, Idaho, Kansas, Louisiana, Mississippi, Montana, Nebraska, New Jersey, New Mexico, New York, North Dakota, Oklahoma, Oregon, Pennsylvania, Texas, Utah, Washington, West Virginia,

Vance Shelves Investment Program Insurance Plans

The trend within the mutual fund business toward greater participation by the funds in offering through dealers a combined cumulative investment program and reducing term insurance received a major set-back today when it was learned that Vance, Sanders & Company had "shelved indefinitely" its plans to "cover" with term insurance the cumulative programs in the shares of Massachuseets Investors Trust, Massachusetts Investors Growth Stock Fund, Boston Fund and Century Shares Trust.

Vance, Sanders & Co., national underwriter for six mutual funds with assets of over $800 million, had worked out in detail with the John Hancock Life Insurance Company, Boston, a reducing term insurance program for investors which would have had one of the lowest-cost insurance premiums and bank service charges within the industry.

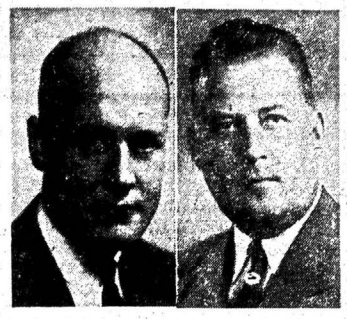
It was learned that Vance, Sanders was believed to have discovered too many inherent long-term difficulties in such a program, difficulties that might perhaps not be, in the end, in the best interests of the investors who would utilize such insurance.

Broad Street Sales Report

Broad Street Investing Corporation's sales of new shares in 1954 passed the $5 million mark in May, totaling $904,000 for the month. It was reported that the May upturn in gross and net sales over April was in contrast to a slight decline in the same period last year.

Peabody Manager Joins Wellington

The appointment of Milton Fox-Martin to the home office staff, effective June 1, was announced Tuesday by A. J. Wilkins, Vice-President of Wellington Company, national distributors of Wellington Fund.



Milton Fox-Martin A. J. Wilkins

Mr. Fox-Martin comes to the Wellington organization from Kidder, Peabody & Co. where, as Manager of that Stock Exchange firm's Mutual Fund Department, he established a reputation for his promotion of mutual funds and for his educational broadcasts and talks, as well as for his articles and news letters on "Prudent Investing."

Mr. Wilkins said the association of this widely-known figure in the mutual fund industry with Wellington signals an expansion in its sales promotional and educational activities, and in its dealer services.

"Year in and year out," the Wellington executive said, "we have sought to bring the story of mutual investing to the American public and to broaden the stock ownership of American industry through ownership of mutual fund shares. The addition of Mr. Fox-Martin will enable us to broaden and intensify these efforts along all lines."

Lehman Offers Scudder's Million

Public offering of 1,000,000 common shares of Scudder Fund of Canada Ltd., a new investment company organized in Canada and one of the first Canadian investment companies to register with the Securities and Exchange Commission, is being made Thursday, June 3, by a group of underwriters headed by Lehman Brothers. The financing will provide the Fund with initial investment capital of $30,000,000.

The Fund was organized in 1953 by the investment counsel firm of Scudder, Stevens & Clark, of Boston, Mass., and New York City, as an investment company of the closed-end type. Upon completion of the current offering of shares the Fund will become an open-end investment company and as such its stock will be redeemable at the option of the holder at asset value; however, the Fund will not make continuous offerings of shares as is customary with the usual open-end company.

The stock is being offered at prices which decrease in accordance with the number of shares purchased in the individual transaction. In single transactions of less than 1,000 shares, the stock is priced at $32 per share. For single transactions involving a greater number of shares, prices are scaled down as follows: 1,000-1,999 shares, $31.75 per share; 2,-000-2,999 shares, $31.50 per share; 3,000-9,999 shares, $31.25 per share; 10,000-99,999 shares, $31.00; 100,000 shares and over, $30.50.

Scudder Fund of Canada Ltd. was organized to provide a medium for investment by residents of the United States in the securities of companies deriving their income from sources outside the United States and particularly from Canada. The policy of the Fund will be to concentrate its investments in the securities of companies which may be expected to reflect the development of Canadian industries and resources.

As a Canadian corporation, "non-resident" in the United States, Scudder Fund of Canada Ltd. proposes to operate in such a way that it will realize no taxable income from United States sources. Income taxes payable under Canadian statutes will depend upon alternatives available to the Fund under present Canadian laws: either interest and dividends received by the Fund will be taxable at a maximum rate of 15%, or interest will be taxed at Canadian corporate rates and dividends (with minor exceptions) from other Canadian corporations will not be taxed at all. If gains are realized from a sale of investment securities, the gains are not subject to Canadian tax. The Fund intends to accumulate and reinvest its income and profits and not to pay dividends.

The board of directors comprises: Robert Lehman, senior partner of Lehman Brothers and President of The Lehman Corporation; Gen. Robert E. Wood, Director, Sears, Roebuck & Company; Francis Goelet, real estate and investment management; Bertie C. Gardner, Chairman of the Board, Bank of Montreal; Richard G. Ivey, Director, Bank of Montreal; Brian N. Barrett, Managing Director, Dominion-Scottish Investments Limited, and Economic Investment Trust, Limited, Canada; Fred W. P. Jones, President, Hobbs Glass Limited, and Dean (Designate) of the School of Business Administration, University of Western Ontario, Canada; John G. Porteous, lawyer, Montreal; and James N. White, F. Vinton Lawrence, Jr., Hardwick Stires, Robert G. Wiese, Hamilton M. Chase, Robert H. Strange and C. Herbert Rauch, all of Scudder, Stevens & Clark.

A Canadian subsidiary of Scudder, Stevens & Clark will act as investment adviser to the Fund.

PORTFOLIO CHANGES

Changes in holdings of Dividend Shares, Inc., during the four months ended April 30, 1954 include the addition of 4,700 shares of Guaranty Trust Co., 13,500 May Department Stores, 25,000 Southern California Edison, 1,800 United Gas, and 5,200 United Shoe Machinery.

Additions to previous holdings included 5,800 American Natural Gas, 10,000 Cleveland Electric Illuminating, 14,800 Commonwealth Edison, 1,500 Consolidated Edison of New York, 1,800 Consumers Power, 8,700 El Paso Natural Gas, 5,000 Pacific Gas & Electric, 5,200 Seaboard Air Line, and 15,000 Standard Oil of California.

Reductions in holdings include 5,000 Air Reduction, 3,200 Allis-Chalmers, 18,100 Aluminum Company, 9,000 Armstrong Cork, 5,000 Celanese, 14,000 Marshall Field, and 5,300 Virginia Electric.

Eliminations include Chrysler, Consolidated Mining of Canada, Iowa-Illinois Gas and Electric, Joy Manufacturing, New York Air Brake, Pacific Lighting, Ruberoid, Socony-Vacuum, Texas Utilities, and Wheeling Steel.

Wyoming and the District of Columbia.

DELAWARE FUND has added to a number of existing positions in the past two weeks, and has completed the elimination of the last remnant of one holding—Studebaker. Although Studebaker's sales have resisted the effects of the battle of the giants better than any other independent, Delaware states the combination of reduced sales and increased costs have put Studebaker's operations on an unprofitable basis, at least for the time being.

A recovery from this condition seems to require a return to considerably higher levels of automobile production, which doesn't seem to be in the immediate outlook.

de VEGH Mutual Fund Inc. reports that during the fiscal year ended March 31, 1954, the net asset value increased from $37.50 to $43.26 per share. Adjusted for the distribution of net long-term capital gains realized during the previous fiscal year, the appreciation for the fiscal year ended March 31, 1954, was 20.1% as compared to 8.4% in the Dow Jones Industrials. On the same basis, the cumulative appreciation for the four years since April 5, 1950 when de Vegh Mutual Fund, Inc. commenced operations, was 102.6%, as compared to 44.3% for the Dow Jones Industrial Average.

During the fiscal year ended March 31, 1954, net assets increased from $1,955,944.06 to $2,645,424.82.

During the quarter ended March 31, 1954, the net asset value per share increased from $38.38 to $43.26 or 12.7% as compared to 8.0% in the Dow Jones Industrials.

de VEGH Income Fund, Inc. reports that during the quarter ended March 31, 1954, the net asset value per share increased from $10.03 to $11.07 or 10.4%. Shares outstanding increased from 29,957 to 34,107 and net assets from $300,413.03 to $377,656.91.

"CAN YOU afford a ripe old age?" is the question asked in a study on preparing for retirement, issued by Hugh W. Long and Company, national underwriter to Fundamental Investors, a mutual fund with assets of $190,000,000. To help answer the question the Long organization includes figures showing the reader of any age how many years of average life expectancy he can look forward to, how many years he has in which to prepare for retirement.

The study analyzes the reasons for the "unhappy fact" that most people over 65 have to continue working or depend on others. In many cases, it concludes, the reason is the failure to take into account the longer life expectancies due to progress in medicine and health protection, and the rising costs of living.

Investors Stock Fund

Total net assets of Investors Stock Fund, Inc., mutual fund affiliate managed by Investors Diversified Services, Inc., rose from $54,120,823 as of Oct. 31, 1953 to $69,416,859 as of April 30, 1954, an increase of $15,296,036 for the first fiscal half year, according to the fund's semi-annual report issued today to its 23,220 shareholders.

Net asset value per share of the fund, was $18.82 on April 30, an increase of $2.76 over the net asset value of $16.06 as of Oct. 31, 1953, the report showed. During the first six months of its fiscal year, the fund maintained its 1953 rate of 36 cents per share.

At the close of the first six months, investments in public utilities equity securities comprised 18.66% of the fund's portfolio, petroleum stocks 17.41%, capital goods 14.52%, chemicals 10.27%, light manufacturing and service industries 7.47%, consumer durable goods 6.44%, electronics 5.50%, building industries 4.09%, consumption goods 3.74%, transportation industries 3.58%, merchandising 2.03%, and financial 0.94%.

As of April 30, nearly 95% of the fund's assets was invested in common stocks.

CLOSED-END NEWS

THE STATEMENTS of The Equity Corporation for the three months ended March 31, 1954 show net assets at that date equivalent to $200.20 per share of $2 Convertible Preferred Stock (preference in liquidation $50 per share and accumulated dividends), and $4.15 per share of Common Stock. Comparable figures for Dec. 31, 1953 were $188.53 per $2 Convertible Preferred Share and $3.83 per share of Common Stock.

THE NET asset value of the Common Stock of The Colonial Fund, Inc. was $24.17 per share at April 30 as compared with $20.95 per share at Oct. 31, the end of the Fund's fiscal year. Total net assets of the Fund amounted to $14,207,000.

Tri-Con Copies Fund Approach

Tri - Continental Corporation has released a new booklet describing its operations, and relating its common stock to the Monthly Investment Plan of member firms of the New York Stock Exchange.

The booklet was prepared as part of a program to acquaint the investing public with Tri-Continental. The company has had many requests for information from both individual investors and Stock Exchange member firms.

The booklet points out that Tri-Continental is the only investment company represented among the 10 most popular stocks with investors using the M.I.P. Tri-Continental is the largest investment company of its kind in the country with assets of about $200 million invested in more than 130 companies in over 20 different industries.

The booklet discusses the various features of the company—experienced management, professional selection and supervision of securities, spread of investment risk, flexible investment policy, low operating costs and the convenience of having an investment in many different companies through the ownership of a single stock. Each of these features, the booklet points out, may interest the investor who is concerned with the problems of choosing and keeping up with individual stocks.

The booklet also discusses the leveraged capitalization of Tri-Continental, the discount from asset value at which its common stock has sold in recent years and its outstanding warrants. The booklet also points out that no matter what a stock's benefits and features may be, the investor will want to look at the record. Included are the results of four hypothetical investments in Tri-Continental common stock showing results that might have been attained with Monthly Investment Plans over the past 5 and 10 years.

NET ASSETS per share of Lexington Trust Fund increased from $9.38 per share on Oct. 31, 1953 to $10.12 at the close of the 6-month fiscal period ending April 30, 1954. Taking into account the capital gain distribution of 5c per share paid on Feb. 15, 1954, this represents an increase of 79c per share for a gain of 8.4%. During this period, stockholders of record received distributions from investment income totaling 24c per share versus 23c for the comparable period a year earlier.

The market value of the Investment Company's portfolio increased by $413,095 during this period. In addition, the Trust cashed in profits of $76,323 on investments.

Income from investments increased from $172,474 for the semi-annual period ended April 30, 1953 to $183,693 for the latest 6-month period.

At the close of the last fiscal year on Oct. 31, 1953, 77.2% of Lexington's investments were in common stocks. As of April 30 of this year the percentage was 76.6%, indicating that the Trustees of this balanced Fund still maintained a constructive attitude toward the market.

The Fund closed out its common stock holdings in American Home Products, Sunshine Biscuits, J. P. Stevens, Columbia Broadcasting, J. C. Penney, American Chicle, Chesapeake & Ohio, Greyhound, Lone Star Cement, Westinghouse and National Lead.

Holdings were increased in Youngstown Sheet & Tube, Northern States Power and Ohio Edison.

Public Utility Securities

By OWEN ELY

Two Maine Utilities

Central Maine Power, with $27 million revenues annually, is the largest of the Maine utilities. It furnishes electric service in 14 of the 21 cities, and in 260 towns and "plantations" in the State. Total electric customers at the end of 1953 were 219,012, which represented a net gain of 3,624 during 1953. During the summer months it serves about 8,000 additional seasonal customers on short-term rates. The area served by the company has a population of over 617,000, which is about two-thirds of the State's population.

Business conditions in Maine have been less cyclical than in some other states where industry is more concentrated. Contributing to this condition in recent years have been the continuing trends toward greater diversification of industry, and the expansion and modernization of existing industries.

The company's revenues in 1953 were about 45% residential and rural, 16% commercial, 30% industrial, and 9% wholesale and miscellaneous. Pulp and paper mills are the largest industrial customers, followed by textiles; smaller contributors are metal trades, lumber and woodworking, shoes and shipbuilding.

The company has had some difficulties with rate regulation. The Maine Public Utilities Commission after long delay last November, in two separate orders, allowed the company increased revenues of about $1,420,000 annually, equivalent after income taxes to 27c a share. However, the increase was only about 42% of the amount the company had requested and hence the decision had been appealed to the Maine Supreme Court. The case was to come before the Court at its May, 1954 term.

Central Maine Power is currently selling over counter around 21 and pays $1.20 to yield 5.7%. Earnings for the 12 months ended April 30 were $1.68, the month of April making a very good showing. These earnings would presumably include less than half of the annual rate increase so that perhaps 15 cents might be added, making a pro forma figure of $1.83. On this basis, the stock would be selling for only 11½ times earnings as compared with the general average of 14.3.

Maine Public Service, with annual revenues of $3 to $4 million, serves an area about 120 miles long and 30 miles wide in Aroostook and Penobscot Counties in northeastern Maine, near the Canadian border. It serves 52 communities at retail, including Caribou, Presque Isle, Ft. Fairfield, Madawaska, and Ft. Kent, also 15 at wholesale. Population of the area served is estimated at a little under 100,000. A subsidiary, Maine & New Brunswick Electrical Power Company, Ltd., contributes about 12% of system revenues. It is primarily a hydro company, selling the major part of its power to the parent company, with the remainder distributed to a small farming area in New Brunswick. The properties of the company and the subsidiary are operated as a single interconnected system.

Aroostook County, which covers a large area, is well known as one of the most important potato-growing sections in the United States. The service area also produces considerable pulpwood for paper manufacturing as well as miscellaneous wood products, and includes a number of factories making starch and other potato products. There are also a large paper mill and two important air bases. While potatoes are still the largest farm crop, diversification is increasing as indicated by the growing acreage of hay, oats, and peas, as well as herds of cattle totaling some 40,000, and large numbers of sheep, hogs, chickens and turkeys. Aroostook County has never known a real crop failure.

At the end of 1953 the company offered common stock on a 1-for-6 basis (the issue being over-subscribed about 35%), with resulting dilution of common share earnings. Other adverse factors have been the severe drought last year as well as the slump in potato prices, some of the Maine crop having been sold below the cost of production. On the other hand there was an influx of military and civilian personnel to the two important air bases, and payrolls from these installations kept business at a near normal level.

Maine Public Service earned $1.73 in the 12 months ended April 30 as compared with $1.79 in the previous period on a smaller number of shares. The balance for common stock increased 13% in the latest period. The quarterly dividend rate was increased a year ago from $1.20 to $1.40. The stock is currently selling on the American Stock Exchange around 24½ to yield 5.7%, and the price earnings ratio is about 14.2.

Libby, McNeill & Libby Makes Private Sales

Libby, McNeill & Libby has placed privately through Salomon Bros. & Hutzler, an issue of $15,000,000 of 25-year 3½% sinking fund debentures due May 15, 1979, and $10,000,000 of 5¼% cumulative preferred stock ($100 par value), both at 100.

The expansion of the company's business since prewar years, including its entry into frozen foods, the management said, made the new financing necessary.

Carr Co. Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Frank G. Spikerman has joined the staff of Carr & Company, Penobscot Building, members of the Detroit Stock Exchange. Mr. Spikerman was formerly with A. M. Kidder & Co. and Bradley Higbie & Co.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

CENTRALIA, Mo. — Charles F. Caldwell is now connected with King Merritt & Company, Inc.

With Abbott, Proctor

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — William M. Wagnon is now with Abbott, Proctor & Paine, Johnston Building.

Robert B. Berman

Robert Bennett Berman, partner in Neuberger & Berman and a member of the New York Stock Exchange, passed away June 1.

With Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Kenneth G. Inman has become associated with Francis I. du Pont & Co. as Manager of their Fresno office, 2117 Merced Street. He was formerly with E. F. Hutton & Company, and Merrill Lynch, Pierce, Fenner & Beane.

Continued from page 4

Importance of Steel Industry And Its Obligation to Investors

in the hands of the public—common stock, preferred stock and bonds—would indicate that the average value placed by the public on each ton of steelmaking capacity in those companies was $53.02. That is roughly 20% of what it would cost—and as I say, on a most conservative basis—to replace that ton of capacity.

Now why should an industry which is indispensable and as stable as the Rock of Gibraltar from a physical standpoint be considered as a risk, a speculation from a financial standpoint? Why does the steel industry compare so unfavorably in this respect with most other major industries? Why are we in the big league as technical operators and in the minor league as financial operators? The answer, of course, is that in the past the record of the steel industry as to earnings and the payment of dividends has been uncertain and sporadic.

Relatively Low Steel Company Earnings

The National City Bank of New York has made a continuing study of earnings in manufacturing industries. The measure used in the study is earnings as a percentage of net worth.

Now listen to this. In the 26-year period from 1928 through 1953 the earnings of the steel industry were below the average for all manufacturing industry **in every single year.** (See accompanying table.) In five years of this 26-year period the steel industry had a net loss. The average of all industry showed a loss figure in only one year—1932. The study included 43 industries in the first six years of the period and 45 industries in the remaining 20 years—all of the important manufacturing industries in the country. In 1942, the steel industry was at absolute bottom in this group of industries. The highest it ever climbed to was 21st place from the top last year. In 13 of the 26 years, the steel industry never rose above sixth place **from the bottom.** What a record!

This record shows conclusively that the old title of this industry —"Prince or Pauper"—is highly inaccurate. We have been "paupers" often enough. But where do you find the "prince"? Not in a single year. In comparison with manufacturing industry as a whole we certainly have never earned profits nor paid dividends that could be described as "princely." And on the basis of this record, we can hardly blame the investor for having taken a dim view of our industry.

Who or what should we blame? Can we blame conditions? And say that the steel industry has fundamental problems that are much more difficult than the problems of most other industries. But other industries do have their serious problems and while ours may be somewhat more difficult they are not a good reason for the steel industry to be under average—to lag behind most other industries all the time. No, in our search for the reason for the poor earnings and poor dividends record I think that we should first take a good, long look at ourselves — the management of the companies in this industry.

I am sure it is not news to you that others are now looking at us —and with a coldly appraising eye. They are the people who have responsibility for the investment of funds and the people who have responsibility for advising the public on investments. They want to know if at long last we have learned anything from experience—if steel management now recognizes that an industry so essential as steel has an obligation to make fair earnings and pay fair dividends—not just in some years but on a dependable, regular basis.

The steel industry is now in a period of trial. Steel management must demonstrate that it does recognize this obligation and also that it has the ability to carry it out. It **must** do this because in the years immediately ahead the steel industry will be confronted with financial requirements heavier than anything in previous experience. If the steel industry is to cover those requirements—and also remain a **private** industry—it will have to obtain a large part of the money it needs from the investing public.

Situation Faced by Steel Industry

Let us consider the situation we face.

The steel industry today has a steelmaking capacity in excess of 124,000,000 tons. We know from experience that this capacity will have to be replaced entirely within a period of about 30 years. I can see no indication that costs are going to be any lower than they are now. On that basis—and most conservatively estimated—a minimum of $30 billion will be required just to replace the plants and facilities that comprise the present steel industry. In other words, it must be our job to find an average of $1,000,000,000 per year for this purpose . . . or about $400,000,000 more per year than the industry provided for depreciation and depletion in 1953.

In addition to replacement, we will be confronted with the need to finance the expansion of steelmaking capacity. In view of the huge expansion in recent years and in view of the present operating rate, we may feel that extensive new construction should not be a problem for some time to come. But, of course, it is an absolute certainty we will be increasing capacity again and probably not too far in the future. In the United States and in the world, population is steadily increasing and, in addition, the per capita consumption of steel is likewise steadily increasing. I will not hazard a guess as to what year will find that 124,000,000 tons of ingot steel are not enough but when it comes the steel industry must be ready for it.

Future expansion involves another problem—both physical and financial—that we must begin to meet now. That is the eternal problem of finding raw materials —principally iron ore and coal. To an increasing extent this is becoming more difficult and more expensive. We can no longer depend on reserves near our operations. We must go farther and farther afield and, consequently, must pay higher costs for location, development and transportation.

Raw materials impose a very heavy financial burden. The investment in them is very large and it represents capital locked up in the ground which can be recovered only over a long period of years. This is one of the unusual problems to which I referred. Responsibility for raw materials is an essential difference between our industry and fabricating industries. Our finished product is the fabricator's raw material. He needs to have on hand only an inventory in proportion to his current production. But we must find and maintain the raw materials to cover maximum demand not only in the near future but in the very remote future.

When we add all of these factors together, we can come to only one conclusion. The steel industry is going to need money and lots of it. The big question is where do we get it? Naturally, some of the money for both replacement and expansion must come from earnings. This, in itself, indicates the need for larger earnings on a steady basis. But it is obvious that the total capital requirements of the steel industry simply cannot come out of earnings. There must be a large and continuing influx of new money and there is one source—and only one—to which we can look for it. That source is investment by the public through the purchase of steel company bonds and equities.

Of course, this investment will not be forthcoming unless and until the public is assured that the steel industry has both the intention and the ability to make fair earnings and pay fair dividends on a continuing basis. This means a very definite change in the investment public's opinion of the industry. It is the obligation of management in the steel industry — the management of every steel company — to bring that change about.

We know precisely the nature of our main difficulty. The steel industry is highly vulnerable to cyclical swings. No matter how great a decline may occur in the demand for steel, this industry must still carry the raw materials and facilities for 100% operations. This is our obligation to steel consumers and to the country.

The cost of this obligation must be shared by the consumers of steel. Its burden should not fall exclusively on investors in the steel industry—which is a fact that steel management has overlooked in the past. The true cost of producing steel includes the cost of providing and maintaining **all** steel facilities not just the part of those facilities that may be needed when steel requirements are below the capacity of the industry.

In the past, as I say, this true cost of production has not been adequately recognized by steel management. The cost of steel to consuming industries has not included this service factor of having the supply of steel available when and as it is needed. Nothing shows this more clearly than the comparison of the earnings of the steel industry with the earnings of other industries—all of which are more or less dependent on steel.

What we now must get into our minds as steel management is that these other industries are competitors—competitors for the favor of the investment public. We have to deliver a competitive product. In this case the product is comprised of earnings and dividends that compare in all respects with those of other industries in our class. And that means the most important industries of this country. We know that if our physical product—our steel—it not competitive in quality, service and price we cannot hope to interest customers. In the same way, on the financial side, if our earnings and dividends are not comparable to those of other industries we cannot hope to interest the investors.

Now at this point there is something that I want to make very clear. What I have said might be interpreted to mean that I am advocating that the investor be given a "break" at the expense of employees and the public. Nothing can be farther from the truth. Every building and facility in American industry today is there because investors put it there.

In the private economy the investor who provides the machine is just as necessary as the employee who operates the machine. The investor renders an essential service to industry; he is fully entitled to fair compensation for that service. Our whole American experience proves that the interests of investors and employees and public are mutual, not opposed. Where investors find the best opportunity for a good return, employees also find the best opportunity for good and improving jobs and wages . . . and the public finds the best and lowest cost products.

In many respects the steel industry has a record of which it may be proud. Its treatment of the investor has been an unfortunate exception. The investor has been the forgotten man of our industry. He must not be any longer.

Steel Industry Should Merit Confidence of the Investor

I cannot over-emphasize the fact that it is the obligation of management—the management of every company—to establish the steel industry as one that merits the confidence of the investor in every respect . . . because a favorable investment attitude is absolutely essential to the future of our industry. We can develop investor confidence only by showing, now and in the future, that we—the management in the steel industry—will fully recognize the importance of the investor; that we will regard protection of the investor's interest as a definite management responsibility, and that it is our firm intention to carry out this responsibility by maintaining a clear record of fair earnings and fair dividends on a dependable basis. I urge, as strongly as I can, that from now on, proper consideration of the investor will be the policy of the steel industry.

Comparison of Net Earnings — Iron and Steel and Other Manufacturing Industries, 1928 Through 1953

(Percentage of net profit to net worth)

Year	Highest Industry	Average all Industries	Iron and Steel	Lowest Industry	Number of Industries with higher earnings than the iron and steel industry	Number of Industries with lower earnings than the iron and steel industry
1928	27.7	11.6	7.0	— 1.2	30	11
1929	27.1	12.8	11.2	— 5.6	25	17
1930	23.6	6.4	4.5	— 7.2	23	19
1931	18.0	2.3	— 0.5	—10.0	24	18
1932	13.4	— 0.5	— 4.0	—10.4	30	12
1933	12.3	2.5	— 1.9	— 4.0	38	4
1934	21.7	4.3	— 0.4	— 7.2	41	3
1935	21.5	6.7	1.3	2.8	39	5
1936	25.7	10.4	4.7	3.7	40	4
1937	38.5	10.8	6.9	— 0.9	35	9
1938	36.6	4.8	— 0.2	— 9.5	39	5
1939	37.5	8.5	4.5	2.2	39	5
1940	33.9	10.3	8.5	4.6	31	13
1941	48.8	12.4	9.6	5.7	39	5
1942	45.0	10.1	6.5	6.5	44	0
1943	36.8	9.9	5.6	4.0	42	2
1944	23.6	9.8	5.2	1.8	43	1
1945	22.2	9.3	5.1	2.6	43	1
1946	41.6	12.1	7.4	4.8	40	4
1947	34.8	17.1	11.3	— 6.0	41	3
1948	31.5	18.9	14.0	3.1	35	9
1949	30.2	13.9	11.6	3.0	25	19
1950	32.3	17.1	15.3	— 1.8	26	18
1951	19.9	14.4	12.3	4.7	25	19
1952	18.7	12.3	8.8	— 3.5	33	11
1953	21.0	12.5	11.6	— 4.6	20	24

Source: Study by the National City Bank of New York.

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Public Pension Fund Investment Problems

tions represent the highest credit category available. The only fault anybody can find with them is the yield—a lot of people wish it were more!

United States securities range in maturity from a few days to 30 years. They range in yield from a fractional percentage on the shortest, the Bills, to about 2.76% on the longest, the famous 3¼s. These 3¼s serve to illustrate one definite market advantage long Treasuries have for pension funds—their freedom from involuntary redemption. As indicated by the figure after the maturity in 1983, these bonds can't be redeemed until 1978. This freedom from early call is a characteristic feature of all the long-term Government bonds, the issues of primary interest to you.

For occasional special purposes, of course, shorter maturities could be used to meet an unusual need. In what might be called traditional type public pension funds, long-term Treasuries would probably comprise the bulk of the portfolio. Conversely, funds operated under "prudent man" rules would tend to have no more than 10 to 15% of portfolio invested in long-term Governments. Of course, the few partially tax-exempt Treasury issues still outstanding have no place in any pension funds. Their tax exemption makes them much too rich to be held by any tax-free investor.

So much for Treasuries. Now let's take a look at the back of this blue sheet. Two-thirds of this side is taken up with obligations of the Governmental Agencies. These securities are designed primarily for commercial banks' investment and wouldn't, as a rule, be of much interest to you.

Towards the bottom of the sheet, all the public U. S. dollar issues of the International Bank for Reconstruction and Development are shown. The yields they afford should certainly be attractive to pension funds. The 3s of 1972 and 1976, and the 3¼s of 1981, afford yields of 3.03% to 3.16%, with not even a theroetical risk of loss through call.

The total amount outstanding of the World Bank's U. S. dollar issues comes to far less than the U. S. capital subscription to the Bank. This results in a wide margin of safety which, together with other factors, has made these bonds acceptable as legal investments to many state banking departments. They are logical investments for pension fund portfolios operated under "prudent man" investment rules.

When International Bank issues first came to market, some institutional investors were insufficiently informed concerning the

investment status of the bonds. Others readily recognized their investment merits and eagerly sought the exceptionally high yields which are usually afforded by something new to the market. Still others, when the early issues quickly moved up to one, two, and even three points premium, decided to reap quick profits and started a wave of selling.

In addition, an attempt was made to have dealings in the bonds take place in a sort of mongrel combination of the U. S. Government and the municipal bond markets. As a result of all the confusion, with everybody trying to get into the act, the development of proper trading markets in the bonds was needlessly delayed.

All this occurred in the early stages of the postwar decline in bond prices which reached its low a year ago and, of course, World Bank bonds went with the tide. However, merit will be rewarded, and in spite of a collection of market errors which would be hard to match in Wall Street history, the bonds now occupy their proper market status.

Being limited in size by Government market standards, they did not readily lend themselves to **Government market trading techniques.** Nevertheless, they are substantial in size and have rates, maturities, and call features similar to those of **corporate bonds**, so there is no good reason to subject them to the cumbersome market practices of basis-traded municipals. At Salomon Bros. we finally assigned the World Bank bonds to the trading unit which handles Canadian Government, provincial and municipal bonds, where they fit in very well. Their quotations now reflect the characteristic market stability of institutional securities.

Next, let us consider the tax-exempt market. A representative cross-section of it is shown on this green sheet. Most of these tax-free offerings, as you can see at a glance, are much too rich for tax-exempt investors like pension funds. Some, however, yield about as much as the Treasury 3¼s, or perhaps a shade more. In this group come the longer maturities of light and power revenue bonds, water and sewer revenue bonds and like obligations. Also in this yield bracket are the long-term issues of big city debt whose totals are so large that many institutional portfolios already hold enough of the credit, and despite an attractive price, feel they can't take on any more of the name. Long-term New York City debt would be one prominent example. Such debt tends towards regional concentration, and pension funds located outside the northeast might profitably examine long-term New York City bonds.

There is, besides, another municipal market situation which bears mentioning. During and after the war, many communities experienced a mushroom growth of population which simply overwhelmed existing facilities. The result was growing pains. New schools had to be built, new water works developed, new streets paved, and so on. Under such conditions, public debt ran up as rapidly as population. Debt ratios quickly reflected the situation, and this resulted in lowered credit ratings by the statistical services. These developments always beset the credit of a borrower who makes frequent visits to the marketplace. When supply outweighs demand, prices decline and yields rise. Long-term obligations of such rapidly growing communities yield 3%—more in some cases—and these bonds may well provide the means of fattening portfolio return for traditional type pension funds.

Nassau County, New York, for example, has school districts which, six or seven years ago, served a few hundred children. Today their school children are numbered in the thousands. One might say the school boards had been swamped in a sea of romance which was aided and abetted by low down-payments on homes and by VA mortgages.

The constant flood of school district borrowing has driven the going rate on the long maturities of their bonds up to the 3% level. It might even have driven it higher had not New York State Comptroller McGovern stepped in and bought up the new issues around that level to the great benefit of the state pension funds, the school districts' credit, and the children's welfare.

Are such investments sound? There are, I think, few which are better. I know their credit ratings have dropped, but I also know the various districts get ample state aid, that the county is responsible for their tax collections, and that the love of parents for their children is a factor more powerful than statistical revelations, and school taxes will be met.

Another type of tax-free bond has now achieved a prominent position in the municipal bond market. Where legally permissible, these bonds should be prime candidates for your portfolios. I am referring to the toll road revenue bonds, some of which are listed towards the bottom of this sheet.

This type of bond already has a brief but excellent financial history. The roads completed since the war have been plagued by every variety of rising cost. However, the urgent need for such facilities is evidenced by the fact that revenues have consistently far outstripped skyrocketing costs.

Most of this long overdue transportation network is still in the construction stage. Supervisory authorities bar investment in construction project financing to some financial institutions, notably the commercial banks. This, of course, has a depressing effect on price, and a beneficial effect on yield. You can see on our green sheet that long-term Turnpike Authority bonds show yields ranging all the way from a bit under 3% to a bit over 4%, a higher return than afforded by most corporate bonds, and the shrewd alert investment officers of some of the biggest life insurance companies, savings banks, and pension funds in the country haven't hesitated to accept these attractive yields. Considering the results achieved by the first Pennsylvania Turnpike extension, the New Jersey Turnpike, the Brooklyn-Battery Tunnel, and the Maine Turnpike, all built since the war, all in operation, and all paying their way, investments in these securities seem amply justified.

Automobiles need roads, and drivers apparently are willing to pay for good roads. Only a few months ago, General Motors announced a billion-dollar expansion program, and Ford is still expanding. If these two leading American enterprises are willing to wager that people are going to have the money to spend for automobiles at pretty much the present annual rate, I'm sure you will agree that automobile owners are going to be able and willing to pay for roads adequate for the cars that they drive.

Now let's turn to this white sheet. It's headed "Short Term Securities" and most of the offerings listed on it are equipment trust certificates due within five years. That is rather a short-term for a pension fund but, as a group, equipment trust certificates are generally issued in serial form with maturities running out 10 to 15 years. They represent a sort of intermediate sector in the whole maturity range of the bond market, and can be used to meet a pension fund's special maturity needs. Among other desirable qualities, they have one great virtue: as a rule, they are not callable. When you buy a maturity, you can count on it.

As a group, they repesent top investment quality. They show this in their ratings, and the few that don't have high ratings, enjoy good markets anyway. The reason for this is obvious. Title to the equipment doesn't pass to the parent road until the last maturity of a certificate issue has been paid off. Meanwhile, if trouble develops, the trustee for the certificates simply seizes the equipment and sells it to another road. A railroad is no good without rolling stock. Consequently, even roads in bankruptcy make every effort to find the money to meet their equipment trust obligations. This, together with the fact that most such issues start out with a substantial cash equity, an equity which builds up each year as a serial maturity is paid off, gives them a preferred market status. As institutional investments, they have a long and very satisfactory history. The pamphlet you received, along with our quotation and offering sheets, contains a complete description of them.

On the reverse side of this white sheet you will find listed a number of actively traded investment grade preferred stock issues. Many have been bought by pension and trust funds, life insurance companies and savings banks. Top quality utility preferreds generally yield about 1% more than similar quality utility bonds. You will note that there are certain non-callable, high dividend industrial preferreds, such as Bethlehem Steel 7%, Corn Products Refining 7%, Eastman Kodak 6%, International Nickel 7%, General Motors 5%, and United States Steel 7%, to name a few. They afford excellent and well protected yields which range from 3½ to 4½%. To acquire small blocks of such issues without running the price up takes a good deal of trading skill, but it can be done.

Now we come to the long-term Corporate bonds which would comprise the bulk of the holdings of a "prudent man" type portfolio. These yellow sheets show offerings, quotations, and yields of a representative group of public utility issues. The orange sheets do the same for industrial, railroad and Canadian bonds, and for a few preferred stocks.

Offerings are listed alphabetically by ratings in the institutional securities quality range, from triple-A and A1-plus to BAA and B1-plus. Quotations show security, coupon rate, maturity, call price, bid and ask, and yield. As you can see, these sheets and their companion pieces can be very helpful with the current market aspects of planning an investment program.

In general, the public utility section usually affords the biggest investment supply. Currently, the two top quality classifications show yields of about 2⅞ to 3%, at best. In today's market, the next quality category affords yields of up to 3 to 3⅛%. Where yields run markedly higher than these ranges, the bonds are usually priced so far above call that, should they be redeemed, a buyer might have a loss on the investment.

Long-term, high quality rails show a bit more yield than utilities, even in the highly regarded western rails. Industrial issues tend to yield a bit less, to be a little "richer" for the investor. Industrial new issues are generally fewer in number than public utilities, and the floating supply is smaller. In addition, they usually have active and substantial sinking funds, whose operations keep floating supplies somewhat smaller than is the case in utilities.

In corporates, as in other sections of the market, temporary demand-supply conditions occasionally operate to give the investor an exceptionally good return. Last year finance company bonds, due to a rapid succession of new issues, each coming close on the heels of its predecessor, caused acute market indigestion. As a result, successively higher yields were chalked up on each issue.

For a while, telephone bonds offered a substantial yield differential as compared with light and power obligations.

In times of heavy new money borrowing new flotations afford the portfolio manager larger yields than are obtainable on seasoned kindred credits. In periods of slack demand the reverse may be true.

These market inequities rarely persist and the unusual opportunities they present to portfolio managers should be seized as they occur. For example, on the reverse side of the yellow sheet is a quotation section devoted to convertible bonds. Nothing in that list now has any special attraction for pension fund investment officers. However, convertible bonds can't be dismissed out of hand as not suitable for institutional investment. From time to time, American Telephone and Telegraph convertible issues have sold at yields attractive to institutional investors. Less than a year ago, the double-A Phillips Pete Convertible 3.70s of 1983, now selling at 112, were selling at 100. Everything, in its time and place, may be grist for the pension fund investor's mill.

Now there is an important area of the investment field which either does not appear at all in these or any other public investment information media, or which makes its appearance long after its issuance. That is the section devoted to direct placement financing.

In direct placement, a corporate borrower or, very rarely, a public borrower, seeks financing from a small group of selected lenders, or sometimes from one large lender. Usually this is done through the mediation of an investment banker.

Why do borrowers do this instead of going to the public markets? There are a number of reasons. In direct placement, negotiations are apt to move faster. Borrowers can take advantage of prevailing favorable markets. Time and money may be saved on SEC registration. At some future time, face-to-face contact of borrower with lender may be advantageous in obtaining unforeseen but desirable alterations in the terms of the loan contract.

What does the borrower give up by this method of financing? Most of the time, a little lower rate of interest. In addition, he loses some flexibility in his sinking fund operations if the money market should change in his favor.

What does the lender gain? Generally, a more generous rate of return, and the size investment desired without scurrying around from broker to broker to eke out an authorization. What does the lender give up? Immediate marketability.

Of course, in the case of a life insurance company or a pension fund, the marketability given up is only theoretical anyway, and after such directly placed securities have been outstanding for a reasonable period of time, they do become marketable.

Are direct placements suitable for public pension funds? Indeed they are, if certain rules are followed. Public funds, by and large, are not as well endowed with investment research facilities as are private pension funds and life insurance companies. Therefore, I believe they should confine their direct placement participations to the financings of well-known corporations with an extensive history, where market comparisons are readily available, and then only in company with major, nationally-known institutional investors.

This week at Salomon Bros., for example, we will close a $25 million direct placement for Libby, McNeill & Libby, the issue being $15 million of 25-year 3½% Bonds and 100,000 shares of 5¼% preferred stock with a 100% sinking fund scheduled to give the preferred an average life of about 14 years. Recently, we placed privately two similar type issues aggregating $22.5 million for the Associates Investment Company. Buyers of these issues were major life insurance companies throughout the country and private pension funds. If these securities were immediately tradeable, it is safe to say they would be selling at a premium today. So, within the stipulated standards, direct placement issues seem very well adapted to pension fund investment requirements.

No survey of the investment market would be complete without a comment on common stocks. Equities have come to play an increasingly important role in pension trust investment. For this, there is a good reason. For one thing, they bolster yield; for another, in the long view they are safer than they seem. One hundred thousand dollars invested 40 years ago in Standard and Poor's index of 50 representative stocks would now be worth almost $224,000. To go back further: the Dow-Jones industrial average has, from 1887 on, shown an irregular but sustained upward trend from around 35 to above 300. This, I think, illustrates why savings banks, trust funds, pension funds, and other ultra-conservative investors have been acquiring holdings of common stocks. I understand at least one prominent public pension fund has invested in equities, and some private funds have already committed 30% of their assets to common stocks.

Now, ladies and gentlemen, we've covered a lot of financial ground, though of course, the time element permitted only a surface survey. In closing, I must express my profound admiration for the work you public pension fund administrators are doing. To make possible the safe and secure retirement of our country's devoted public servants must give you a great deal of well-earned satisfaction.

It is a source of deep gratification that our organization, Salomon Bros. & Hutzler, shares some small part in this important social undertaking.

With Illinois Company

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Leonard V. Lockhart has become connected with The Illinois Company, 231 South La Salle Street. Mr. Lockhart was formerly with Central Republic Co.

Joins Kentucky Co.

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—Hoyt G. Hill is with the Kentucky Company, Louisville Trust Building members of the Midwest Stock Exchange.

With C. F. Childs & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Loring T. Briggs is with C. F. Childs and Company, 35 Congress Street.

With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — James M. Boucher and Mary P. Drew have become affiliated with Investors Planning Corp. of New England Inc., 68 Devonshire Street.

Joins Townsend, Dabney

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward E. Kukkula has been added to the staff of Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

FALL RIVER, Mass.—William F. Lane is with King Merritt & Company, Inc.

Continued from page 6

$9 Billion Now in Public Employees' Pension Funds

ample, both the New York State Teachers Retirement System and the California State Employees Retirement added the same net percentage of new members. Yet the New York State Teachers average employee contribution was only 60% of the California average.

In making a projection of future growth of all public funds, two independent methods of projection were used. The first method assumed that retirement fund assets would increase by 16.4% during the year 1953-54, then this percentage rate of increase would decrease by 1% each year for five years thereafter, gradually decreasing to a 6½% annual rate of increase in 1970. The second method assumed an interest factor of 2½% of the reserves compounded annually, that public employee coverage would increase by 100,000 net new members annually for the next 15 years and that the average employee contribution would increase from $325 per member in 1952-53 to $410 in 1970. Neither method is completely accurate, nor can the assumptions be precisely documented on an actuarial basis, but the results were amazingly comparable. In 1958, the estimates indicated that public funds would have assets of approximately $15.3 billion and increase their net assets by $1.8 billion the following year. In 1963, the comparable estimates would be $25.3 billion and $2.3 billion and in 1968, $38.1 billion and $2.9 billion. It should be noted that these projected estimates make no provision for increased retirement benefits and only make a modest provision for annual salary increases.

Nor is any provision made for additional near-term inflation, as it was assumed that any modest increase in the cost of living in the near future would not cause a general trend toward an appreciable change in the average Government employees wage, which incidentally, over recent years has increased faster than the consumer price index. Benefits on the other hand, for many funds, have a considerable distance to go before a subsistence level is reached. This therefore is a social problem and difficult to forecast, but the trend appears to be toward the further liberalization of these benefits and their subsequent funding over a period of years. If any conclusion is to be drawn from this projection of assets, it is that this projection is a conservative minimum and an even more dynamic rate of growth is likely.

Rate of Return

Ninety-five funds analyzed in the M.F.O.A. survey had an average rate of return on investments of approximately 2.84%. This compares with 3.33% for life insurance companies, approximately 3.25% for corporate pension funds and approximately 3.70% for a representative group of foundations in 1953. In the M.F.O.A. supplement analysis of 117 public funds, 28 funds earned 3% or more on their assets and 18 funds earned 2½% or less. With no weighting given for the assets of the component funds, then the model interest rate for 24 funds would be between 2.71 and 2.80%. Comparing the individual years 1951 to 1953, it is evident that the rate of interest earned has increased over the past few years. This change is due to the recent upward movement of interest rates on Government and corporate bonds, the trend of investment liberalization and the distribution of invested assets for public funds. The important point to consider when examining the earned interest rate is not the average rate of 2.84% itself, but the fact that 32 of the 97 funds analyzed had a prescribed rate of interest of 3.00%. In 1953, only 28 funds out of 117 funds earned 3% or more. Thus it can be seen that a substantial number of funds had an earned interest deficiency. Of the 55 funds that indicated a source of additional revenues to meet these deficiencies in interest earnings, 50 were dependent on the employer. While this deficiency was small in 1953, ⅛ of 1% would amount to $50 million for all funds in 1970. However, there is evidence that when those funds that have a high prescribed rate of interest are fully funded or put on an actuarial basis, the interest factor is reduced to 2¼% or 2½%.

Investment Counselors

One area of considerable interest in the M.F.O.A survey was those questions that dealt with the responsibility for making investments and the use of the private investment counselors. Of 125 funds analyzed, 105 reported that the Board of Trustees of the funds were responsible for making investments. In the remaining cases, it was the State or Local Treasurer, City Comptroller, State Investment Commission, etc. Upon closer examination of the 105 funds where the Board of Trustees had the investment responsibility, it is probable that all investment implementation, with the possible exception of over-all policy decision, had been delegated to a governmental administrative officer who would additionally originate the policy for the Board of Trustees to act upon. Thus in the majority of cases, the investment policy of the funds was dependent on public officials who were in the dual position of Trustee and Government Official. Recently, many important people and organizations, notably The New York City Bar Association, have raised the question as to the possible conflict of interest that a person might have in this dual position. Basically this is a legal or administrative question that has to be solved by legislation or court decision. However, in some instances, it would be possible to solve this problem without a fundamental change in the present investment administration of these funds by the use of certain members of the Board of Trustees as a Finance Committee, or by the appointment of a special Board of Finance to advise the Board of Trustees or the Government Official in charge of the fund.

It is most unfortunate that more public retirement funds do not select certain trustees because of their investment background or abilities. Most public funds could obtain the services of a Board of Trustees composed of the financial communities' leading citizens without compensation. These Trustees who would be actively engaged in investment matters could meet once each month and pass on all investment matters. The remaining investment implementation could be done by the Government official or an investment counsel. A typical example of a fund not making the most of the opportunities available to them would be that of a large city employees retirement fund. The Board of Trustees of this fund consists of various city officials, the Mayor, the President of the City Council and the Comptroller. All of these are able men but none of them are professional investment officers. It would appear that in a situation like this, the Board of Trustees should select a Board of Finance, composed of uninterested financial men whose services probably would be obtained for little or no compensation. These men could meet once each month and review the recommendations that the existing investment staff submitted. In this way, the use of an investment advisor would not be necessary and the city officials in charge of the funds would not be placed in a dual position, or at least their trusteeship would be of less concern to the fund membership and general public.

The M.F.O.A. survey indicated that out of 125 funds questioned, 102 do not use a private investment counsel, six use banks, ten use investment firms, six use individual counselors and one a public agency. The use of a public or private investment counsel has considerable merit if used properly. For example, the investment counsel should advise the Board of Trustees or the Government official who should be actively interested in the affairs of the public fund. As public retirement funds become larger and their investment policies liberalized, the question of the use of investment counsel will be given increased consideration. If an investment counsel is selected, it should go without saying that it should be professional and in close active touch with the securities markets at all times, it should be a fiduciary in all of its relations with the fund, it should be independent of all political, social or economic pressures, and it should be made up of men who are capable and respected by other members of its profession.

Changes in Investment Policy

Ninety-five of the 125 funds analyzed by the M.F.O.A. survey reported that they had made no changes in their investment policy during the past five years. Thirty funds reported that they had broadened their investment policy during that period. This broadening was predominantly of a general nature except for four cases where the funds were permitted to purchase out-of-state municipals, FHA guaranteed mortgages, real estate mortgages or special assessment bonds. It can be assumed that if authority had been granted for a wider diversification this broadening would be used. The trend continues to be for further investment liberalization proven by the 10 funds in the survey that contemplated a further general broadening. The majority of the 103 funds that did not contemplate such a policy or a general broadening, were probably funds that had already received such authority.

Furthermore, some of the funds included in the 95 funds that had not broadened their investment policy during the past five years were funds that had authority to liberalize their investments but for various reasons, had not done so. The New York City Employees Retirement Fund is an example of this. They have always had the authority to purchase any security eligible for a New York State savings bank. Yet, in the past, they confined their purchases principally to New York City obligations and United States Government Bonds. Recently with a change in Administration and a change in New York City financial policies, this fund has received Board of Estimate approval to purchase high grade corporate bonds and FHA guaranteed mortgages. Furthermore, none of the retirement funds will be obliged to purchase New York City obligations unless their yields compare, quality considered, with other types of available investments.

Types of Investments Legal for Pension Funds

The M.F.O.A. survey reported on the types of investments that 121 funds legally could purchase. United States Government Securities, State and Municipal Bonds and Corporate Bonds were the principal investment mediums. A summary of this study is as follows:

Types of Investments	No. of Funds
U. S. Government Securities	98
State and Municipal Bonds:	
General Obligations	83
Revenue	41
Corporate Bonds	47
Real Estate Mortgage	29
Preferred Stocks	21
Common Stocks	19
Investments Legal for:	
Insurance Companies	16
Savings Banks	20

One inference that should not be taken from the above tabulation is that 23 funds could not purchase U. S. Government Securities or that 38 funds could not purchase General Obligation, State and Municipal Bonds. The apparent distortion is due to the last two categories "Investments legal for Banks and Insurance Companies." The proper conclusion to draw from this table is that if of the 121 funds, 47 could buy corporate bonds, and if we logically assume that insurance companies and banks can purchase corporate bonds, then a total of 83 funds or 68% of the funds could purchase corporate bonds. This figure compares with a 52% estimate made by the Union Securities survey in 1952. Thus it would appear that public retirement funds that could not legally purchase corporate bonds are in the minority.

Classification of Investments Owned

A most important and meaningful portion of the M.F.O.A. survey is the classification of investments owned by 124 funds who had assets of $4,352,639,544 in 1953. The percentage diversification of assets shown below is compared with the 1952 Union Securities summary which covered funds with estimated assets of approximately $6,031,000,000 on June 30.

	M.F.O.A. 1953 Survey	Union Securs. 1952 Survey
U. S. Govt. Secs.	56.0%	54.0%
State & Municipal Bonds	14.0	26.0
Corporate Bonds	22.0	14.0
Mortgages	7.0	4.0
Other	1.0	2.0
	100.0%	100.0%

Holdings of U. S. Government securities as a percentage of total assets increased to 56% of the combined portfolio. This small percentage increase was actually a substantial dollar increase in government holdings for public funds and was the reverse of what has recently taken place for life companies and savings banks who raised funds for the purchase of other securities through the sale of government bonds. The decrease on both a percentage and dollar basis in holdings of State and Municipal bonds is probably due to the serial nature of these securities and due to the fact that other securities had more attractive returns. Several funds sold short maturities at low interest rates and reinvested in longer bonds yielding substantially more.

The most startling change in the above comparison is the increase in the percentage to total assets of corporate bonds held from 14% to 22%. These percentage changes confirm the previous indications that public funds have become substantial purchasers of corporate bonds. Most of these corporate bond purchases were of necessity in the electric utility industry as the trend has been for industrial bonds to be placed privately and only a limited number offered in the public market. Although there is little question that public funds will continue to purchase corporate bonds, it is conceivable that the rate of acquisition will be exaggerated during the next few years by the sale of low yielding U. S. Government and State and Municipal bonds as there is a growing feeling among public pension fund officials that their funds should be invested in diversified long-term securities and that tax exempt securities that yield approximately the same or less than government bonds or good grade corporate bonds have no place in a public retirement fund portfolio. This generalization is not true in the case of high grade revenue bonds, as they can be satisfactory investments for tax exempt funds. Their yields are currently attractive compared to equivalent grade corporate bonds because of the recent tremendous volume of offerings that the market has not had the opportunity to digest.

Average Maturity

The lengthening of maturity offers a fertile field for the retirement fund desirous of increasing its return on assets. Of 104 funds analyzed by the M.F.O.A. survey with assets of $2,731,385,318, 6% of the investments had a maturity of less than five years, 10% less than 10 years, 29% less than 15 years and 48% less than 20 years. This would compare with an average life insurance company that has 67% of its assets invested in securities with a maturity of over 20 years. A large percentage of short maturities is important for funds that might have need for liquidity. Serial maturities for the pension fund often only help to exaggerate the investment problem. At the present time, most pension fund investment managers are reluctant to speculate that next year's interest rate pattern will be more attractive than this year's—it might be less attractive! A pension fund that is in the accumulation stage has the opportunity to dollar average its investments through the investment of the net new money available each year at the then prevailing interest rates. This fact is further brought out in the M.F.O.A. study of the flow of funds available for investment by months over a three-year period. It indicated that an approximately level amount of money was available for each of the 12 months.

Conclusion

The conclusion to draw from the M.F.O.A. survey is that public retirement funds are dynamic. They are important today even though their assets are not the $44 billion they could be by 1970. For example, in 1953 their net new money available for investment could have purchased all of the $681,600,000 publicly offered long-term Public Utility bonds rated "AA" or better, or 50% of all publicly offered long-term corporate bonds rated "A" or better. As the trend of investment broadening for public funds continues and as the funds continue to grow, the outlet for the investment of new money in the money market, will become more competitive. Those funds whose portfolios already contain large percentages of higher yielding, high grade corporate and revenue bonds will find less difficulty in maintaining portfolio yield than those funds whose portfolios contain a large percentage of short-term low-yielding securities. The current pressure for additional yield will further increase the need for investment broadening and diversification—perhaps into the fields of private placements, fee owned real estate or equities. This will necessitate larger investment staffs and more time spent by public officials on pension fund investment matters. In the past, pension fund investment management might have been a minor part of the overall municipal fiscal management. However, in the future, it will be a separate and all-important function. Public pension funds have come of age and will be giants—all in the matter of a few years.

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)	June 6	§70.9	*71.2	69.4	99.6
Equivalent to—					
Steel ingots and castings (net tons)	June 6	§1,690,000	*1,698,000	1,654,000	2,246,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 22	6,434,850	6,428,250	6,586,450	6,359,950
Crude runs to stills—daily average (bbls.)	May 22	¶6,969,000	7,020,000	6,812,000	6,983,000
Gasoline output (bbls.)	May 22	23,353,000	24,050,000	23,319,000	22,660,000
Kerosene output (bbls.)	May 22	2,030,000	2,019,000	2,155,000	2,122,000
Distillate fuel oil output (bbls.)	May 22	9,153,000	8,953,000	9,418,000	9,753,000
Residual fuel oil output (bbls.)	May 22	8,261,000	8,136,000	8,316,000	8,348,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 22	174,552,000	175,750,000	178,033,000	152,403,000
Kerosene (bbls.) at	May 22	22,263,000	21,590,000	18,518,000	22,003,000
Distillate fuel oil (bbls.) at	May 22	68,329,000	65,531,000	58,932,000	66,776,000
Residual fuel oil (bbls.) at	May 22	45,766,000	45,996,000	43,779,000	40,629,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 22	681,967	677,581	626,181	769,618
Revenue freight received from connections (no. of cars)	May 22	599,311	589,402	565,866	656,205
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 27	$288,482,000	$330,447,000	$241,103,000	$291,296,000
Private construction	May 27	152,246,000	227,510,000	144,295,000	153,844,000
Public construction	May 27	136,236,000	102,937,000	96,808,000	137,452,000
State and municipal	May 27	116,583,000	80,483,000	76,596,000	97,269,000
Federal	May 27	19,653,000	22,454,000	20,212,000	40,183,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 22	7,150,000	7,100,000	6,740,000	8,767,000
Pennsylvania anthracite (tons)	May 22	457,000	418,000	443,000	687,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 22	106	97	101	112
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 29	8,433,000	8,373,000	8,390,000	7,956,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 27	206	248	234	168
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 25	4.634c	4.634c	4.634c	4.417c
Pig iron (per gross ton)	May 25	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	May 25	$28.25	$28.08	$26.17	$38.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 26	29.700c	29.700c	29.700c	29.650c
Export refinery at	May 26	29.650c	29.675c	29.575c	29.700c
Straits tin (New York) at	May 26	93.500c	93.750c	97.750c	96.000c
Lead (New York) at	May 26	14.000c	14.000c	14.000c	13.250c
Lead (St. Louis) at	May 26	13.800c	13.800c	13.800c	13.050c
Zinc (East St. Louis) at	May 26	10.400c	10.250c	10.250c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 1	99.18	99.41	100.65	90.46
Average corporate	June 1	110.15	110.52	110.70	103.13
Aaa	June 1	114.85	115.24	115.63	106.39
Aa	June 1	111.81	112.37	112.75	105.34
A	June 1	109.97	110.34	110.34	101.97
Baa	June 1	104.31	104.48	104.66	99.04
Railroad Group	June 1	108.88	109.24	109.42	101.47
Public Utilities Group	June 1	110.15	110.52	110.70	102.63
Industrials Group	June 1	111.25	111.62	112.19	105.34
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 1	2.56	2.54	2.44	3.21
Average corporate	June 1	3.16	3.14	3.13	3.56
Aaa	June 1	2.01	2.89	2.87	3.37
Aa	June 1	3.07	3.04	3.02	3.43
A	June 1	3.17	3.15	3.15	3.63
Baa	June 1	3.49	3.48	3.47	3.81
Railroad Group	June 1	3.23	3.21	3.20	3.66
Public Utilities Group	June 1	3.16	3.14	3.13	3.59
Industrials Group	June 1	3.10	3.06	3.05	3.43
MOODY'S COMMODITY INDEX	June 1	437.1	439.3	438.5	420.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 22	215,487	242,970	199,437	203,693
Production (tons)	May 22	249,190	252,436	225,054	249,134
Percentage of activity	May 22	91	92	85	96
Unfilled orders (tons) at end of period	May 22	371,568	417,905	350,855	483,436
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 28	107.06	108.13	109.77	106.24
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 15	993,442	1,038,600	789,682	630,331
Dollar value	May 15	$45,767,553	$47,744,336	$36,077,922	$28,504,799
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	May 15	993,976	1,008,020	848,921	584,635
Customers' short sales	May 15	8,070	8,614	3,733	7,849
Customers' other sales	May 15	985,906	999,406	845,188	576,786
Dollar value	May 15	$44,272,117	$45,373,149	$37,018,685	$23,289,207
Round-lot sales by dealers—					
Number of shares—Total sales	May 15	320,340	308,420	283,815	179,530
Short sales	May 15	------	------	------	------
Other sales	May 15	320,340	308,420	283,815	179,530
Round-lot purchases by dealers—					
Number of shares	May 15	319,370	343,340	217,310	242,180
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 8	375,930	495,840	398,130	297,810
Other sales	May 8	9,996,970	12,071,290	10,500,110	6,268,720
Total sales	May 8	10,372,900	12,567,130	10,898,240	6,566,530
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	May 8	1,090,160	1,272,280	1,189,560	623,730
Short sales	May 8	220,070	245,820	226,390	154,020
Other sales	May 8	889,270	1,077,430	1,009,160	618,170
Total sales	May 8	1,109,340	1,323,250	1,235,550	772,190
Other transactions initiated on the floor—					
Total purchases	May 8	279,290	360,850	392,600	162,600
Short sales	May 8	19,300	31,000	20,800	22,000
Other sales	May 8	282,530	375,780	384,990	166,300
Total sales	May 8	302,330	406,780	405,790	188,300
Other transactions initiated off the floor—					
Total purchases	May 8	364,215	437,660	388,728	222,862
Short sales	May 8	28,010	55,050	47,100	59,960
Other sales	May 8	361,250	401,130	386,016	314,470
Total sales	May 8	389,260	456,180	433,116	374,430
Total round-lot transactions for account of members—					
Total purchases	May 8	1,733,665	2,070,790	1,970,888	1,009,192
Short sales	May 8	267,880	331,870	294,290	235,980
Other sales	May 8	1,533,050	1,854,340	1,780,166	1,098,940
Total sales	May 8	1,800,930	2,186,210	2,074,456	1,334,920
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 25	111.0	111.3	111.1	109.8
Farm products	May 25	99.8	100.7	100.4	97.3
Processed foods	May 25	107.0	107.6	105.4	104.8
Meats	May 25	99.9	101.9	95.0	94.3
All commodities other than farm and foods	May 25	114.3	114.4	114.6	113.5

*Revised figure. ¶Includes 677,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of April:			
Total gas (M therms)	5,134,470	5,904,599	4,931,469
Natural gas sales (M therms)	4,809,586	5,534,416	4,619,439
Manufactured gas sales (M therms)	67,886	76,626	91,387
Mixed gas sales (M therms)	256,998	293,557	220,643
AMERICAN PETROLEUM INSTITUTE—Month of March:			
Total domestic production (barrels of 42 gallons each)	222,882,000	198,387,000	222,699,000
Domestic crude oil output (barrels)	201,702,000	178,603,000	202,458,000
Natural gasoline output (barrels)	21,142,000	19,749,000	20,202,000
Benzol output (barrels)	38,000	35,000	39,000
Crude oil imports (barrels)	20,260,000	17,395,000	20,320,000
Refined products imports (barrels)	13,483,000	14,649,000	14,156,000
Indicated consumption domestic and export (barrels)	259,355,000	237,413,000	255,565,000
Increase all stock (barrels)	2,730,000	6,982,000	1,610,000
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of April (in thousands)	$154,661,000	$141,933,000	$145,567,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of March (millions of dollars):			
Manufacturing	$45,698	*$46,115	$44,797
Wholesale	11,774	*11,854	11,488
Retail	22,564	22,421	21,981
Total	$80,036	$80,390	$78,266
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of April:			
Automatic gas water heater shipments (units)	203,100	*187,800	204,400
Domestic gas range shipments (units)	170,400	177,800	220,300
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of March (000's omitted):			
Ordinary	$2,330,000	$1,810,000	$2,171,000
Industrial	584,000	537,000	583,000
Group	513,000	437,000	657,000
Total	$3,427,000	$2,784,000	$3,411,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of March (millions of dollars):			
Inventories—			
Durables	$25,863	*$26,168	$25,019
Nondurables	19,835	*19,947	19,778
Total	$45,698	*$46,115	$44,797
Sales	24,045	*23,620	25,763
MONEY IN CIRCULATION—TREASURY DEPT.—As of March 31 (000's omitted)	$29,707,000	$29,904,000	$29,754,000
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN. — Month of April:			
Total number of vehicles	631,769	633,002	723,532
Number of passenger cars	534,667	531,529	596,633
Number of motor trucks	96,723	101,177	126,754
Number of motor coaches	379	296	145
NEW YORK STOCK EXCHANGE—As of April 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$1,786,241	$1,716,250	$1,594,377
Credit extended to customers	38,259	39,413	25,250
Cash on hand and in banks in U. S.	312,022	312,023	308,816
Total of customers' free credit balances	819,174	787,281	737,841
Market value of listed shares	134,586,165	129,122,311	114,861,878
Market value of listed bonds	108,356,342	107,976,396	98,561,619
Member borrowings on U. S. Govt. issues	106,481	146,964	57,753
Member borrowings on other collateral	1,130,652	1,081,526	1,158,672
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of March (in billions):			
Total personal income	$282.8	*$283.0	$283.6
Wage and salary, receipts, total	193.6	194.7	196.2
Total employer disbursements	189.1	190.2	192.4
Commodity producing industries	83.9	*84.9	88.8
Distributing industries	52.0	*52.2	50.9
Service industries	24.3	24.1	23.2
Government	33.4	*33.5	33.3
Less employee contributions for social insurance	4.7	4.8	4.0
Other labor income	5.2	5.1	5.1
Proprietors and rental income	49.9	*50.0	50.7
Personal interest income and dividends	23.1	*23.0	21.9
Total transfer payments	15.7	15.0	13.7
Total nonagricultural income	265.5	*266.0	265.4
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — 1910-14 = 100—As of Mar. 15:			
Unadjusted—			
All farm products	256	258	264
Crops	239	237	252
Food grain	238	236	247
Feed grain and hay	208	208	215
Tobacco	443	443	424
Cotton	263	258	268
Fruit	212	210	209
Truck crops	246	233	267
Oil-bearing crops	275	269	291
Livestock and products	271	277	274
Meat animals	316	315	301
Dairy products	257	267	276
Poultry eggs	188	208	217
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of March (000's omitted):			
Savings and loan associations	$666,335	$517,138	$604,854
Insurance companies	123,583	104,813	125,944
Bank and trust companies	335,343	274,350	316,046
Mutual savings banks	102,773	84,553	91,451
Individuals	241,198	208,470	236,016
Miscellaneous lending institutions	314,287	235,869	252,291
Total	$1,783,519	$1,425,193	$1,626,602
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of April (000's omitted):			
Exports	$1,404,000	$1,122,000	$1,393,000
Imports	948,000	858,100	1,012,629

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Monetary Policy's New Look

serve positions and long-term rates is even more variable.

It would not be realistic, therefore, to regard the monetary authorities as being solely responsible for the extent to which interest rates have declined over the past year. The Reserve System has eased the reserve positions of the banks, to be sure, and has given its blessing to lower interest rates. On the other hand, security prices and yields are established by transactions among investors; and the willingness of investors to buy securities at progressively higher prices and lower yields bears no precise relationship to the actions of the Reserve System.

In short, the Federal has been pointing the direction for interest rates to go; but it has been the investors who have actually been running with the ball. The Federal has not forced investors to run as far they have.

It is true that the monetary authorities could have tempered the decline in rates if they had so desired. The answer seems to be that both the Federal Reserve and the Treasury have been understandably reluctant to make any moves that might even possibly have accelerated the downturn in business.

What Can Easy Money Do?

What can be expected from an easy money policy? Does it simply remove impediments to the flow of credit? Or is it, in addition, a positive stimulant to the use of credit?

The phrase "easy money" refers primarily to the degree of ease with which borrowers can obtain credit. It is mostly a matter of the availability of credit, not its cost. Availability and cost are closely related, to be sure, but they are not the same thing. Generally, when credit becomes more easily available, interest rates tend to decline. In the case of most types of credit, lower rates have little or no effect upon the demand for credit. Availability, however, may have considerable influence upon the volume of borrowing.

The chief objective of an easy money policy, surely, is to make certain that credit is adequately available. This is largely a matter of eliminating pressures that might make lenders cautious and might inhibit lending and investment policies. It means seeing to it that the banks are amply supplied with reserves and giving them confidence that they will have no difficulty in obtaining additional reserves if they need them. It is largely a negative matter of avoiding a restrictive policy which might discourage the extension of credit. It also insures against a shortage of credit which might aggravate a recession.

An easy money policy cannot be expected to reverse a decline in business activity. It cannot do much more than remove pressures that might otherwise be deflationary.

Ease Should Not Be Overdone

Once credit is amply available at reasonable rates, therefore, there may be little point in making it still cheaper. Just because money should be easy, it does not follow that the looser it becomes the better.

In fact, it is highly important that credit should not be permitted to become excessively easy. This is just as clearly a responsibility of the monetary authorities as it is to prevent credit from becoming too tight.

One of the chief dangers of super-easy credit is its tenacious tendency to perpetuate itself. For illustration, one has only to look at the entire decade of the 1940's. The overcheap money that had developed during the Big Depression sure did stay for dinner and with most unfortunate consequences. It should also be noted that excessive ease during the 1930's stimulated an expansion in the money supply which subsequently proved to be inflationary.

It is obvious, of course, that cheap money tends to undermine the earning capacity of banks and other financial institutions. Also, it may encourage people to use credit for purposes which are economically unsound.

At the persent time a super-easy money policy would represent in essence an attempt to inflate our way to full employment. What we should strive for is healthy, balanced growth, not repeated doses of inflation. The adoption of a policy of continuous inflation would be a serious threat to our economy.

Some people do exist, of course, who have a built-in propensity to exaggerate the harmful effects of easy money and to underrate its benefits. That is no excuse for going overboard in the other direction of ignoring the validity and importance of the points mentioned above.

How Far Is Down?

What criteria should be employed to determine how far a policy of monetary relaxation should be carried? Ease, yes; but how fast and how far? When does "easy" become "sloppy"?

We should not seek to find a magic formula to answer these questions. There can be no single guide for monetary policy at any time. What is needed is broad appraisal of the whole economic situation.

Yet, one cannot escape paying more attention to certain yardsticks than to others. Which are the most important?

Last year there was considerable discussion of the idea that the money supply should expand at an annual rate equal to the average annual growth rate of the economy—somewhere around 3% per year. This concept is not entirely devoid of merit when applied to a period of full employment. At other times, however, it has little application—or none. Under present-day conditions, there appears to be no definite guideposts to monetary policy other than assuring an ample availability of credit and the avoidance of excessive ease.

Are We Going Too Far?

Has credit been easing too rapidly over the past year? How much further, if at all, should cheapening be permitted to go?

We do not have very accurate methods of measuring the availability of credit. Nevertheless, there is widespread agreement among competent observers that credit has now become amply available throughout all the major segments of the credit market. A Federal Reserve spokesman recently declared that the pervasiveness of ease today is "unprecedented."

In view of this and in view of the collapse of open-market rates, it is not surprising that many bankers feel that easy money has already been carried far enough, at least under present circumstances.

On this point, there seem to be some misgivings with respect to the policy of the Federal. One reason may be the extent to which some Federal Reserve spokesmen seem at times to disclaim responsibility for money rates. Also, certain monetary officials apparently feel that easy credit can be a more powerful spur to business than most bankers believe. Recently, for example, one Board member spoke of easy money as a "stimulus" that can give "impetus" to the economy by "promoting" credit expansion. Most bankers would use a different emphasis.

The Reserve authorities have stated frankly that their policy had been to err on the side of ease. They have admittedly picked the right direction for erring, if err they must; but bankers may perhaps be pardoned for wishing they did not have to err quite so vigorously. Also, some bankers find it hard to understand why the authorities should not back-track a bit if they find they have gone too far. Moreover, some question the desirability of compounding such an error by successive reductions in the discount rate.

On the other hand, the Reserve System has not created a plethora of funds. It has not piled up large quantities of excess reserves. Also, the Reserve authorities must certainly be cognizant of the dangers of overabundant money. They are inevitably concerned with the health of financial institutions. They know it is important that money should receive a living wage. They cannot abdicate all responsibility for the level of interest rates.

So, the Federal Reserve may have erred in the direction of ease, and may continue to do so; but it can assuredly be counted upon not to go to a ridiculous extreme.

It would not be at all surprising to see in the not-too-distant future another reduction in member bank reserve requirements. If the Reserve authorities exercise care, however, they should be able to accomplish this without further depressing short-term interest rates.

Explanations Help

With respect to these problems, and some others as well, it would be most desirable to have more illumination from official sources. At times, when official statements have been misconstrued by the market, some people have criticized the monetary authorities for "talking too much." A more sensible conclusion would seem to be that spokesmen might be more careful to guard against such misinterpretations. The misunderstandings of investors can best be dispelled by clear explanation, not by silence.

In this connection, we are indebted to the Reserve authorities in recent months for a number of statements which have been unusually informative. There has also been the early publication of the Board's "Annual Report," together with the full minutes of the deliberations of the Open Market Committee.

The monetary developments of the past year and a half have nevertheless raised more questions than have been fully answered. All who are concerned with the credit market would benefit from further clarification of these problems.

Something Old, Something New

So there we have monetary policy, post-accord style. Essentially, of course, it is the same old-fashioned monetary medicine. Nevertheless, some important new ingredients have been added which may have improved its effectiveness.

The doctors, by and large, have shown considerable skill. They may have used a little too much medicine at times; but after all, they are relearning a complicated art under radically changed conditions after a long period of disuse.

In addition, they do seem to have learned some lessons from the past. For one thing, they are not as rough as their predecessors were—in 1920, for example. Also, they seem to be considerably more interested in having the patient back on his feet as rapidly as possible.

In general, both the doctors and the patient are to be congratulated. It is to be hoped, surely, that they will continue to work closely together over the years ahead. That, of course, will require good doctoring; but it will also depend upon whether the patient realizes that monetary medicine is good for him

Continued from page 12

Is New York Declining As a Banking Center?

better part of wisdom to build the insurance fund up rapidly by placing on the big banks a cost considerably more than the coverage they were getting out of it. Now the fund is built up to a reasonable size and a substantial share of the annual assessment income is being rebated by the corporation to the banks. I believe it is time to give thought to the question whether deposit insurance cost should not be more directly related to the protection afforded so that New York banking will not have to continue, in a sense to subsidize its competition.

This issue would lose some of its point if the earnings position were reversed, and our big banks were doing better than banking generally. There are those who will regard it as naive and quixotic and even daffy to take a stand publicly in favor of easing the burden on the big banks. Perhaps. But I think that the present method of assessing unprotected deposits is no more equitable than billing a skyscraper for fire insurance at so much a floor, right up to the roof, and paying off losses resulting from fire only so far as they are incurred on the first floor. It does not do any good to rationalize the present assessment method by maintaining that through its operations the FDIC is protecting all depositors even though its insurance liability extends only to the small accounts. At the hearings three years ago a Senate Committee made it pretty clear that Congress had not given the corporation any such latitude.

My last question relates to a practice that has grown up since deposit insurance was started. When the Insurance Act was passed in 1933 Congress ingeniously sought to help the banks find the money to pay the insurance assessments by forbidding the payment of interest on demand deposits. The large depositors, and especially some of the large corporations, did not care much for this scheme, but there did not seem to be much that they could do about it.

Now, years later, some of them are coming up with a way around this prohibition. Unable to get any interest from the banks on their cash balances, corporations have been turning in increasing numbers to employing idle balances in short-term investments, including, I want to emphasize here, commercial paper offered by other corporations. Instead of banks themselves being the largest buyers of commercial paper, nonbanking corporations are now the principal takers.

After the stock market crash of 1929 it suddenly became clear to everybody that it was not desirable for nonbanking lenders to have such huge amounts of funds placed in the call loan market. Nonbanking lenders can be pretty skittish. They ran fast in 1929 and the banks had to assume their loans. They are farther out of reach of credit control than banks. Short-term lending, it was felt, was properly a function of banks. Now is the time to determine whether the same faults that were found to exist in call loans by others are also present in short-term commercial lending by others.

It is apparent that the nonbanking commercial lending which is an offshoot of prohibiting interest payments on demand deposits falls hardest on the banks with the large corporate balances, that is, our big banks, which were not the chief offenders against good practice in the rates of interest paid on deposits in the pre-banking holiday period. This lending short-circuits the banking system and affects the banks' earning power adversely.

Conclusions

As I come to the end of my remarks I should like to say once more that the deposit fluctuations of the last decade do not indicate that New York banking is losing its competitive edge or the uniqueness of its position. All of us in this city and state ought also to have a certain sense of pride in what our banking has accomplished, over the worldwide eminence it has attained, through the years. Our people's interest in seeing New York banking continue to excel is anything but academic.

Ours is the most practical of interests. Finance is two and a half times as important to New York City employment as to that of the United States as a whole. This one city gives jobs to 15% of the nation's financial labor force. Banking is the backbone of our large and complex financial structure. Banking service for the nation and much of the world is our city's and state's most celebrated product. If you include all the activities that are related to our banking and cater to it and grow from it, you will have one of our most vital economic activities as well.

You cannot assume that our New York banking will continue to function as strongly and successfully as ever, like some force of nature such as the Gulf Stream, if we take it for granted. Its problems are the concern of all of us in this city and state. Its well-being affects more than our pride. The success of our banking system means nearly as much to us as a good tourist season means to Florida.

We need not only to believe in ourselves in banking. We need also to see that this industry so vital to our economic health in New York is given a fair chance competitively. I do not know how an organization such as the Metropolitan Group of the Association of Bank Women could enlist its energies and enthusiasm in a better cause.

With Bingham, Walter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William A. Cameron has become connected with Bingham, Walter & Hurry, Inc., 621 South Spring Street, members of the Los Angeles Stock Exchange.

Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John L. Liddle has been added to the staff of Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly with First California Company.

Hutton Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Frank F. Bell has been added to the staff of E. F. Hutton & Company, 623 South Spring Street.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Aluminum Co. of America
May 26 filed 520,000 shares of common stock to be offered for sale under company's Employee's Stock Option Plan.

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
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 Progressive Health Insurance Co. of New York
May 21 (letter of notification) 30,000 shares of common stock (par $2). **Price**—$10 per share. **Proceeds**—For working capital. **Office** — 92 Liberty St., New York, N. Y. **Underwriter**—None.

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
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. **Offering** — Expected today or tomorrow (June 3-4).

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.

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** — Blank 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.

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. (6/4)
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 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.

★ Central Soya Co., Inc., Ft. Wayne, Ind. (6/16)
May 27 filed 99,000 shares of common stock (no par) to be offered for subscription by common stockholders of record June 15 on the basis of one new share for each ten shares held; rights to expire on June 29. **Price**—To be supplied by amendment. **Proceeds** — From sale of stock, together with $6,000,000 from long-term borrowings, to be used to pay for expansion, for working capital, and other general corporate purposes. **Underwriter**—Goldman, Sachs & Co., New York.

★ Central Vermont Public Service Corp.
May 28 filed $4,000,000 first mortgage bonds, series E, due June 1, 1984. **Proceeds**—To redeem $1,956,000 series I 3¾% bonds, and $797,000 series J 3¾% bonds, to repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; W. C. Langley & Co. and Hemphill, Noyes & Co. (jointly); Baxter, William & Co.

★ Charge-It Systems, Inc.
May 24 (letter of notification) 230,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and used to reduce current borrowings and to extend operations. **Office**—60 East 42nd St., New York, N. Y. **Underwriters**—Milton D. Blauner & Co., Inc. and D. Gleich Co., both of New York City.

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NEW ISSUE CALENDAR

June 4 (Friday)
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

June 7 (Monday)
Hilo Electric Light Co., Ltd. ..... **Common**
(Offering to stockholders—no underwriting) $500,000
Inter-Canadian Corp. ..... **Common**
(White, Weld & Co.) $2,500,000
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
Giddings & Lewis Machine Tool Co. ..... **Common**
(Hornblower & Weeks) 100,000 shares
Grand Mesa Uranium Co. ..... **Common**
(Greenfield & Co., Inc.) $275,000

June 10 (Thursday)
Grant Building, Inc. ..... **Common**
(Offering to stockholders—no underwriting) 22,069 shares
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

June 14 (Monday)
Hammond Organ Co. ..... **Common**
(A. G. Becker & Co. Inc. and Hornblower & Weeks) 114,954 shares

June 15 (Tuesday)
Central Illinois Public Service Co. ..... **Bonds**
(Bids to be invited) $5,000,000
Connecticut Light & Power Co. ..... **Common**
(Offering to stockholders—no underwriting) $7,526,198
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
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
United States Sulphur & Chemical Corp. ..... **Common**
(Vickers Brothers) $760,000
Western Plains Oil & Gas Co. ..... **Common**
(Irving J. Rice & Co.) $475,000

June 16 (Wednesday)
Central Soya Co., Inc. ..... **Common**
(Offering to stockholders—underwritten by Goldman, Sachs & Co.) 99,000 shares
Hoffman Radio Corp. ..... **Common**
(Blyth & Co., Inc. and William R. Staats & Co.) 130,000 shares

June 17 (Thursday)
Connecticut Light & Power Co. ..... **Preferred**
(Putnam & Co.; Chas. W. Scranton & Co.; and Estabrook & Co.) $10,000,000
Panhandle Eastern Pipe Line Co. ..... **Debentures**
(Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; and Carl M. Loeb, Rhoades & Co.) $35,000,000
Tennessee Gas Transmission Co. ..... **Bonds**
(Bids to be invited) $25,000,000

June 21 (Monday)
Continental Commercial Corp. ..... **Preferred**
(Van Alstyne, Noel & Co.) $800,000

June 22 (Tuesday)
Gulf Power Co. ..... **Bonds**
(Bids 11 a.m. EDT) $10,000,000
Washington Gas Light Co. ..... **Bonds**
(Bids 11 a.m. EDT) $5,000,000

June 23 (Wednesday)
Duquesne Light Co. ..... **Preferred**
(Bids to be invited) $6,000,000
Pacific Gas & Electric Co. ..... **Preferred**
(Blyth & Co., Inc.) $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

June 30 (Wednesday)
Florida Power & Light Co. ..... **Preferred**
(Bids 11 a.m. EDT) $5,000,000
Florida Power & Light Co. ..... **Common**
(Bids 11 a.m. EDT) 245,000 shares

July 1 (Thursday)
Mesa Uranium Corp. ..... **Common**
(Tellier & Co.) $300,000
Williston Basin Oil Ventures, Inc. ..... **Common**
(Tellier & Co.) $50,000

July 12 (Monday)
United Gas Improvement Co. ..... **Bonds**
(Bids to be invited) $10,000,000

July 26 (Monday)
Boston Edison Co. ..... **Bonds**
(Bids to be invited) $18,000,000

Continued from page 37

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. (6/15)**
May 25 filed 590,290 shares of common stock (no par—stated value $10.0625 per share), to be offered for subscription by common 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.

★ **Connecticut Light & Power Co. (6/17)**
May 26 filed 200,000 shares of cumulative preferred stock, series E (par $50). **Price** — To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—Putnam & Co., Chas. W. Scranton & Co. and Estabrook & Co.

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.**
May 6 filed $25,000,000 of first mortgage bonds due 1984. **Price**—To be not less favorable to company than a 3⅛% basis. **Proceeds**—To redeem at 105.25% a like amount of outstanding 3¾% bonds due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co., and Union Securities Corp. (jointly); Harriman Ripley & Co. and The First Boston Corp. (jointly). **Offering**—Postponed temporarily.

★ **Continental Commercial Corp., Pittsburgh, Pa. (6/21-24)**
June 1 filed 80,000 shares of 60-cent convertible preferred stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital. **Underwriter**—Van Alstyne, Noel & Co., New York.

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.

● **Decca Records, Inc., New York**
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.

★ **Ellicott Drug Co., Buffalo, N. Y.**
May 24 (letter of notification) $290,000 6% debentures due June 1, 1974 to be first offered in exchange, par for par, for the presently outstanding 6% debentures due 1957; unexchanged new debentures to be offered publicly. **Price**—100% and accrued interest from July 1, 1954. **Proceeds**—For redemption of 6% debentures due 1957. **Office**—127 Cherry St., Buffalo 5, N. Y. **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.

● **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 Acceptance Corp., Allentown, Pa. (6/16)**
May 27 filed $4,000,000 convertible capital debentures due June 1, 1984 (subordinated to all other borrowed funds), with warrants to purchase 40,000 shares of common stock, to be offered in units of $1,000 of debentures and warrants to purchase 10 shares of stock. **Price**—$1,000 per unit. **Proceeds**—To redeem $175,000 of debentures, for expansion and reduction of short-term borrowings. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass., and New York.

General Credit Corp., Miami, Fla.
March 25 (letter of notification) 74,990 shares of capital stock (par $1). **Price**—$4 per share. **Proceeds**—For working capital. **Office**—799 N. W. 62nd Street, Miami, Fla. **Underwriter**—Murphy & Co., Miami, Fla.

General Gas Corp., Baton Rouge, La.
March 19 filed 100,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Postponed indefinitely.

General Stores Corp., New York
March 8 filed 300,000 shares of common stock (par $1). **Price**—$1.37½ per share. **Proceeds**—To pay part of cost of acquisition of Ford Hopkins Co., Chicago, Ill. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. Statement to be withdrawn.

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.

● **Giddings & Lewis Machine Tool Co. (6/9-10)**
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
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. **Offering**—Expected today (June 3).

● **Grand Mesa Uranium Co. (6/9-10)**
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. (6/10)**
May 21 filed 22,069 shares of common stock (par $1) to be offered for subscription by common and class A common stockholders on basis of one share for each five shares of common or class A common stock held about June 10. **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 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 at 20 Pine St., New York, N. Y.

Gulf States Utilities Co. (6/15)
May 14 filed 160,000 shares of preferred stock (par $100). **Proceeds** — To redeem 50,000 shares of $4.50 dividend preferred stock, 60,000 shares of $4.40 dividend preferred stock, 1949 series, and 50,000 shares of $4.44 dividend preferred stock at the prevailing redemption prices of $105, $105, and $105.75, respectively. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Tentatively expected to be received up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y. Stockholders will vote June 11 on approving preferred stock financing.

Gulf States Utilities Co. (6/15)
May 14 filed $24,000,000 of first mortgage bonds due June 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅜% first mortgage bonds due 1981 and $10,000,000 of 3⅜% first mortgage bonds due 1983, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y.

Hammond Organ Co., Chicago, Ill. (6/14-15)
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.

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.

★ **Hussmann Refrigerator Co., St. Louis, Mo.**
May 24 (letter of notification) an indeterminate number of shares of common stock (no par) to be offered to employees under a company sponsored monthly investment program. **Price**—That prevailing on the New York Stock Exchange. **Proceeds**—None. **Underwriter**—None.

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. (6/7-10)**
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.

★ **Jolly Jack Uranium Co., Salt Lake City, Utah**
May 24 (letter of notification) 1,160,000 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds** — For mining expenses. **Office** — 620 Judge Bldg., Salt Lake City, Utah. **Underwriter** — Coombs & Co., Salt Lake City, Utah.

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.

★ **Kleen Industries, Ltd., Washington, D. C.**
May 25 (letter of notification) 100,000 shares of class B non-voting common stock (par one cent). **Price**—$1 per

share. **Proceeds**—To manufacture and sell a detergent. **Office**—622 E St., N. W., Washington, D. C. **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.

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.

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.

★ **Mesa Uranium Corp., Grand Junction, Colo. (7/1)**
May 27 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining expenses. **Office**—618 Rood Ave., Grand Junction, Colo. **Underwriter** — Tellier & Co., Jersey City, N. J.

★ **Metalphoto Corp.**
May 21 (letter of notification) 250,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For working capital. **Business**—To manufacture metal products treated to make them photosensitive. **Office**—First National Bank Bldg., Princeton, N. J.

Midland General Hospital, Inc., Bronx, N. Y.
May 17 filed 900 shares of common stock (no par). **Price**—$1,000 per share. **Proceeds**—To erect a hospital in the Borough of Paramus, N. J., and for working capital, etc. **Underwriter**—None.

Mission Indemnity Co., Pasadena, Calif.
March 29 filed 600,000 shares of common stock (par 65 cents) to be offered first to stockholders and to general public. **Price**—$2 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Missouri Public Service Co.
April 23 filed 50,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To redeem outstanding first preferred stock ($3,475,000), to repay $750,000 bank loans and the balance for construction program. **Underwriter**—Kidder, Peabody & Co., New York. **Offering** — Postponed indefinitely.

● **Missouri Telephone Co., Columbia, Mo.**
May 13 (letter of notification) 12,000 shares of 6% cumulative preferred stock. **Price**—At par ($25 per share). **Proceeds**—For expansion. **Underwriters**—Central Republic Co., Inc., Chicago, Ill.; and Dempsey-Tegeler & Co., Metropolitan St. Louis Co. and A. G. Edwards & Sons, all of St. Louis, Mo. **Offering** — Expected today (June 3).

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.

★ **Nash-Finch Co., Minneapolis, Minn.**
May 24 (letter of notification) 1,000 shares of common stock (par $10). **Price**—At market (estimated at not to exceed $18.50 per share). **Proceeds** — To Willis King Nash, the selling stockholders. **Underwriter** — J. M. Dain & Co., of Minneapolis, Minn.

Natick Industries, Inc., Natick, Mass.
March 10 (letter of notification) 58,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital, etc. **Underwriter**—J. P. Marto & Co., Boston, Mass.

New Mexico Copper Corp.
April 4 (letter of notification) 600,000 shares of common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—Carrizozo, N. M., and 1211 E. Capital St., Washington, D. C. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

New Orleans Public Service Inc.
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.
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.

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.

★ **Otil Investment Corp., Denver, Colo.**
May 25 (letter of notification) 250,000 shares of 7% cumulative convertible preferred stock (par $1) and 500,000 shares of common stock (par one cent) to be offered in units of one preferred and two common shares. **Price**—$1.20 per unit. **Proceeds**—For working capital. **Office** — Ernest and Cranmer Bldg., Denver, Colo. **Underwriter**—Joseph A. Gallegos, Treasurer and director of company.

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.

★ **Panhandle Eastern Pipe Line Co. (6/17)**
May 28 filed $35,000,000 of debentures due 1974. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters** — Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Carl M. Loeb, Rhoades & Co.

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.

● **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 28. **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.

★ **Pittsburgh Athletic Co., Inc. (6/11)**
May 27 (letter of notification) $300,000 of 4½% convertible debentures due Dec. 31, 1961 to be offered first for subscription by stockholders. **Price**—100% of principal amount. **Proceeds**—For working capital. **Office**—3940 Sennott St., Pittsburgh 13, Pa. **Underwriter**—None.

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.

★ **Potomac Electric Power Co.**
May 26 filed $1,000,000 face amount of the Potomac Plan for the Systematic Accumulation of common stock of Potomac Electric Power Co.

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.

★ **Pueblo Mortgage Exchange Co.**
May 25 (letter of notification) 1,500 shares of class B non-voting common stock. **Price**—$100 per share. **Proceeds**—For working capital. **Office**—534 Dittmer Ave., Pueblo, Colo. **Underwriter**—None.

Pumice, Inc., Idaho Falls, Idaho
March 29 (letter of notification) 1,170,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—To complete plant, repay obligations and for working capital. **Office** — 1820 N. Yellowstone, Idaho Falls, Idaho. **Underwriter** — Coombs & Co., Salt Lake City, Utah.

Rio Grande Investment Co., Longmont, Colo.
April 19 (letter of notification) 1,150 shares of common stock (no par) and 1,150 shares of 6% cumulative participating preferred stock (par $100) to be offered in units of one share of each class of stock. **Price**—$100 per unit. **Proceeds** — For operating expenses and to make loans. **Business**—Finance company. **Address**—P. O. Box 194, Longmont, Colo. **Underwriter**—William E. Conly, Jr., Longmont, Colo.

● **Shawano Development Corp. (Fla.)**
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. **Offering**—Expected today (June 3).

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.

★ **Smith-Dieterich Corp.**
May 27 (letter of notification)) 1,775 shares of common stock. **Price**—At par ($2.50 per share). **Proceeds**—To P. Stanley Smith, the selling stockholder. **Office**—50 Church St., New York, N. Y. **Underwriter**—Cooke and Lucas, New York City.

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. (6/7-11)**
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.

★ **Southern States Chemical Co., Atlanta, Ga.**
May 24 (letter of notification) 2,565 shares of common stock (par $10) to be offered for subscription by stockholders of record May 31, 1954 on the basis of one share for each eight shares held (with an oversubscription privilege); rights to expire on June 21. **Price**—$15 per share. **Proceeds**—For working capital. **Office**—1061 W. Marietta St., N. W., Atlanta, Ga. **Underwriter**—None.

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.

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● Sterling Industries, Inc.
May 11 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—100 West 10th St., Wilmington, Del. **Underwriter**—East Coast Securities Corp., New York.

Strevell-Paterson Finance Corp.
Feb. 19 filed 640,000 shares of common stock (par 50 cents being offered in exchange for the $300,000 par value of authorized, issued and outstanding capital stock of Strevell-Paterson Finance Co. on the basis (a) of 13 shares of Corporation stock for each of the 5,000 shares of 5% cumulative preferred stock (par $10) of the Company and (b) 23 shares of Corporation stock for each of the 25,000 shares of $10 par common stock of the company. Offer expires Oct. 31. **Underwriter**—None. **Office**—Salt Lake City, Utah. Statement effective March 30.

Sun Oil Co., Philadelphia, Pa.
April 15 filed a maximum of 139,662 shares of common stock (no par) to be offered for possible public sale during the period July 1, 1954 to June 30, 1955. **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—None. The shares will be sold through brokerage houses.

Sun Oil Co., Philadelphia, Pa.
April 15 filed 14,000 memberships in the stock purchase plan for the employees of this company and its subsidiaries and 146,100 shares of common stock (no par), the latter representing the maximum number of shares which it is anticipated may be purchased by the trustees under the plan. **Underwriter**—None.

★ Tape Recording Corp., N. Y.
May 27 (letter of notification) 15,000 shares of non-cumulative preferred stock to be first offered for subscription by common stockholders on the basis of one preferred share for each four common shares held; rights to expire on July 1, 1954. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—201 East 42nd St., New York 17, N. Y. **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.

★ Tennessee Gas Transmission Co. (6/17)
May 26 filed $25,000,000 first mortgage pipeline bonds due 1974. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Bids** — Tentatively expected to be received on June 17.

★ Thalman Aircraft Corp., Salt Lake City, Utah
May 25 (letter of notification) 15,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To develop and manufacture the Thalman Four Place Midwig Plane. **Office**—1023 Fremont Ave., Salt Lake City, Utah. **Underwriter**—None.

Three-In-One Gold Mines Corp., Reno, Nev.
May 3 (letter of notification) 1,993,333⅓ shares of capital stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining expenses. **Office**—139 N. Virginia St., Reno, Nev.

Transportation Development Corp. (6/7)
April 26 filed 100,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To finance the costs of obtaining contracts for the construction of the company's transportation system, for working capital and for other general corporate purposes. **Underwriters**—L. H. Rothchild & Co., New York.

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.

★ Union Carbide & Carbon Corp.
May 28 filed $26,000,000 of interests or participations in the Savings Plan for Employees of company and United States subsidiaries, and 50,000 shares of outstanding capital stock (no par), representing the number of shares which, it is estimated, will be purchased under the Plan during the 13 months' period following the effective date of registration.

● United States Sulphur & Chemical Corp., Carson City, Nev. (6/15)
April 30 filed 380,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds** — For acquisitions, exploration and development expenses, and for working capital. **Underwriter**—Vickers Brothers, New York.

United Utilities, Inc. (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.

★ Utida Uranium Co., Inc., Pocatello, Ida.
May 21 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—To finance exploration, etc. **Office**—205 Carlson Bldg., Pocatello, Ida. **Underwriter**—I. J. Schenin Co., New York.

★ Washington Gas Light Co. (6/22)
May 26 filed $5,000,000 of refunding mortgage bonds due 1979. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., and Union Securities Corp. (jointly); Kidder, Peabody & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on June 22 at company's office in Washington, D. C.

Webb & Knapp, Inc., New York
April 14 filed $8,607,600 of 5% sinking fund debentures due June 1, 1974, being offered together with certain cash by the company in exchange for outstanding common stock of Equitable Office Building Corp. on basis of $5 in cash and $7 principal amount of debentures for each share of Equitable stock. Exchange offer, which will expire any time after June 7, 1954, is conditioned solely upon acceptance by 80% of outstanding shares. **Underwriter**—None. Statement effective May 5.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Ohio Gas Co., Lima, Ohio
May 10 (letter of notification) 22,386 shares of common stock (par $5), to be offered to common stockholders of record May 15 in the ratio of one new share for each 15 shares held. **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office** — 319 West Market St., Lima, Ohio. **Underwriter**—None.

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. (7/1)
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.

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. (7/26)
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. **Bids**—Tentatively expected on July 26. Stockholders will vote on June 30 on approving bonds issue.

★ Bullard Co.
May 27 it was announced company has advised stockholders it is planning some new financing. **Proceeds**—For expansion. **Underwriter**—White, Weld & Co., handled secondary offering in 1929.

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., Kingston, N. Y.

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.

★ Consolidated Gas Electric Light & Power Co. of Baltimore
May 26 it was reported company plans, following settlement of rate case, to issue and sell from $15,000,000 to $25,000,000 of new securities. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Harriman, Ripley & Co. Inc. and Alex. Brown & Sons (jointly).

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 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. (6/30)
May 25 it was announced company plans to issue and sell 50,000 shares of cumulative preferred stock (par $100) and 245,000 shares of common stock (no par). **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Lehman Brothers (jointly); The First Boston Corp.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; Carl M. Loeb, Rhoades & Co.; Union Securities Corp.; Glore, Forgan & Co. and Harriman Ripley & Co. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on June 30. **Registration**—Expected June 8.

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. **Pro-**

ceeds — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc., Equitable Securities Corp. **Meeting**—Stockholders on April 27 aprpoved new financing.

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 28 company applied to Maine P. U. Commission for authority to issue 40,000 shares of new preferred stock (par $50). **Proceeds**—To redeem 60,000 shares of 5½% preferred stock (par $20) and 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.

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.

★ New York, New Haven & Hartford RR.
May 26 it was reported company will offer and sell $6,600,000 equipment trust certificates due Jan. 1, 1955 to 1969, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

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.

★ Pacific Gas & Electric Co. (6/23)
May 26 it was announced company plans to file with the SEC (about June 3) a registration statement covering 1,000,000 shares of redeemable first preferred stock (par $25). **Price**—To be named later. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., San Francisco, Calif.

★ Pacific Power & Light Co.
May 25 it was reported company may issue and sell about $30,000,000 of new bonds later this year. **Proceeds**—To refund all outstanding Mountain States Power Co. (merged with Pacific Power & Light Co. debt and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and White, Weld & Co. (jointly); Kidder, Peabody & Co.; Union Securities Corp.; Lehman Brothers, Bear, Stearns & Co. and Salomon Bros. & Hutzler (jointly).

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 Indiana, Inc.
May 21 it was announced stockholders will vote June 24 on increasing authorized preferred stock (par $25) from 1,400,000 shares to 2,000,000 shares. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

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.

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.

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.

★ Seattle Trust & Savings Bank (Wash.)
May 26 it was announced stockholders will vote in June on a proposal to approving the issuance and sale to stockholders of 2,000 additional shares of capital stock in the ratio of one new share for each nine shares held.

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 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.

★ Telecomputing Corp.
May 26 it was reported early registration is expected of 95,500 shares of common stock. **Underwriters** — Hill Richards & Co. and William R. Staats & Co., Los Angeles, Calif.

• Tennessee Gas Transmission Co.
May 24 it was reported company plans issuance and sale of $20,000,000 of debentures later in 1954 (in addition to $25,000,000 bonds filed May 26 with SEC). **Proceeds**—For new construction. **Underwiters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Transcontinental Gas Pipe Line Corp.
March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Tri-Continental Corp.
March 30 stockholders voted to reclassify 500,000 shares of presently authorized but unissued $6 cumulative preferred stock, without par value, into 1,000,000 shares of a new class of preferred stock, $50 par value, making possible a refunding of the outstanding $6 preferred stock at an appropriate time, when conditions warrant. **Underwriter**—Union Securities Corp., New York.

Ultrasonic Corp.
May 17 it was reported company plans to offer some new securities to provide working capital. Details not yet available.

United Gas Improvement Co. (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.

★ Wisconsin Southern Gas Co., Inc.
May 26 company applied to SEC for authority to issue and sell to its stockholders of record June 1, 1954 on a 1-for-5 basis 12,618 additional shares of common stock (par $10). **Price**—$11 per share. **Proceeds**—To redeem collateral trust bonds. **Underwriter**—None.

Our Reporter's Report

Although far from panicky the investment underwriting industry, judging by the comments of some of its members is concerned over the stalemate that has gripped the new issue market.

When such conditions reach the point where prospective issuers decided upon indefinite postponement of an undertaking which already has gone into registration, it is apparent that something has got to give without much delay.

That point was reached this week when Consumers Power Co., decided to withdraw its request for bids for $25,000,000 of new first mortgage bonds because of "present market conditions." Bidding had been set for yesterday, but the issue is now off until some future date.

Meanwhile the rank and file on both sides of the picture, that is the underwriters on the one hand and the institutional portfolio buyers on the other, are keeping a close eye on two recent undertakings, namely Pacific Gas & Electric's $65,000,000 issue and Public Service Electric & Gas Corp.'s $50,000,000 of new bonds.

The former brought out at a price to yield 3.08% and the latter priced to yield 3.02% have been slow in attracting buyers. Sluggishness here has prompted an attitude of wariness toward new bond offerings in general.

Consensus seems to be that what happens ultimately in the case of these offerings will provide a key to the immediate prospect.

Test of Bidding Theory

Feeling is that the current situation could prove the acid test for the entire theory of competitive bidding which came into being under the auspices of the New Deal.

Under this method of underwriting, it is argued, the tendency is to put prices on new issues which are not acceptable to people who have the money to invest. Stress, it is contended, is on the wrong things.

The point is made that there may be 75 or 80 members in a syndicate meeting to discuss price ideas. Those with intentions of taking down 100 bonds have the same voice as firms which plan to commit themselves for several millions of the bonds in question.

Invariably, it is argued, 12 to 15 firms must act as "cheer leaders," determine the price and "carry the ball."

A Bit of Contrast

By way of contrast, today brought out a series of offerings being marketed via the negotiated basis. Bankers will be watching these operations with more interest than usual under prevailing circumstances.

Reliance Electric's $5,000,000 of debentures, by reason of their 20-year maturity, should fit well into a number of portfolios which have been on a 30-year diet.

Meanwhile Vanadium Corp. of America is offering $5,000,000 of new subordinated convertible debentures, while Central Maine Power has an issue of 50,000 shares of $100 par value preferred up for the consideration of buyers.

Just As Well

With the rank and file of the bond fraternity slated to spend tomorrow at the Sleepy Hollow Country Club, it is just as well perhaps that this week failed to develop much in the way of new business of the competitive bidding variety.

Some 600 to 700 members of the Bond Club will finish their day at the organization's annual outing trying their hand at golf and other forms of diversion.

So that the week was a short one in the business, what with the Monday holiday and tomorow's abbreviated activities, with emphasis on trying to move backed-up material.

Three With Standard

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Forest N. DeArmond, Medardo Rangel, and Frederick Tillinghast, III have been added to the staff of Standard Investment Co. of California, 210 West Seventh Street.

Joins Louis Love

(Special to THE FINANCIAL CHRONICLE)

MENLO PARK, Cal.—Donald M. Terr is now with Louis A. Love Co.

Joins Frank Knowlton Co.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Leon W. Dinkin is now with Frank Knowlton & Co., Bank of America Building. In the past he was with Capital Securities Co.

Continued from page 3

Additional Commentaries on "Full Employment & Its Dangers"

held that the release of purchasing power and stimulation of business might actually result in more tax collections than were lost by tax adjustment. Is not the argument even more valid today when there is a large volume of unemployment and underemployment?

What is needed today is more purchasing power to absorb the products of the plant we now have (plant has increased 66% since 1945, in rough figures) rather than a tax program that is calculated to lead to more plant expansion, but would actually lead to more savings being sterilized in the banks.

ROGER W. BABSON
Babson Park, Mass.

Roger W. Babson

I surely agree with Dr. Wiegand. When this "full employment" legislation was passed, I wrote President Truman that it was similar to Congress passing a law that there should be no more pain and no more sickness or that our teeth should not decay.

Congratulations to you on the constantly improving "Chronicle."

DAVID E. SMUCKER
President, Detroit, Toledo and Ironton Railroad Company

I agree fully with Dr. Wiegand that the full employment philosophy of government is a most dangerous one since no tests are prescribed to establish the public interest.

David E. Smucker

I don't think anyone could quarrel with the theory that this country will be most prosperous when all who want to work can be properly employed in normal and usual occupations, including proper governmental operations. On the contrary I don't think anybody could dispute very much a conclusion that the country would be in very bad shape with only 20% of those who desire to work able to find employment, both commercial and proper governmental spheres.

The danger lies entirely with the possibility of selfish motivation of the people who are required to judge a situation of the moment and to decide whether or not the good of all the people requires action on the part of the government. If we could always be sure that our elected public servants could be men of good judgment and high courage, and further that they would in all cases employ staff assistants equally competent in the field, the mere statement of policy would not be particularly dangerous.

On the contrary and with the experience of the last 20 years fresh and green, I think that the policy poses a very real danger which we may have to face as early as next January. If the Democratic party is able to elect only enough for a bare numerical majority in the Congress important committee chairmanships would as in the past lodge very largely in some of the more conservative Democrats from the southern states. If on the contrary, the Democrats were able to elect a very large and working mapority of New Dealers we would have an entirely different situation and one which would certainly place the Administration under strong pressure.

So far the Administration has listened to business leaders and the CED even in the face of an oncoming Congressional election, and I am inclined to think that this is almost test enough. It seems unwise to even think about subjecting them to the added strain of trying to get this full employment policy, unwise and unworkable as it may be, off the statute books.

Whether we like it or not, the basic philosophies of our government have undergone some very radical changes since 1932. The whole theory of taxing one man to provide security for another, and of taxation according to ability to pay and rewarding in accordance with individual need rather than individual worth and accomplishment is a much more basic inequity and danger than the one we are talking about. One just makes the other possible and while I consider them both wrong I have no hope that they will ever be corrected. About all that we can hope for is reasonably sensible administration of these policies by a group of people who are convinced of where the welfare of the United States lies and are skillful enough in the art of politics to keep moving in that direction. The Great White Father was not making en empty statement when he said in substance that the Democratic Party would spend and spend, tax and tax, and elect and elect. It is only because his successor was less skillful in the art of politics that we were ever able to get this insolent and cynical crowd out of Washington even for a short time.

Generally I like what I see in the present Administration and I think our big job is to keep them there to avoid ruinous administration of policies and programs which we cannot possibly hope to get changed. I hope that this rather lengthy exposition of may views may be of some benefit to you.

Joins F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—F. Dwight Leslie is now associated with Francis I. du Pont & Co., 723 East Green Street. He was formerly with Lester, Ryons & Co. and Kerr & Bell.

Jordan Proud Grandpa

Andrew A. Jordan of Dean Witter & Co., Seattle, Washington, is the proud grandfather of a little girl, Kimberly Ann Jordan, born April 30 to Andrew A. Jordan, Jr. and his wife Julie.

H. L. Buchanan Admits

H. L. Buchanan & Co., 123 Greenwich Street, New York City, members of the American Stock Exchange, on June 1 admitted Carl A. Halden to partnership.

Blyth Group Offers Reliance El. & Eng. 3⅜% Debentures

Blyth & Co., Inc. heads an investment banking group which today (June 3) is offering publicly $5,000,000 of 20-year 3⅜% debentures of The Reliance Electric and Engineering Co. due 1974, at 99.625%.

Regular redemption prices range from 103% if redeemed during the 12 months beginning June 1, 1954 to 100% after June 1, 1973. A mandatory sinking fund will operate to retire $220,000 principal amount annually commencing April 15, 1957, at 100%, and the company may elect to redeem an additional amount annually, not exceeding $220,000, at the sinking fund redemption price.

Part of the proceeds from the sale of the debentures will be used to repay outstanding bank notes and the remainder will go into the company's general funds to pay for part of the capital expenditures, expected to cost $5,000,000 for 1054-56.

The company designs, manufactures and sells heavy-duty electric motors, related auxiliary equipment and electric drive and control systems utilizing such equipment. It operates three plants in Ohio and another, through a subsidiary, in Canada.

For the six months ended April 30, 1954, the company had net sales of $18,200,968 and net income of $908,738.

With S. A. Sandeen & Co.

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill. — Delbert J. Hilvers has been added to the staff of S. A. Sandeen & Co., Talcott Building.

Joins Hincks Bros. Co.

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—Floyd L. Heist has joined the staff of Hincks Bros. & Co., 872 Main St., members of the Midwest Stock Exchange.

With Paine, Webber Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — John E. Larson has become connected with Paine, Webber, Jackson & Curtis, 111 Pearl Street.

Joins Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — John J. Gagnon is now with Coburn & Middlebrook, Incorporated, 100 Trumbull Street.

With Dietenhofer Firm

(Special to THE FINANCIAL CHRONICLE)

SOUTHERN PINES, N. C.—Jack Reid has been added to the staff of Dietenhofer and Heartfield, 670 Southwest Broad Street.

With Allen Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo. — Rolland D. Standish has become associated with Allen Investment Company, 1921 Fourteenth Street. He was previously with Peters, Writer & Christensen, Inc.

Goodbody Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Sam V. Silsbee has been added to the staff of Goodbody & Co., 14 Northeast First Avenue. He was formerly with Bache & Co. and Frank D. Newman & Co.

Joins Zilka, Smither

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Samuel S. Duket has joined the staff of Zilka, Smither & Co., Inc., 813 Southwest Alder.

Continued from page 8

Dealer-Broker Investment Recommendations & Literature

Panhandle Eastern Pipe Line Co. — Memorandum — Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

St. Lawrence Seaway — Analysis — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Sierra Pacific Power Company—Report—First California Company, 300 Montgomery Street, San Francisco 20, Calif.

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

Southern Union Gas—Analysis—Cowen & Co., 54 Pine Street, New York 5, N. Y. Also available is a report on **Shamrock Oil & Gas.**

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

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

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On May 25, 1954 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable July 1, 1954 to Stockholders of record at the close of business June 17, 1954. Transfer books will remain open. Checks will be mailed.

EDMUND HOFFMAN, *Secretary.*

AMERICAN LOCOMOTIVE COMPANY

30 Church Street Alco New York 8, N. Y.

PREFERRED DIVIDEND No. 184
COMMON DIVIDEND No. 120

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared, payable July 1, 1954, to holders of record at the close of business on June 9, 1954. Transfer books will not be closed.

CARL A. SUNDBERG
May 25, 1954 *Secretary*

A M M AMERICAN MACHINE AND METALS, INC.

42nd Dividend

A REGULAR QUARTERLY cash dividend of TWENTY-FIVE CENTS a share will be paid by check on June 30, 1954—for the second quarter of this year—to share owners of record at the close of business on June 15, 1954.

H. T. McMeekin, *Treasurer*

DIVIDEND NOTICES

ANACONDA

DIVIDEND NO. 184

May 27, 1954

The Board of Directors of Anaconda Copper Mining Company has today declared a dividend of Seventy-five Cents ($.75) per share on its capital stock of the par value of $50 per share, payable June 29, 1954, to stockholders of record at the close of business on June 7, 1954.

C. EARLE MORAN
Secretary and Treasurer
25 Broadway, New York 4, N. Y.

CANADA DRY

DIVIDEND NOTICE

The following dividends have been declared by the Board of Directors:

Preferred Stock

A regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock, payable July 1, 1954 to stockholders of record at the close of business on June 15, 1954.

Common Stock

A quarterly dividend of $0.15 per share on the Common Stock, payable July 1, 1954 to stockholders of record at the close of business on June 15, 1954.

Transfer books will not be closed. Checks will be mailed.

WM. J. WILLIAMS
Vice-President & Secretary

C. I. T. FINANCIAL CORPORATION

DIVIDEND NO. 127

A quarterly dividend of $0.50 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable July 1, 1954, to stockholders of record at the close of business June 10, 1954. The transfer books will not close. Checks will be mailed.

C. JOHN KUHN,
Treasurer

May 27, 1954.

DIVIDEND NOTICES

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 193
Common Dividend No. 183

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending June 30, 1954 and a dividend of 20¢ per share on the Common Stock have been declared. Both dividends are payable July 1, 1954 to holders of record June 7, 1954. The stock transfer books will remain open.

E. F. PAGE, *Secretary and Treasurer*
May 26, 1954

IRVING TRUST COMPANY

One Wall Street, New York

May 27, 1954

The Board of Directors has this day declared a quarterly dividend of 30 cents per share on the capital stock of this Company, par $10, payable July 1, 1954, to stockholders of record at the close of business June 3, 1954.

STEPHEN G. KENT, *Secretary*

New York, June 2, 1954

The Board of Directors has this day declared a quarterly dividend of Seventy-five (75) Cents per share on the Capital Stock of this Company for the quarter ending June 30, 1954, payable on July 15, 1954, to stockholders of record at the close of business June 15, 1954.

STUART K. BARNES, Secretary

Guaranty Trust Company of New York

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

General Offices:
20 North Wacker Drive, Chicago 6

★

QUARTERLY DIVIDENDS

4% Cumulative Preferred Stock
49th Consecutive Regular Quarterly Dividend of One Dollar ($1.00) per Share

$5.00 Par Value Common Stock
Forty Cents (40¢) per Share

Declared—May 27, 1954
Record Date—June 18, 1954
Payment Date—June 30, 1954

A. R. Cahill
Vice President and Treasurer

★

Phosphate • Potash • Plant Foods
Chemicals • Industrial Minerals
Amino Products

DIVIDEND NOTICES

LONG ISLAND LIGHTING COMPANY

Preferred Stock Quarterly Dividend

The Board of Directors has declared the following quarterly dividends payable July 1, 1954 to holders of Preferred Stock of record at the close of business June 11, 1954:

Series	*Per Share*
Series B, 5%	$1.25
Series D, 4.25%	$1.0625
Series E, 4.35%	$1.0875

VINCENT T. MILES
May 26, 1954 *Treasurer*

THE W. L. MAXSON CORPORATION

460 West 34th St., N.Y. 1, N.Y.

Notice of STOCK DIVIDEND OF 8%

Payable July 12, 1954
Record date, June 29, 1954

May 27, 1954.

NATIONAL UNION FIRE INSURANCE COMPANY of PITTSBURGH, PA.

130th DIVIDEND DECLARATION

The Board of Directors of this company today declared a cash dividend of Fifty Cents (50¢) a share on the capital stock. This cash dividend will be paid June 30, 1954 to stockholders of record at the close of business June 9, 1954.

William Martheus
Vice President-Treasurer

June 1, 1954

Pullman Incorporated

88th Consecutive Year of Quarterly Cash Dividends paid by Pullman Incorporated and predecessor companies

A regular quarterly dividend of seventy five cents (75¢) per share will be paid on June 14, 1954 to stockholders of record May 28, 1954.

CHAMP CARRY
President

Built by Pullman Standard — PULLMAN-STANDARD CAR MANUFACTURING CO.

KELLOGG

TRAILMOBILE

DIVIDEND NOTICES

THE ATCHISON, TOPEKA AND SANTE FE RAILWAY COMPANY

New York, N. Y., May 24, 1954

The Board of Directors has this day declared a dividend of One Dollar and Twenty-five Cents ($1.25) per share, being Dividend No. 111, on the Preferred Capital Stock of this Company, payable August 2, 1954, out of undivided net profits for the year ending June 30, 1954, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business June 25, 1954.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

ROBERTSHAW-FULTON CONTROLS COMPANY

Greensburg, Pa.

PREFERRED STOCK

A regular quarterly dividend of $0.34375 per share has been declared on the $25.00 par value 5½ per cent Cumulative Convertible Preferred Stock, payable June 20, 1954 to stockholders of record at the close of business June 10, 1954.

COMMON STOCK

A regular quarterly dividend of 37½c per share has been declared on the Common Stock payable June 20, 1954 to stockholders of record at the close of business June 10, 1954. The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer
May 24, 1954

UNITED STATES LINES COMPANY

Common Stock DIVIDEND

The Board of Directors has authorized the payment of a dividend of thirty-seven and one-half cents ($.37½) per share payable June 12, 1954, to holders of Common Stock of record June 3, 1954, who on that date hold regularly issued Common Stock ($1.00 par) of this Company.

CHAS. F. BRADLEY, *Secretary*
One Broadway, New York 4, N. Y.

THE West Penn Electric Company

(Incorporated)

Quarterly Dividend on the COMMON STOCK

55¢ PER SHARE

Payable June 30, 1954
Record Date June 7, 1954
Declared May 27, 1954

WEST PENN ELECTRIC SYSTEM
Monongahela Power Company
The Potomac Edison Company
West Penn Power Company

YALE & TOWNE

DECLARES 265th DIVIDEND

50¢ PER SHARE

On May 27, 1954, dividend No. 265 of fifty cents (50¢) per share was declared by the Board of Directors out of past earnings, payable on July 1, 1954, to stockholders of record at the close of business June 11, 1954.

F. DUNNING
Executive Vice-President and Secretary

THE YALE & TOWNE MFG. CO.

Cash dividends paid in every year since 1899

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Should another "little war" finally develop in Southeast Asia, it does not follow automatically that the controls pattern of the Korean affair will be foisted upon the body politic and economic, despite all the loose chatter on the subject lately.

Undoubtedly there are bright little bureaucrats stashed around in musty offices working enthusiastically to draw the exact blueprints for the controlled society. Some knowing reporters have discovered that there are such brilliant minds energetically at work, and, with too short memories, get the idea that as soon as the naval guns start shooting and the aircraft start dropping bombs, that the economy will revert inevitably to the dreadful era of controls that finally passed after Korea.

That the brilliant minds will recommend controls to the White House is something which should be taken for granted. That they will be enacted into law is something, however, which at this stage need not be taken for granted.

There are two hurdles that the would-be controllers—ever as present come an emergency as are buzzards when an animal dies—must leap over. One of these is the White House. The other is Congress.

Until the subject is presented to the present White House brainless trust, there is no basis for guessing what the White House will decide on the issue. However, there is some past history which may have some relevance.

The momentum is, for the time being, at least, against controls. That is the consequence of the great controls battle in Congress of 1953.

Recall 1953 Battle

Briefly, the history of that was this: The late Senator Robert A. Taft and Rep. Jesse P. Wolcott (R., Mich.) took the line that GOP party policy should be against standby controls. Rep. Wolcott, speaking for the official leadership, and Chairman Homer Capehart (R., Ind.) of the Senate Banking Committee, speaking for himself and the Democrats who had purred him into the pro-controls viewpoint, argued their case out before President Eisenhower.

In his delayed "Annual Message" of February, 1953, Mr. Eisenhower plumped for Taft and against Capehart. He put language against controls in that message. However, aided and abetted by the Democrats, Mr. Capehart looked for a time like he was cooking up politically salable merchandise. The White House climbed off its anti - controls viewpoint and adopted the attitude of "neutrality," thereby precipitating a nice intra-party row among the Republicans.

As it finally turned out, the anti-controllers truimphed over the controllers. Standby controls were killed. The White House thereafter adopted the anti-controls viewpoint as its own merchandise and the President has since bragged that Republicans ended controls.

So the history of 1953 puts the anti-controllers one up on the controllers.

Opposition Exists Within Administration

In any case, it is a good bet that there will be some solid opposition within the Eisenhower Administration to a head-long rush to control the economy. For one thing, controls are not viewed by the more conservative heads of the Cabinet as an unmixed blessing, even if such conservative voices are not a part of that choice inner circle of daily intimate advisers whose immaturity of judgment about Congress is only matched by the cocksureness of their opinions.

Conditions Differ

There will also be some hefty arguments to be used against the reinstitution of controls. Mostly there will revolve around the difference between conditions now and in late June 1950, when the fighting started.

One of the differences is that there has been a great expansion in industrial plant capacity. Presumably that is out of the way, and unless the Administration is toying with the idea of preparing for possible total war, the expansion of plant capacity will not recur as stress on the economy.

Stockpiles of critical and strategic materials are relatively large, so large in fact, that the Administration is working on a scheme to enlarge these goals for the express purpose of providing an excuse for buying more raw materials to prevent a price slippage.

Stockpiles of new and modern military equipment are large and growing.

Finally, among the major differences between now and Korea, is the greater capacity of the Federal Reserve System to counter such monetary inflation as might be induced by a scarce buying panic.

In June, 1950, the Federal Reserve was still operating under the policy of forced pegging of Federal bonds. It was not until the March 4, 1951 accord between the Treasury and Federal Reserve—several months after Korea—that the Reserve System began to beat a path away from nursing the government bond market.

Just incidentally, the present composition of the Reserve Board is much less controls-minded than that which was operating in 1950.

Threatens Political Hurricane

Finally, an active proposal to reinstitute even some controls would create political havoc among the Republican Congressional following should this be proposed any time before the November election. In view of the already precarious state of GOP Congressional hopes, this is something which the Hill leaders will advise against taking up at all costs.

In view of the fact that the Administration wants first to go in with air and sea operations, avoiding land operations initially if possible, the counsel which the Capitol will give the President will be to let the whole controls question ride until January, assuming we get embroiled in a little war in Southeast Asia.

January is too far away to think about much. It doesn't follow that Democrats as such will automatically go for controls if they win the Congressional elections. Harry Truman was far from enthusiastic about controls immediately after Korea, but took refuge in them after some Republicans helped him into it by criticizing him for not having price controls.

It will not necessarily happen, but it could work out that the Democrats might consider it better political strategy to hold off on controls for a while.

Lose Bill "According to Plan"

It has now been proved that with the precipitation of the Great Housing Scandal of 1954, consideration in Senate committee of the Administration's housing bill has proceeded "according to plan."

The "plan," however, has not been the White House plan. It has been the pattern of conduct which is almost inevitable in a legislative body when confronted with alleged abuses of a quasi-public program. It moved to legislate future abuses out of existence by tightening up on FHA with respect to those abuses, too easy credit under the home modernization program and to prevent "mortgaging out" under FHA.

Meanwhile the Administrator of the Housing and Home Finance Agency and his aides have been providing the amusing spectable of running up and down the country making speeches to any one who would listen, about what a wonderful institution is the Federal Housing Administration, and how these abuses after all are, percentagewise, insignificant. They saw, perhaps too late, what was going to happen to their bill.

Virtually all of the Administration's program as such has been torn to shreds in the Senate Banking Committee report. The possibilities are legion, from a failure of the entire program, to perhaps persuading the House to forget what it passed and the Senate to forget what it will soon pass, and take an entirely new bill, one which will have to be entirely rewritten in conference.

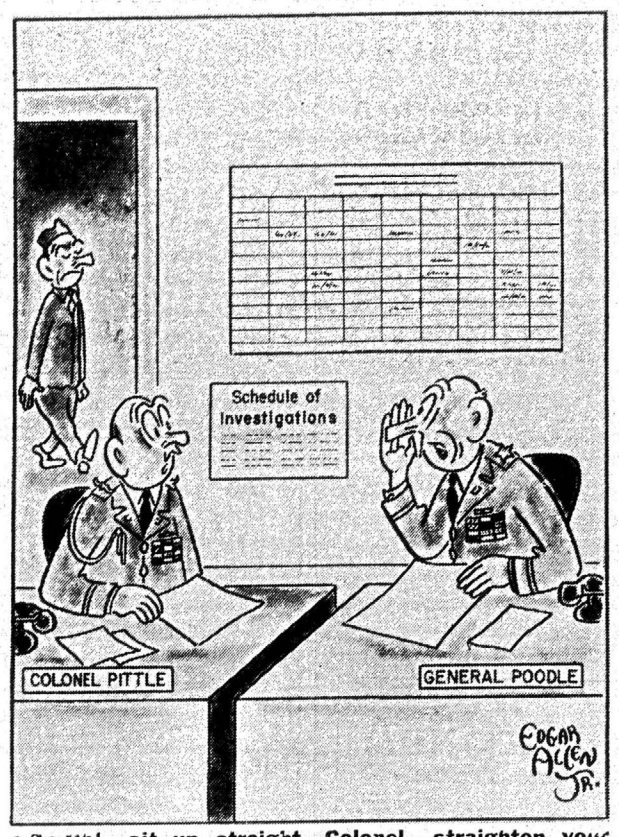
On the other hand, the Senate committee, while in a manner of speaking, striking at the political mosquitos who have been biting, hasn't been consistent about tightening up. The committee proposed an entirely new innovation with respect to some FHA loans, that home buyers could also borrow the down payment. They also proposed to finance trailer homes under Title I.

Would Fight Government Competition

On the principle of nature that once a pest is established there develops a pest which eats that pest, Rep. Frank C. Osmers (R., N. J.) has proposed that there be an "Anti-Government Competition Board" to watchdog and recommend ways of getting government out of business.

[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



"Oh-Oh!—sit up straight, Colonel—straighten your tie—look busy—here comes that private again!"

Business Man's Bookshelf

Profits: What Are They? Who Gets Them? Why? — Chamber of Commerce of the United States, 1615 H Street, N. W., Washington 6, D. C. (paper), single copy, free; in bulk, $4.50 per hundred.

Republic Steel: Plants and Facilities—Republic Steel Corporation, Republic Building, Cleveland, Ohio (paper).

Research and Invention — Patents and Licenses — Radio Corporation of America, RCA Building, 30 Rockefeller Plaza, New York 20, New York.

John Germain With Troster, Singer Co.

John P. Germain

Troster, Singer & Co., 74 Trinity Place, New York City, announce that John P. Germain has joined their organization. Mr. Germain in the past for many years was with J. Arthur Warner & Co.

Two With Smith, Clanton

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — Mabel P. Murray and Ruth McEnery have joined the staff of Smith, Clanton & Company, Southeastern Building.