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EDITORIAL

As We See It

"Oh! Liberty! Liberty! How many crimes are committed in thy name!" There is a good deal in the events of the day which easily brings this old copy-book maxim to the minds of those old enough to have been obliged to copy it several hundred times in the course of their early education. To be strictly in style it is necessary, perhaps, to replace the word "liberty" with "freedom" or "freedom-loving," but that is a mere detail. Even the Kremlin has upon more than one occasion found it convenient to invoke the power of this latter terminology.

But in this day and time it is not only in the name of "liberty" or "freedom" or "freedom-loving" that many strange things are said and done. The word "security" is at times threatening good sense — as important as sound defense is — and what is being done and said about it is provoking a good deal of rather shallow comment about "brain washing" and "thought control." We have in the past had something to say about the problem of the intellectual nonconformist in a context which includes clever subversive elements and great interest abroad in scientific achievements in this country. There is no reason to repeat it here.

What we shall have to say now has to do with slavery to words, slogans, and cliches largely in the field of economics and business, and the absurdities to which this loss of freedom often leads us. At about the depth of the depression which descended upon us in the early 'Thirties, there arose an influential element in the population, which became enamoured of the idea that we in this country had reached what was de-

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What the Chemical Industry Is and Is Not

By WILLIAM H. WARD*

Vice-President, E. I. du Pont de Nemours & Company

In describing the growth and importance of the chemical industry in U. S., Mr. Ward points out the industry is not isolated or detached, but is woven into the industrial fabric more tightly than any single industry. Reveals chemical industry is not a despoiler of native raw materials, but, because of development of synthetics and substitute substances, contributes to our national wealth. Stresses value of chemical research, and denies chemical industry is a monopoly, or a static or independent industry. Says freedom of incentive is indispensable to economic progress.

The chemical story is worth hearing by those who have no great knowledge of industry in general—but business leaders like yourselves might well wonder why a trip all the way from Delaware to Louisiana was necessary only to highspot the differences between the chemical industry and the industries you yourselves are engaged in. These differences are mostly of degree, and I'm afraid anything I would say in that direction would not be especially interesting or very valuable.

William H. Ward

However, the reason I am here today is to tell you about the chemical industry and its progress, and I am going to do that. I also want to talk a little about American industry as a whole and its responsibilities, and I decided that this could best be accomplished by *emphasizing what the chemical industry is not*, and, contradictory as it may seem, help you at the same time to see the chemical industry as it is.

First, the chemical industry is not a newcomer in

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*An address by Mr. Ward before the Members' Council, Chamber of Commerce of the Greater New Orleans Area, New Orleans, La.

Outlook for Security Groups —And Investing Policy

By ARMAND ERPF*

Partner, Carl M. Loeb, Rhoades & Co., Members New York Stock Exchange

Market economist comments on relative attractiveness of specific industries; divided into broad categories of consumer, intermediate, and heavy or cyclical. Analyzes bank shares, grocery chains, electric utilities, natural gas, air transport, chemicals and fertilizers, oil and gas, electronics, rubber, rayon, nonferrous metals, rails and steels. Maintains share prices will establish stability at higher levels reflecting increased price-earnings ratios.

Part I: Industry Groups

I was asked to comment on the relative attractiveness of industries for common stock investment, more or less comparable to a memorandum which I put out in January, 1954. Since then, some of the attractive industries mentioned therein have become less attractive because their prices have advanced, although the over-all investment climate has become more favorable. We have been witnessing the process of translating cheap and plentiful money into security prices under the auspices of the Republican Party, which has married the New Deal and made an honest girl out of her. Hence, cheap money now is realistic, whereas before it was a device of the devil, and other matters which aroused anxiety have become quite palatable under an administration not unfriendly to business and there is a greater cooperation between industry and the government, both seeking to entrench full employment and further improve the standard of living on a sounder

Armand G. Erpf

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*From a paper by Mr. Erpf delivered before the Boston Society of Security Analysts, and the New England Section of the National Federation of Financial Analysts' Societies, Boston, Mass., June 1, 1954.

I. D. A. C. CONVENTION ISSUE NEXT WEEK—In addition to the regular edition, the "Chronicle" will issue next week a Special Supplement devoted to the proceedings of the 38th Annual Convention of the Investment Dealers' Association of Canada.

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

The Sperry Corporation — J. C. Luitweiler, Hayden, Stone & Co., New York City. (Page 2)

S. Morgan Smith Company—Paul B. Zeisler, Jr., Gartman, Rose & Co., New York City. (Page 2)

J. C. LUITWEILER
Hayden, Stone & Co., New York City

The Sperry Corporation ("Out in Front" in Automation)

AUTOMATION is a word not found in most dictionaries, but will soon be as familiar as is "mass production" today. Mass production was the second big step in the "industrial revolution" when handicraft workers switched to machines. Both these steps changed life for millions, replaced hand-labor, reduced costs, improved living standards and brought great wealth to captains of industry and stockholders of corporations which adopted them.

James C. Luitweiler

Mass production did something more: It subdivided industrial processes and simplified them. Formerly a machinist used one or more machine tools and made a finished article all by himself. Now he uses a single machine which does only a single operation and passes the product along to the next man on the assembly line who undertakes the next simplified operation, and so on. This has brought us to the threshold of automation.

Engineers have begun to ask themselves, why cannot a "mechanical man"—a robot—do this same work that the human mechanic has been doing? The changeover, however, would not be so simple but for a marvelous new electronic invention: the vacuum tube. This tube, and more lately the transistor, have been adapted to do almost everything that man's five senses can do. With electric or motive power to do the "muscle work," these tubes and transistors can activate machines that do repetitive operations. This is AUTOMATION.

Any such device that will reduce human labor, save materials and speed production means a lowering of costs of production and prices. In a highly competitive peacetime economy, it is bound to have wide acceptance and profoundly affect our business life.

The Sperry people have been "out in front" in automation. They were pioneers even before the vacuum tube gave them a new tool to use. The original company, the Sperry Gyroscope Co., was founded in 1910 by Elmer Sperry, an inventive genius of the first order. Based upon a simple toy, the gyroscope top, which every schoolboy knows, Mr. Sperry conceived the idea of a gyroscopic compass to replace the magnetic compass aboard ships. This developed into a complicated steering device which can now take a ship across the ocean without a human helmsman. Then he brought forth during World War I the 800-million candle power search light which lighted up the battle front in France as a guard against night air raids. Later it was adapted for flood-lighting landing fields, for airplane beacons and high-power light for motion picture projection in large theatres.

Mr. Sperry sold his company in 1929 to outside interests and ultimately it became the Sperry Corporation, with the Sperry Gyroscope as a Division.

The Sperry Gyroscope Division is still youthful. Men still work in the plant whom Mr. Sperry employed. It has matured rapidly from a handful of workers to a force of over 17,000. Fortunately, upon Mr. Sperry's retirement, his mantle fell on the shoulders of able lieutenants, including Preston Bassett. Mr. Bassett started with Mr. Sperry 40 years ago as a research engineer, was later in full charge of engineering for a period of 16 years and became President of the Sperry Gyroscope Division in 1945. This able engineering staff added many new inventions, some employing the gyroscopic principle, and in other fields. For instance—

As a result of a Sperry invention, one can take an airplane into the air, set the controls, fly it in a wide circle of hundreds of miles and land it where it started, without human hands touching the controls. A plane can also be landed without seeing the ground, by sliding down a radio beam, as one might ski down a hillside, without human hands intervening. Two examples of automation.

Today the cost of a modern war plane is only a fraction of the cost of the complicated instruments it carries, all applications of automation. The Sperry Corporation has contributed a large part of these new instruments.

When radar came into general use in World War II, the Sperry people had aleady mastered the principle of radar and were outstanding in making hundreds of contributions to which it was put in the war. Perhaps the progress in aircraft instrumentation, in radar, in guided missiles and what-not since the end of World War II, is far greater than during those war years. So much that has been done is cloaked in secrecy that it is hard to say. But Sperry's financial statements would seem to confirm this. In the last year of the war (1945) their gross revenues were $280 million; last year, $461 million.

Today the Sperry Corporation serves, with its precision instruments and controls, the three branches of the Defense Department and the Atomic Energy Commission. This constitutes the larger part of their business. But last year it also supplied commercial products to private business totalling $123 million, or more than all their business in 1948 for both the government and private enterprise. Earnings last year from private business alone should have been sufficient to cover last year's dividend of $3.00 per share.

Instruments and controls still constitute two-thirds of their total volume, but hydraulics and other industrial machinery and equipment and farm machinery now add another important third.

Hydraulics and allied machinery produced by their subsidiary, Vickers, Inc., have added a relatively new feature to Sperry's business. It too is in a sense automation. For it has introduced hydraulic power steering for the trucking industry and the fast growing materials-handling industry.

Farm machinery through the new Holland Division of the company is a postwar addition, made at the time when they felt a great contraction in their government work was upon them. Expansion, rather than contraction, of government work seems to have occurred in the last several years.

Statistics are dull except when they tell such an impressive story of growth as do Sperry's. The consolidated Sperry Corporation was formed only 20 years ago. In 1933 its shares had a net worth of $3.19 each and sold that year for a high of $7.50 and a low of $2.12. By the end of 1953 this same stock was worth $37.75 and has lately sold over $60 per share. In these 20 years stockholders have received $33.30 in dividends. Net earnings per share have mounted from 23c in 1933, to between $3.00 and $4.00 in the war years, and last year to $7.57. Such earnings last year were after paying taxes to our own and the Canadian Governments of $17.49, of which $4.33 was excess profits taxes. In short, these governments, as "partners in the business," got about two and one-half times what stockholders earned!

Net income for stockholders represented last year only 3½c out of each sales dollar. Government work netted even less. This is important because one hears much about excessive earnings of the aircraft builders being likely to lead to renegotiation which would take away a large share of such earnings. Sperry certainly should not be in that predicament.

Shares in a company that earned $7.57 last year, after paying $4.33 excess profits taxes, **now eliminated**, do not appear over-valued at $60, if such earnings, or a large part thereof, can be maintained in the future. Sperry's ability to do so would seem to depend upon the future of automation. The writer believes automation is likely to have the same rapid development as mass production had. Sperry is an outstanding leader in this field.

Sperry Corporation common stock is listed on the New York Stock Exchange.

PAUL B. ZEISLER, JR.
Gartman, Rose & Co., New York City
Members, New York Stock Exchange

S. Morgan Smith Co.

In a period of uncertainty such as that which currently prevails in the American economy, companies which have exhibited both stability and growth irrespective of general business conditions would appear to merit particular consideration. An outstanding example of the above is the S. Morgan Smith Company of York, Pa., one of the countrys largest manufacturers of hydraulic turbines and water handling equipment. While the company's name is a new one to the investment community (its tenure of public ownership dating back only to mid-1952, when 100,000 shares of common stock were sold for the account of the company), its business had its inception in 1877, when Stephen Morgan Smith, the founder, produced his first turbine. Since then, S. Morgan Smith Company has been a leader in the development of the powerful turbines used in modern hydroelectric generating stations.

Paul B. Zeisler

Although the principal business

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Television and Radio Still Going Great

By J. B. ELLIOTT*

Executive Vice-President
Consumer Products, Radio Corporation of America

After commenting on current outlook for general business, Mr. Elliott reveals that sales of television sets in 1953 were approximately seven million, aggregating more than $3 billion. Looks for some reduction in 1954, and urges merchandisers to place "bulls" and "bears" in proper perspective and use good common sense, "if we are to attain a prosperous tomorrow." Indicates families will soon use more than one TV receiver, and gives data on recent receiver production. Decries belief radios are now a "drug on the market," and urges more forceful selling. Notes progress in introducing color television, and says TV color reception is now possible in 35 cities.

It has been a popular pastime in recent months to forecast the future of the nation's economy. The society of crystal-gazers, it seems, has taken on more membership than ever before and the members, old and new, have been working overtime. Their predictions, it appears to me, boil down to this: you pay your money and take your choice. On one side of the fence are the "bears" who predict—pessimistically and loudly—that we're halfway down the hill to Hades in a streamlined '54 model handcart. The "bulls" on the other side of the fence proclaim—and just as outspokenly—that our economy is in for better things.

Joseph B. Elliott

Only a person completely isolated from the rest of the world would hold today that business is as booming as it ever was. Certainly, the level of activity in virtually every aspect of our economy has tapered off. Most assuredly, and you know this from your own experiences, the "sellers' market" has disappeared for the time being from the American business scene.

In my day-to-day activities, I have the opportunity to conduct what might be called—for lack of a better name—"Elliott's Continuing Poll on How's Business With You." In recent weeks, I can report, most answers to my one-man survey are that things are either leveling off or picking up. My findings, I might add, are concurred in by other opinion-seeking organizations undoubtedly far better equipped and staffed for the purpose. Across the nation, there is a feeling—as evidenced by sales figures and other statistics that the downward trend of business has been reversed. There are more than casual indications that business will continue along on its present plateau for the next two or three months through the normally slow summer season. Then, unless most polls and other business guideposts—as well as my personal viewpoints — are completely out of focus, things will pick up.

What does this mean to you as distributors of electrical products? You, no doubt, are asking that question—and I believe the answers I have to offer will make sense.

Television Sales

Let's approach the question, first, from one angle — that of television sales. Last year, the television industry manufactured —and the merchandising industry sold—approximately 7,000,000 receivers. Sales volume on these instruments was more than three billion dollars. Frankly, I doubt if we reach that mark during 1954 —but I think we will be so close as to surprise many, many persons. With color television growing in stature and with continued heavy demand for black-and-white television, I am confident that we are in for a good year, but—there is an if, two little letters than can become a very big word.

One important key to the future, I am convinced, is a sound analysis of the facts we must face. In short, I think we should seek to place the attitudes of the "bulls" and the "bears" in proper perspective. If we, as merchandisers, do this with cold logic and good common sense, we have taken the first big step toward attaining a prosperous and sound tomorrow in the business field.

Today's economic climate, above all, calls for realism in our business activities. It calls for the realization that what's ahead is not the feast of an optimist—nor the famine of a pessimist. The prospect is for a more balanced fare and a healthier one. A business-realist, during this period of readjustment, neither throws up his hands in horror over the prospect of decreased volume nor indulges in wild delight over the possible prospects for record sales volume.

Instead, today's climate calls for level-headed thinking and action. It calls for work—and hard work —with the belief that the reward will be large. Today's business climate calls for judicious courage. It calls for a good plan of action. It calls for recognized brand merchandise of outstanding values. It calls for a desire on the

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*An address by Mr. Elliott before the National Association of Electrical Distributors, Atlantic City, N. J., June 10, 1954.

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*No article this week.

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Chemical Facts and Factors

By IRA U. COBLEIGH

Enterprise Economist

Some lab notes about the characteristics of certain chemical enterprises, and the new look some of them have acquired.

The chemical industry is always a toughie to write about, principally because you never know where to begin! What will you have? Organics or inorganics, industrial or consumer, drugs or fertilizers, vitamins or vinyls? We probably won't wind up with a nice tight chemical package today, but we'll try to cover a few points that may have been overlooked in the general acclaim of chemical companies.

Ira U. Cobleigh

First, about growth. The chemical industry has led in this mystic and elusive quality, so frantically sought by individual investors, and collectively in trusts. There must be at least a dozen mutual funds today with the word "growth" woven into their corporate names, and all of these own a boat load of chemical stocks. But from that it does not follow that all chemicals grow equally, or that they can be picked at random merely because the industry, to which they claim fealty, has been growing for 20 years at around 10% a year. For 1953 total chemical sales were a majestic $20 billion—largest in history; and $1.7 billion in new plants in 1953 will broaden the base for even larger gross this year. But this bulge in gross income and in plants, constitutes no warranty of profitability, which has showed wide swings among the different companies.

The most impressive per share gains (1953 over 1952) were Commercial Solvents up to $1.01 from 52c, Mathieson to $3.30 from $2.53, Smith Douglas to $2.26 from $1.78. Among the fat cats, those companies which gross above $300 million, the biggest per share swing was in Monsanto up to $4.90 from $4.29. There were also some back-spinners — General Aniline which slipped to $3.71 from $5.13, and Newport Industries down to 95c from $1.44. But enough of these stodgy statistics. I only dragged 'em in to show that even in a good year results can be as divergent as Liberace and Oscar Levant.

The Research Factor

Then, of course, there's been a lot of hoopla in chemicals about research. It has been the fashion favorably to point to companies that spend 1% to 3% of gross on research; and to pat them on the back for sleekly architected and graciously landscaped new research laboratories, replete with squadrons of Phi Bates from M.I.T., or Caltech, retorting their way through the test tubes.

May I suggest, however, that mere millions cannot assure the delivery of geniuses like Steinmetz, Dr. Upjohn or Dr. Wachsman. If somebody paid you a million, could you ever play like Heifitz? The same thing goes for plant investment. Merely because you plank down $5 million for a new chemical plant is no assurance that the plant is efficient or that it will be a good earner. I could cite plant investments of the past three years totaling over $50 million (spread among several companies) which have been, in Broadway parlance, "turkeys."

All this chit chat has been introduced to set the major motif for this piece which is that management is a major factor in chemicals. Good management can select imaginative researchers, make wise decisions on the character and location of new plants, and particularly can mastermind just which of the 6,900 chemicals now being produced (or a new one) it can most profitably manufacture and merchandise.

Well, how do you go about selecting these good managements? Do you just buy stock in the big companies? Or those with the fastest growth rates? Or the most diversified production?

There is no absolute answer. Mere bigness does not assure success or forward motion. Those units that have grown most in the past may have spent themselves, and marketing and servicing too diverse a product list may create lethal sales costs. In truth, the quest for slide rule appraisals of chemical management brass is an elusive one, which many people solve by obtaining their chemical selections in the portfolio of a diversified investment trust, or by deploying their dough into a fund specializing in chemicals. (The largest of the specialized trusts is Chemical Fund, Inc., with assets today of above $60 million.)

A Few Samples

For those preferring to do their own choosing, there's a sort of rule of thumb that may be worth examining. When a company offers a low yield on its common and a high price/yield ratio, you generally find the management (and the company) is excellent. To be specific right now, average yield on representative list of chemical equities would be somewhere around 4.1% and price/earnings around 15½. Against this average, glance at the little table taken from the June 11 market:

Chemical Stock	Price	Yield (on 1953 Div.)	Price Times 1953 Net
Du Pont	122	3.2%	25
Dow	39	2.6%	24
Union Carbide	80	3.1%	23
Hooker Elec.	68	3.0%	24

It would be silly to suggest a search for high price ratio and low yields as a conclusive method for determining company quality or managerial excellence. But you'll agree the companies cited are top-flight on both counts; and you further will, no doubt, agree that eager shopping for high yields among the chemicals is not a particularly rewarding pastime. Good chemicals have other ways of rewarding shareholders than plying them with big cash distributions. Stock dividends are nice, too.

Looking over the current scene, we see $58 million of 3¾% convertible preferred being offered to holders of American Cyanamid common at par. The conversion at $50 with the common selling at 45 is most interesting and you are hereby referred to prospectus dated June 3 as source for facts on this elegant company, fifth in size among chemicals, with 1953 gross sales at $380,393,000, up 60% since 1949.

Recent developments in ACY include a new anti-biotic, Achromycin tetrachloride, introduced last November; a $52 million plant (accelerated amortization) at New Orleans to produce nitrogen compounds from natural gas (plant 80% complete), a $15 million titanium plant under way at Savannah, Ga. and purchase, for $12 million, of the Antibiotic Division of Heyden Chemical in December of last year. ACY is a top drawer company and would be selling at a lower yield basis than 4.4% were it not for the additional number of shares in prospect from the new financing.

Mathieson Chemical is an ideal example of a company growing by merger. For 1953, MTH, giving effect to its assimilation of Squibbs, had gross sales of $243 million. This year by virtue of merger with Olin Industries, combined gross should reach $480 million and make the new unit fourth in chemicals. This is presuming it is appropriate to list arms, explosives, lumber, flooring and power tools as chemical sales. Together, these properties should earn well and Mathieson at 45 paying $2 still looks attractive.

Allied Chemical still moves majestically along, third behind du Pont and Union Carbide. It just sold out its 250,000 share holding in Air Reduction for cash, which should make its balance sheet sweeter than ever. You are always given an "A" for chemical judgment if your share list includes ACD.

Abbott Laboratories has, through the years, consistently offered a broad and highly respected line of ethical drugs plus smart advertising and selling. At current prices, it does not appear over appraised with a $1.80 dividend plus extras. 1953 earnings were $2.35, up ten cents from the earlier year. Its new non-caloric sweetener Sucaryl is going well. Dividends have been paid since 1929 and you have a choice of the common or the $4 convertible preferred (into 1.7 shares common). Abbott is a durable performer.

It may be stretching a bit to talk about United Carbon in a piece about chemicals but this outfit derives more than half its sales from carbon black, a chemical product achieved by half burning natural gas or oil. The stuff looks like what you'd scrape off your window in Pittsburgh but its uses are wide indeed, and widening. It adds color and substance to paints and inks, goes into insulations, and all sorts of plastics. 1.6 billion pounds of the stuff were turned out last year. United Carbon has a cozy capitalization, only $1 million in debt and 795,770 common shares now selling at NYSE at 65, paying $2.50. This would appear to be at only four times current per share earnings and the market quotation is a most conservative appraisal of its total of current assets and known reserves. United Carbon should stay in the black for a long time!

Chemicals are still glamorous, still fantastic, and a lot of them are growing from specialists into more general-line companies. The gravy train for chemical sales has stopped running, however, and those that continue to display lush earning power will be those accenting salesmanship, as well as technical and manufacturing prowess and vision.

The Challenge of Atomic Energy

By CLARENCE E. LARSON*

Director, Oak Ridge National Laboratory

Mr. Larson presents picture of present status of atomic energy, particularly the progress in the fields of international relations, of economics and of technology, as related to it. Discusses Eisenhower proposal for peaceful uses of atomic energy and concludes U. S. is ready to embark on program which will contribute substantially to civilization. Reviews economics of recent developments in nuclear energy, and forecasts reduced power costs from its application. Explains problems in the "technical breakthrough" in use of the "breeder reactor" and predicts by 1960 reactors will be producing economically competitive electric power.

During the past year the developments in atomic energy have come at such a pace on so many fronts it is natural that there should be some confusion and controversy as to our present position. We are indeed fortunate that this situation is brought about—not by failure and difficulties — but by substantial progress on all fronts of atomic energy.

Today, I should like to summarize our present position, referring particularly to the progress in the fields of international relations, of economics, and of technology as related to atomic energy.

Any discussion of the present status of atomic energy would not be complete without reference to President Eisenhower's speech before the United Nations Assembly where he proposed the creation of an International Atomic Energy Agency, to which, and I quote, "The governments principally involved, to the extent permitted by elementary prudence, would begin now and continue to make contributions from their stockpiles of normal uranium and fissionable materials." The President went on to say, "The more important responsibility of this Atomic Energy Agency would be to devise methods whereby this fissionable material would be allocated to serve peaceful pursuits of mankind." All of you are familiar with the favorable reaction throughout the civilized world.

About the same time, Commissioner Murray, in a somewhat controversial but extremely thought-provoking speech, pointed out that "The USSR accomplishment in demonstrating a thermonuclear bomb is less dangerous to the free world than would have been the case if the Soviet had announced that it had been successfully operating a practical industrial power plant and was that day offering foreign nations nuclear power technology in exchange for uranium and other favorable economic and political agreements."

Comparison With Chemical Situation After World War I

Commissioner Murray's observation reminds us of a somewhat analagous situation 30 years ago following World War I. German chemical research had developed a specific drug for the cure of sleeping sickness, which at that time was so rampant in Africa that the administration of colonies by the Allied nations was extremely difficult. After their development of the drug, a proposal was made that the privilege of sharing this scientific discovery be conditional upon the restoration to Germany of her African colonies. While the successful duplication of the drug by French chemists made serious consideration of the proposal unnecessary, the value placed on scientific and technical know-how in the field of international politics in interesting to recall, especially in the light of our present situation in which the United States is offering to share fissionable materials and technological information not for selfish reasons but as a means of encouraging the restoration of world peace.

The implications of President Eisenhower's proposal have been discussed by Commissioner Strauss in a speech in Los Angeles recently. He pointed out very explicitly that the proposal would not involve suddenly placing trust where yesterday trust could not be reposed. It would *not* solve in a day—or in a year—the desperate struggle for daily bread, nor would it—on any precisely measurable timetable—turn deserts into lush meadows. Commissioner Strauss pointed out that the operation of the proposed International Atomic Energy Agency *will* accelerate the application of peaceful uses of the atom everywhere. It *will* divert fissionable material from atomic bomb arsenals to uses which will benefit mankind. It will foster dissemination of information and stimulate the acquisition of new fundamental data and theory. It will provide an opportunity for nations that are atomic have-nots to acquire atomic facilities best suited to their individual needs. He emphasized that, and I quote, ". . . perhaps most important of all, the successful operation of the International Atomic Energy Agency will contribute mightily to focusing world attention and understanding on the potential of atomic energy to enrich the lives of all of us and thus dispel some of today's doubts and fears that its only use would be to destroy us." As a first concrete step, Mr. Strauss mentioned that an international conference of scientists will be arranged later this year to consider the benign and peaceful uses of atomic energy. From this beginning we can fervently hope that the seeds will be sown which will reach fruition in an atomic energy program for mankind that is, using the words of our President, "not dedicated to his death but consecrated to his life."

One of the most practical suggestions as to how to implement the Eisenhower plan has been proposed by your President, Mr. Foster. This plan proposes an International Atomic Energy Bank to make available atomic energy materials, reactor designs and know-how to countries which have inadequate power resources of their own. The resultant rise in the standard of living in these countries would serve as a most effective bulwark against the spread of Communism.

The speeches and plans referred to above leave no doubt that the United States is spiritually and technically ready to embark on

*An address by Mr. Larson before the Manufacturing Chemists' Association, White Sulphur Springs, W. Va., June 4, 1954.

a program in atomic energy which will contribute substantially to our civilization.

Economics of Nuclear Energy

From the field of international relations, I should like to move on to a brief consideration of recent developments related to the economics of nuclear power.

During the past year, one of the most significant books in this field was published under the title "Energy in the Future" by Palmer Putnam. I should like to quote from this source some significant figures which may help to place nuclear fuels in their proper perspective.

"Never before has there been such a world-wide interest in the rate at which energy is being consumed. The rate is unbelievable. . . . In the United States, one-half of all the coal ever consumed has been burned since 1920, and nearly one-half of all the coal and gas ever consumed has been burned since 1940."

To show the increased rate of burn-up energy, Mr. Putnam shows that the cumulative energy used from the time of Christ to 1850 was about 6 Q ("Q" is the term used as equivalent to 10^{18} B.T.U., or equivalent to 38 billion tons of coal). The burn-up rate in 1850 was about 1 Q per century. However, at the present time, our energy burn-up rate is greater than 10 Q per century. He goes on to show that nuclear fuels are the only energy sources that at present seem likely to be capable of supplying significant quantities of low-cost energy by 1975.

Mr. Putnam has estimated that nuclear fuels might be suitable for supplying about 15% of the maximum plausible energy requirements of the United States in the year 2000. To supply this demand it would be necessary, on the basis of Mr. Putnam's estimates, to provide nuclear power producers at an average construction rate of about 25 million kilowatts of installed capacity per year, starting in 1970. Remembering that these figures represent maximum plausible estimates, we might arbitrarily reduce them by a factor of ten. But, even 2½ million kilowatts of installed reactor capacity per year presents a challenge that staggers the imagination.

These are very large numbers, especially when one considers that one kilowatt of installed power plant capacity usually requires a capital investment of somewhere about $150 for plants using conventional fuels—and plants for nuclear fuels can hardly be much cheaper.

To dramatize the major advantage of nuclear fuels, let me give this illustration: you have some conception of the vast quantities of coal, oil, and natural gas that are transported over this country by rail, barge, truck, and pipeline to meet the demands for fuel for power plants. If we could use nuclear fuel entirely, the quantity consumed in supplying the entire *world's* demands for a year would be equivalent to an 8-foot cube of uranium metal. If one takes advantage of breeding, the cube would not have to be U^{235}—it could be natural uranium or thorium.

Putnam's compilation of estimates of the reserves of conventional fuels and of uranium and thorium shows that 25 times as much energy is available in the nuclear fuels. The sort of information given above has led Dr. Curme to suggest that, since our supplies of nuclear fuels are substantially greater, we should use nuclear fuels as extensively as possible and save the coal and fossil fuels for the manufacture of synthetic organic chemicals.

While these statistics are interesting, even more significant figures have been developed by

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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 trended slightly upward in the period ended on Wednesday of last week. However, it continued to be down from the high level of a year ago.

Over-all decreases were gleaned from latest reports of claims for unemployment benefits. Initial claims for the week ended May 29 declined by 1% from the week earlier and were at the lowest figure since last November. Continued claims in the week ended May 22 decreased by 2%, registering a decline for the sixth consecutive week. Virginia and North Carolina were the only two states showing sizable increases in continued claims.

Unemployment among workers covered by state jobless pay systems, United States Department of Labor reports, has fallen below two million for the first time since January. In the week ended May 29, the total declined to 1,966,043, off 112,700 from the preceding week and a year earlier the figure was 880,346.

Industrial production, the Federal Reserve Board reports, held firm in May instead of taking the usual seasonal drop. Output of the nation's mines and factories stood at 123% of the 1947-49 average, unchanged from April, but 13 points below May, 1953. The Board's seasonally adjusted index rose to 125%, from 123% in April. This was its first increase over the preceding month since last July.

Steel prices may soon become as hot an issue as the wage question, according to "The Iron Age," national metalworking weekly, this week. They could turn out to be hotter. That's because steelmakers are gradually being forced into the position of risking price increases in a relatively weak market.

They had hoped they could keep the cost of a wage agreement low so that they wouldn't have to face the issue of higher prices. But they feel they must raise prices if wage costs go up more than a few pennies an hour, this trade paper observes.

Some of steel's biggest customers, including auto companies, have been alerted in advance that if steel loses at the bargaining table they can expect some steel price increases. Some of them already have their backs bowed to resist any move to raise prices. While it is doubtful that they can forestall the increases, they can certainly make it unpleasant for their suppliers. The customer is more potent today than he has been at any time since World War II, comments this trade weekly.

This, it adds, is intensifying steel management's efforts to keep wage costs in line. Yet it is expected that the wage agreement finally reached will call for a 5c to 8c "package." This would probably be followed by a price increase averaging about $2 to $3 a ton. Some products might be raised considerably more than that, and some not at all.

Steel consumers, it continues, are reacting much more calmly to the wage negotiations than they have in the past several years. Some strike or price hedge buying has been noted. But it isn't nearly as big a factor in the market as it has been in past years. From now on orders will reflect real demand because it is too late to produce hedge orders before the June 30 wage contract deadline.

Rush orders for spot shipments are helping support fairly high level mill operations. Overall steel inventories are still sinking. Cancellation and hold-up orders are almost totally lacking, it states.

Despite some false strength from hedging, the steel market is showing steady improvement based on real demand. There may still be a seasonal slump during the hot months. But it won't be as serious as many had expected. The steel market has passed the worst of its shakeout. As more people become aware of this, optimism will grow, this trade authority reports.

Last week in the automotive industry U. S. vehicle production recorded a gain of 21% over output reached a week earlier, "Ward's Automotive Reports" states. The agency counted an estimated 134,595 completions during June 7-12, compared to 111,314 in the earlier Memorial holiday week.

The statistical publication added that the Big Three had programmed 96.9% of last week's car volume, against only 95.1% during Memorial Day week. General Motors' share rose to 54.1% from 52.0%, while Ford Motor Co. garnered 30.4% against 30.3% a week ago. Chrysler Corp.'s slice dipped to 12.4% from 12.8%, while the Independents settled for 3.1% compared to 4.9% the week previous.

The dip in Chrysler's share reflected a three-day work pattern for all divisions except Plymouth (five days). Meanwhile, the big gun of the Independents, Studebaker, closed down the South Bend final assembly lines last week.

Bolstering Ford Motor Co. production was the programming of two plants for Saturday work. No other producers had announced any sixth-day plans on final assembly.

Only five car producers—Cadillac, Oldsmobile, Ford, Kaiser and Willys—and six truck makers—Chevrolet, Divco, Federal, Ford, International and Willys—were working at a faster pace the past week than in the same period a year ago. Overall industry volume for June 7-12, however, was 16% below comparable 1953 output, "Ward's" notes.

Construction outlays this year will reach a record $36,000,000,000, according to the United States Departments of Commerce and Labor. That would be 2% above the previous high set in 1953. Last November, the two agencies first guessed 1954 expenditures at $34,000,000,000, 2% below the 1953 level. The revised forecast

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Observations . . .

By A. WILFRED MAY

Reaction to the Reaction

Last week's little market "disturbance" furnished a good microcosm of the public's way of reacting to a major market change.

First again we have the seizure by the press of the opportunity for dramatization. This was done to the full in the day-after news accounts. The morning-after commentators described Tuesday's action as "an inundating selling-wave," "a tumble," "the worst break in years," "a waterfall decline," "electric market action," "the sharpest break since June 29, 1950," "deluge with a four-minute late tape," etc. For the first time in months the market made the front page.

A. Wilfred May

Actually—the day's doings should also be seen in the perspective of a mere 2¼% drop after a 24% rise in the Dow-Jones Composite Average, and of 2.12% against 28% in the Blue Chippy D. J. Industrial Average—both in the interval since the 1953 lows.

Second, there are the *explanations,* which are the more interesting. They may be roughly summarized, together with our comment, as follows:

"The market had been carrying a tired look." But certainly the market has "looked tired" very often during recent months, weeks, and days; without entailing any such sharp decline.

The *"A correction was overdue"* category of reasoning. But surely many times previously along the way of the D-J 30% advance to price-earnings ratios of 30-1, some reversal has been "overdue."

"The fear of American intervention in Indo-China";
"Secretary Dulles' denial that we will interfere."

These two conflicting political "explanations" are typical, and in line with the foible of citing, *ex post facto,* the same event to rationalize directly opposite market behavior. Thus, peace prospects are sometimes cited to explain a rising market, but at others as the reason for a decline; and similarly with war prospects, which after a rise are deemed "inflationary," but, on the other hand, after a break are offered as "confiscatory," "tax-raising," and otherwise "obviously bearish."

"Worry over business prospects." Also in this sector, including steel and automobiles, for a year or longer there has been worry over the business prospects, and that the bloom is off the boom. Why didn't the market conform to the economic factors at 310, at 320?

"The divergence between the market and business; and the outrunning of the latter by the former." But this, too, has been the situation for many months. And, as a matter of fact, the business prospects are now picking up, rather than down; to wit, the observations by top economist Arthur R. Burns at his major press conference last Tuesday.

Worry over tax revision." But, the tax factor did not prevent the bull markets over the past New Dear-Fair Deal or Eisenhower years.

The technicians, of course, have an easier time of painting the market picture. *Now* the supply area is 330 for the Dow with 300 as a safe base, etc., etc. Actually, of course, the technicians have done no better than anyone else in timing the break. Again, the market's short-term behavior has been proved beyond prediction and explanation!

This, of course, will not prevent the explanation of any subsequent rise being laid to "obviously foreseeable" pension-fund buying, overdue business revival, equities' scarcity value, a healthy sold-out market, and to "technical factors" in general.

Chemical Marketing Problems In Defense Market Research

By NORMAN E. HATHAWAY*
General Sales Manager, Industrial Chemicals Division
Davison Chemical Company
Formerly, Director, Chemical and Rubber Division,
Business and Defense Services Administration

Mr. Hathaway describes operations of the Business and Defense Services Administration, and its impact on Chemical marketing problems. Stresses need of keeping information regarding chemical production and its marketing avenues up to date, so as to be fully prepared for military action. Points out vast size of the chemical industry creates a serious marketing problem, which tends to result in the evil of overexpansion.

Market research in the Business and Defense Services Administration is quite different from that done by chemical companies or trade organizations. It is different because under the National Production Authority, during the Korean crisis, reporting of production, sales, and consumption of various chemicals to the NPA was made mandatory. Then under U. S. Code Title 18 it is a criminal offense to make a willfully false statement or representation to any department or agency of the United States as to any matter within its jurisdiction. In essence, you either answer the questions or retire from business affairs. This peremptory method of obtaining data would obviously be a delight to the majority of the people in this audience. It would be a rapid answer to the impossible problems sales managers sometimes pose to market research departments.

Norman E. Hathaway

*An address by Mr. Hathaway before the New York Chemical Marketing & Economic Section, American Chemical Society, New York City.

It is fairly clear that the government needs such information in an emergency. But, the manner in which it was used and is continuing to be used, may require some explanation.

In any period of emergency which has confronted the country, it has been necessary to eliminate nonessential uses of certain chemicals. Since chemicals are mainly intermediates and enter into the manufacturing processes of other products or other chemicals, tracing them down is generally difficult. For example, the "essential civilian requirements" of phenol are really difficult to figure. To handle many similar types of problems, trained chemical market research men familiar with the difference between an amide and an amine were needed and the industry quickly provided them from a number of chemical companies.

Under NPA and the Business and Defense Services Administration allocations were but one of the phases of operation requiring market research. Need for plant expansion to meet a butter-and-guns economy — superimposing partial mobilization requirements on top of full civilian requirements—was another significant market research problem. National capacity expansion was accomplished by the Certificate of Necessity program. An idea of the scope of this project can be realized from the 1,400-odd applications for certificates which were processed by the Chemical Division.

For this necessary expansion of the chemical industry each product had to be surveyed and two critical questions answered, (1) was the commodity needed for the defense program, and (2) was there a shortage of facilities for the production of the material. If the answer to these two questions was "Yes," defense market research was brought into the play and two programs initiated. The first of these was a supply-requirements study, and the second was a capacity-distribution study. These two programs are essentially the same approach chemical market research men take to answer questions posed in the industry today.

A supply-requirements study is "how much do we have" and "how much do we need."

A capacity-distribution study is "where do we make how much" and "where do we use it."

The only answers not available from industry were "how much do we need" and "where do we use it." These were to come from the government, with military requirements answering much of "where do we use it." Some of the answers required in 1951-1952 from Defense, Agriculture, Office of Defense Mobilization, etc., are just coming in now. The Army's total mobilization nitrogen requirement was received just last February.

Diverse Nature of Chemical Industry

One of the greatest problems under NPA was the diverse nature of the chemical industry. There are well over 15,000 known products and, as a point of interest, 101 trade associations directly associated with the products handled by the Chemical & Rubber Division.

Consequently, the industry was little understood in Washington and it took some time for the early directors of the Chemical Division to overcome NPA's sole interest in iron, copper, and aluminum. Due to the diversity of the chemical industry, the 60-odd chemical goals established were a large percentage of the total number of goals for all industries.

Because of this large number, and the general lack of understanding, top administration frequently questioned the approach. But once the division's research program was rolling, the procedures initially established were acknowledged to be right, and they proved so effective that they were adopted by many other groups in NPA.

This required an extremely large number of qualified personnel. At the height of NPA activity, there were 390 people in the Chemical & Rubber Divisions. Presently, in the successor group in BDSA, there are 32 people.

The work-load has naturally decreased with the curtailment of allocations and reduction in certificates of necessity.

However, because it is vital that the United States should be prepared industrially for any emergency, BDSA must continue much of the defense market research work started by NPA. The supply-requirements and production-distribution studies must be kept up to date to avoid a repetition of the vast confusion created at the beginning of World War II and the beginning of Korea. During the next set-to, if ever there be one, we will not have six months to get our industry underway. Systems must be established and those responsible for allocations must know the exact situation from month to month.

The Division as presently organized is attempting to do just this.

Essentially, information available to BDSA for this job comes from the supply requirements studies, the capacity-distribution studies, the foreign economic statistics relayed by State Department and others, and data available from tariff reports, the Bureau of Mines, and the Census Bureau. This is basic information. Assembly, interpretation, and use of this data comes next.

The Defense Department frequently desires specific information. In their research programs and thinking, availability of chemicals and consumption patterns are essential. New weapon development is an example, location of new chemical warfare installations is another.

Similarly, the Industry Evaluation Board, which is a name you may not have heard previously, depends upon the specialists in the Chemical & Rubber Division for all technical and industrial information and recommendations. The Industry Evaluation Board is a group under Department of Commerce sponsorship composed of high level government representatives from several departments. Their purpose is to specify the most essential industries in the United States from a military standpoint, and the most essential plants within that industry. Each industry and plant is then given a rating. This rating is most helpful from an internal government standpoint, particularly security. I have never seen the chemical industry's rating; obviously we must be high on the list.

The Democratic system of initials has carried over to the incumbents. Allocation was formerly known as CMP or Controlled Materials Plan. This has now been superseded by DMS which is Defense Materials System, which a number of economists, a few with short hair, have devised. Essentially, this is a standby program for use in the event of an emergency. It will enable effective management of industrial problems by controlling the three metals: iron, copper, and aluminum. The idea is basically sound. Coordination of defense chemical market research information with this group is an obvious necessity. It most certainly would be difficult to attempt to do the same thing with organic chemicals, just from the sheer weight of number of products.

Another use for this market research data is in establishing mobilization base requirements. This, in non-government language, means the chemicals necessary to operate the military organization and the civilian economy under a partial or complete war. Naturally, under full mobilization, the problem multiplies because of the need to establish minimum civilian requirements.

Still another use of this data will be in disaster planning, to assist industry leaders in essential plants to be prepared for bombing attacks and sabotage.

Export also enters into the problem at the moment. The Chemical & Rubber Division coordinates with the Bureau of Foreign Commerce to determine what chemical materials are non-essential to Russian war effort. This enables a decision as to export to Iron Curtain countries.

Stockpile Requirements

Stockpile requirements are another coordination function. Chemical stockpiling by the government presents few problems. Rubber stockpiling situation is of considerable importance both to the industry and to the government. There has been some question about governmental procedure in this problem, and I am sure it will be a subject of interest to the industry for years to come. This has many foreign implications as well. You can readily understand the effect a huge stock of natural rubber, subject to deterioration, might have on our foreign policy with Britain, considering her rubber interests.

Economic forecasts are another point of use of these statistics. We hear that Harold Smith, present director of the division, is preparing recommendations concerning the health of the chemical industry. These will be coordinated with the other industry divisions and forwarded on up the line, a project that has received considerable publicity recently due to President Eisenhower's excellent decision to refuse to be panicked by a downturn in business that we have reason to believe may be only temporary.

The uses of this information which I have outlined so far are entirely within government.

To be properly prepared for any further military action, all of this type of information must be kept up to date. As an extreme example, let us consider hypothetically that benzene is developed as an additive to rocket fuel. At the present time, the manufacture of rockets is limited. In the event of any type of mobilization, however, the demand for benzene for use as a rocket fuel would enlarge tremendously. This would considerably affect the aviation gasoline program, synthetic rubber, plastics, insecticide, and many other industries.

For all these reasons, it has been agreed by almost everyone in the chemical industry that it is necessary to continue government chemical market research. Accomplishing the fact has not been and will not be easy. Funds available are meager, personnel are fairly busy with other work as well. Also, the chemical industry is prone to overlook the need and some prodding will be necessary to assure complete cooperation.

Defense chemical market research data will be available on approximately 50 chemicals, ranging from acetic acid through formaldehyde to styrene to trichloroethylene. In those cases where four or more producers exist, none of whom occupies more than 50% of the field, the end use patterns will be released for publication. To my mind this should provide a basic working tool to market research people within the chemical industry and should be welcomed. We certainly feel at Davison that it will be worthwhile to secure distribution patterns on some of our chemicals.

In addition, if funds are available or if the industry cares to finance them, periodic reports on pertinent data will be published.

The chlorine and alkali industry recently appropriated $5,000 for studies by the Census Bureau. Data obtained are over and above normal reporting on inorganic chemicals. Included are (1) stocks on hand the beginning of the month, (2) production during the month, (3) consumption during the month, (4) shipments and interplant transfers, and (5) stocks on hand at the end of the month.

As a result of the comprehensive supply-requirements studies performed by NPA, the Defense Production Authority and its successor agency, ODM, set expansion goals for over 60 chemicals. In addition to that, many products were expanded without goals on a "one of a kind" basis. We can consider those 60 chemicals to be basic to the industry. The magnitude of their expansion was related on Nov. 19, 1953, at the combined national meeting of the Chemical Market Research Association and the Chemical Marketing and Economics Division of the American Chemical Society. At that time, Defense requirements were on the decline.

Size of the Marketing Problem

The size of the marketing problem that confronts us can be readily understood from some simple statistics related during that meeting.

(1) The chemical industry has led all other manufacturing industries (non-durables) in dollar expenditures for expansion since 1938, and alternated for first place with petroleum and coal products, and with iron and steel, for all manufacturing industries since 1945.

(2) The plant and equipment expenditures of all manufacturing industries have increased roughly 50% since 1950. The corresponding chemical industry expenditures have nearly doubled, or roughly twice the overall industrial average.

(3) A manufacturing industry of comparable sizes, the steel works and rolling mills, shows only a 23% increase in capacity.

Since NPA was not the controlling agency in the final decision, there were numerous opportunities for differences with other governmental departments. The estimated requirements of the military were in some instances inaccurate since technical knowledge of chemical components of many products were not known. The same can be said of some of the other governmental

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The Paper Industry Commands Financial Respectability

By WILLIAM H. CHISHOLM*
Vice-President, Oxford Paper Company

Paper company executive reviews growth and progress of the paper and its by-products industry, and points out the industry has gained "financial respectability," and is no longer a "feast and famine" industry. Cites large amount of new capital applied to increased paper production, and calls attention to its high operating ratio to plant capacity. Says there is no longer a drain on nation's pulp wood capacity, and new growth equals consumption. Calls paper industry "a growth industry."

Naturally, I have a great deal of faith in the paper industry. In circulating throughout the industry I think you will find the same feeling among all paper people. What is even more interesting to me is that you also appear to have faith in the industry. To quote George Olmsted in a speech made in February, 1952 when he was President of the American Paper and Pulp Association, "We (the industry) have achieved in the past decade what might be termed financial respectability. In years gone by the investing public and banking fraternity pigeonholed us as a feast or famine industry and one whose equities had a somewhat sour smell except for the rankest speculator. Today, because of a 10-year continuity of profits and dividends and positive signs of sound industry leadership, we discover that the bankers look favorably upon us and even to the point where the equities of a number of our mills are found in the portfolios of trust companies, insurance companies and others engaged in fiduciary work." That statement was made over two years ago. Today I think you will find that the securities of the industry are even more widely held and that the percentages held by various institutions have increased considerably. It certainly looks as though we have acquired "financial respectability."

William H. Chisholm

What is the reason for this feeling of confidence? There are several, but I think the most important is the steady growth that has been and continues to be shown since the industry was founded in this country. Figures produced by the National Industrial Conference Board show that, based on a long term trend, the annual growth rate for the industry is 4.66%. I do not want to use any more figures than seem necessary to illustrate my points. I also realize that you are more interested in the current and future situation than you are in the history over the years. However, I think you will be interested in some of the following for background purposes.

Growth of Paper Industry

In 1939 the paper and paperboard industry produced 13,510,000 tons. By 1946, despite the war years when construction for increased capacity was made difficult by government restrictions, that figure had risen to 19,278,000 tons or an increase of almost 43%. In 1953 the industry broke all records and manufactured 26,566,000 tons. In other words, in a period of 14 years production almost doubled and the growth trend exceeded that of the 4.66% for the long term trend. What are the reasons for this outstanding growth? The first one that comes to mind is the increase in population over that period. There is no question that population has a substantial effect on the growth but it is by no means the most important element. The population increase from 1939 to 1953 is estimated at approximately 20% as opposed to the industry production growth of 97%. The most influential factor for the growth of paper and board is the increasing number of new uses for the products.

To get a better look at the underlying reasons for the strength of the industry, let's glance at the per capita consumption. In 1939 it amounted to 244 pounds. By 1946 it had reached 319 and in 1953 each man, woman and child in the United States used 392 pounds of paper and paperboard. During the intervening years each individual had raised his consumption by 61%. To emphasize this point even more, had the per capita consumption remained at the 1939 level, 1953 production would have been in the vicinity of 17,700,000 tons instead of the actual 26,566,000 tons.

This personal consumption of paper and board products in one form or another is a most important factor, for it is a utilitarian use rather than a luxury. Just think for a moment of the paper that is delivered to your house and see if you call it a luxury: The morning and evening newspapers, toilet and facial tissues, the labels identifying your canned goods and drug products, the cartons in which the products you buy are packed, the magazines and business publications, the paper bag which carries your groceries to your kitchen, the ever-increasing paper milk container, the box which contains your wife's facial powder, the letters you receive, to say nothing of your pay-check—these are hardly luxury items, but rather products that are tied in to the standard of living in America.

There are three other points I would like to make about the end-use of paper and board products. First, because of their wide spread utilitarian use, sales are less subject to the fluctuations of the overall markets. Secondly, paper and board products, with the exception of the building field, are consumption products, usually limited to a one-time use and then thrown away. Unlike an automobile or a refrigerator which can always be used one year longer if the money is not there to buy a new one, the paper towel, once used, is thrown away and has to be renewed. Finally, many paper and board products are economy items so that when the head of a household's income decreases his wife's purchases of paper products tend to increase, while a manager of a manufacturing plant, in attempting to cut costs, looks to paper and board to substitute for more expensive packaging and building materials. All these factors help make the industry stable — not necessarily depression-proof — but they certainly minimize the ups and downs of the economic cycle.

Before I leave the subject of per capita consumption there is another important reason I would like to give for its steady rise and that is the ingenuity of the industry as illustrated by the constant flow of new uses of cellulose products. This ingenuity springs from the brains of the technical research men and engineers, the courage and foresight of management and the resourcefulness of the salesmen in introducing a new product. Each year the industry adds to its research staff and enlarges its research equipment and each year new methods and new products emerge which keep pushing up your daily use of paper. Who would have believed 10 years ago that today eight billion paper milk bottles would carry almost half the liquid milk sold, that a printing paper would be made of 100% hardwood pulp, that a ground-wood pulp made from hardwood would be incorporated in newsprint or that fruit would be shipped in fiberboard containers. If a friend had asked you to go for a day's sail in his new boat using paper sails you would have thought him crazy and if you had received an invitation to see an aquacade with girls wearing paper bathing suits, you would have jumped at the chance full of anticipation! Today your day's sail would be a pleasant one even in a brisk breeze and the aquacade would be just another swim show.

To be sure, my remarks so far on growth have been general and have included all segments of the industry, but the points made apply to all segments, though more so in some cases than in others. To be a little more specific, if we take the paper segment excluding newsprint and building papers, we find that 1953 production amounted to 10,316,000 tons or an increase of 77% over the 1939 figure. In this grouping over the same period book and groundwood paper production increased 68%, fine papers 76%, coarse papers 53% and tissue and sanitary papers 130%. In the board segment, on the other hand, production was 13,863,000 tons in 1953 showing an increase of 131% over 1939. In this figure is included building board which shows an astonishing 1,120% increase over the 14 years.

New Capital in the Industry

You will note that so far I have been using only production and per capita consumption figures. I fully appreciate that no matter how high production or consumption may be, if the capacity is substantially higher the return on the investment will suffer. You are familiar, I am sure, with the tremendous amount of capital that has been poured into the industry. In the postwar period the average investment per worker rose from $18,700 in 1945 to $31,000 in 1951, the latest figure I found available. Although a good deal of the expenditures have gone into replacements and quality items, the greater amount has been expended on increased productive capacity. Therefore, let us take a look at production rates. Prior to 1940 the high level in operating ratios was the 84.1% of 1920, the 1929 ratio being 81.3% and the average for the '20s was 77.95%. In 1932, it sank to the low of 58.3%. We realize, of course, that under current operating conditions the break-even point is higher than it was in those days and operating at a 60% level for any length of time would drastically reduce profits to all and in some instances probably eliminate them. However, due to the inherent stability of the products of the industry it would seem that the normal swings in consumption following the average economic cycle would place the operating ratios between 85% and 100% with a few points down or up for short periods of time. This was shown in 1951 when, under the Korean influence, the industry operated at 102.8% and in the 1949 recession when the board industry dropped below 85%. For comparative purposes it might be interesting to give the operating ratios of the years we have discussed previously, namely 1939, 1946 and 1953. For paper they were 83%, 93% and 95% while for board they were 80%, 96% and 91%.

Because of the high ratio of investment to the per ton market price of paper and paperboard, there is a strong incentive to individual management to operate as nearly to capacity as possible. In the past, therefore—take the 30's for example—as demand receded there was a general effort to keep the mills running full by securing business from customers usually served by competitors. This could be done, if at all, by price inducement. Others were not passive and, there being only so much business overall, none could gain or keep a disproportionate volume, but prices to all were lowered to a point where some were selling at less than cost. These past experiences have, I think, not been forgotten. To meet the fluctuations in demand, which are bound to occur from time to time, individual managements in the paper industry now seem to be concerned more with gearing their production to their own demand to a greater extent than in the past. Effort seems to be concentrated in seeking additional volume by developing new uses. To the extent this effort is successful, it will promote greater market stability, reduce or eliminate inventory losses in the hands of customers and, within limits, enable paper and paperboard manufacturers to earn a fair return. Thus the individual manufacturers would have the wherewithal to use in improving quality, in seeking to lower costs of production, or at least to keep them from rising, and last, but not least, to pay regular dividends to stockholders. Any industry which attains these objectives presents a sound opportunity for investment.

A Keenly Competitive Industry

Knowing the paper and paperboard industry, you realize it is and will continue to be actively and keenly competitive. The number of companies in the industry, the varying status from time to time of those companies, the determination of marketing policies by managements of those companies to meet their particular needs, emphasize this fact. And I, for one, am glad to be part of a highly competitive industry, for intelligent competition is a spur to the exercise of ingenuity in improving every phase of the production and marketing of our products. What I do think is that enlightened self-interest will dictate a realistic appraisal by individual managements of various situations as they arise and will result in sane solutions of those situations.

Before I leave this subject, there is one other important difference in the situation today as against the 1930's which I would like to mention. You have often heard that prices in the paper industry are controlled by prices of Scandinavian pulp. In the 30's this was true to a large extent. During that period Scandinavia supplied between 20 and 25% of this country's total wood pulp requirements and 60% of this country's market pulp requirements, that is 60% of the pulp that is purchased by non-integrated mills. Naturally, when such a large proportion of the in-

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*An address by Mr. Chisholm before the Boston Security Analysts Society, Boston, Mass., June 1, 1954.

Dealer-Broker Investment Recommendations & Literature

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

Canadian Common Stocks—Analysis—Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

Chemonomics — Newsletter on chemical processes and the chemical industries — R. S. Aries & Associates, 270 Park Avenue, New York 17, 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.

"The Eligible Book"—Preferred and common shares listed on the Toronto and Montreal Stock Exchange considered eligible for investment by Canadian Life Insurance Companies—Cochran, Murray & Hay, Dominion Bank Building, Toronto, Ont., Canada.

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

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

Japanese Industry — Analysis of outlook — in Monthly Stock Digest—Nomura Securities Co., Ltd., 1-1 Chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan, and 61 Broadway, New York 6, 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.

Petroleum Outlook — Special report — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is an analysis of **American Viscose Corporation.**

Railroad Earnings—Analysis of production and quality (bulletin No. 169)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Utah Uranium—Data on 43 companies—J. A. Hogle & Co., 50 Broadway, New York 4, N. Y. Also available is an analysis of the mines producing **Uranium.**

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Aluminum Co. of America — Analysis — Abraham & Co., 120 Broadway, New York 5, N. Y.

Anheuser-Busch, Incorporated—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Rich's Inc.** and the **White Motor Company.**

Arkansas Louisiana Gas Co.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **Missouri Pacific Co.**

Atomic Energy and Uranium—Comprehensive study covering the present situation and future possibilities of atomic energy and uranium—James Anthony Securities Corporation, 37 Wall Street, New York 5, N. Y.

Bangor & Aroostook—Analysis—Vilas & Hickey, 49 Wall St., New York 5, N. Y.

Beryllium Corp. — Memorandum — Stamrowe Trading Co., 96 Wall Street, New York 5, N. Y.

Central Indiana Gas Company—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

Century Geophysical Corporation—Analysis—George A. Searight, 115 Broadway, New York 6, N. Y.

De Beers Consolidated Mines Limited—Review—Golkin & Co., 61 Broadway, New York 6, N. Y.

Eastern Utilities Associates—Memorandum—Chace, Whiteside, West & Winslow, 24 Federal Street, Boston 10, Mass. Also available is a memorandum on **Farrington Manufacturing Co.**

Eastman Kodak Company—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a review of **Union Pacific Railroad Co.**

Falconbridge Nickel Mines Limited—Analysis—Kippen & Company Inc., 607 St. James Street West, Montreal, Que., Canada.

Falconbridge Nickel Mines Limited—Bulletin—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Micromatic Hone Corporation.**

General Railway Signal—Analysis—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Great American Life Underwriters, Inc.—Memorandum—Walter C. Gorey Co., Russ Building, San Francisco 4, Calif.

Hycon—Literature—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y. Also available is literature on **H & B American Machine.**

Las Vegas Grammar School Educational District No. 12 Bonds—Brochure—Lauren W. Gibbs, Zions Bank Building, Salt Lake City 1, Utah.

Lucky Stores, Inc.—Analysis—First California Company, Incorporated, 300 Montgomery Street, San Francisco 20, Calif. Also available is an analysis of **Permanente Cement Company.**

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

Niagara Mohawk Power Corporation—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Philadelphia Electric Company—Analysis—J. W. Sparks & Co., Western Savings Fund Building, Philadelphia 7, Pa.

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

J. P. Stevens & Co.—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of **Seasonally Favored Stocks.**

Transamerica Corp. — Memorandum — Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York 5, N. Y.

Upson Company—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available is a bulletin on **Texas Natural Gasoline Corporation.**

NSTA Notes

BOND CLUB OF DENVER

The Bond Club of Denver and the Rocky Mountain Group of the Investment Bankers Association will hold their annual summer outing on Aug. 13 at the Park Hill Country Club. The outing will be preceded by a Calcutta Dinner Thursday, Aug. 12, at the Albany Hotel.

BOND TRADERS CLUB OF CHICAGO

The 27th Annual Field Day of the Bond Traders Club of Chicago will be held at Nordic Hills Country Club on Saturday, June 26, 1954. Plans for the day are under the direction of Joseph T. Fuller, William A Fuller & Company, Chairman.

CLEVELAND SECURITY TRADERS ASSOCIATION

The Cleveland Security Traders Association will hold its annual summer party on June 25, at the Kirtland Country Club.

COMING EVENTS

In Investment Field

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 22, 1954 (New York City)

New York Stock Exchange Golf Association annual tournament at the Winged Foot Club, Mamaroneck, N. Y.

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 (Cleveland, Ohio)

Cleveland Security Traders Association annual summer party at the Kirtland Country Club.

June 25, 1954 (New York City)

Municipal Bondwomen's Club of New York annual outing at Rock Spring Club, West Orange, N. J.

June 26, 1954 (Chicago, Ill.)

Bond Traders Club of Chicago 28th annual field day at Nordic Hills Country Club.

June 29, 1954 (Detroit, Mich.)

Securities Traders Association of Detroit & Michigan 19th annual summer outing at Plum Hollow Golf Club.

Aug. 13, 1954 (Denver, Colo.)

Bond Club of Denver-Investment Bankers Association summer frolic at the Park Hill Country Club, preceded by a Calcutta Dinner Aug. 12 at the Albany Hotel.

Sept. 10, 1954 (Chicago, Ill.)

Municipal Bond Club of Chicago annual outing at Knollwood Country Club, Lake Forest, Ill.

Sept. 17, 1954 (Philadelphia, Pa.)

Bond Club of Philadelphia 29th annual field day at the Huntington Valley Country Club, Abington, Pa.

Sept. 22-26, 1954 (Atlantic City)

National Security Traders Association Annual Convention at the Hotel Claridge.

Sept. 23-25, 1954 (Minneapolis Minn.)

Board of Governors of Association of Stock Exchange Firms meeting.

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)

Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Lewis Elected Dir. Of Greater N. Y. Fund

Salim Lewis

Wall Streeter Salim L. Lewis, a senior partner in the firm of Bear Stearns & Co., has been elected to The Greater New York Fund's Board of Directors. He will serve as Vice-Chairman of the Fund board and on the executive committee.

American Exch. Golf Tournament Winners

Henry C. Hagen, with a score of 81, was winner of the Chairman of the Board's trophy, at the golf tournament of the American Stock Exchange Five and Twenty Club held June 15. Harold Brown, Brown, Kiernan & Co., was second with a score of 83. Both are members of the Five and Twenty Club.

Thomas Hickey received the President's Cup with a score of 78.

With Interstate Secs.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Charles L. Green has joined the staff of Interstate Securities Corporation, Commercial National Bank Building.

Erich Loser Opens

Erich Loser is conducting a securities business from offices at 235 West 102nd Street, New York City.

Negley, Jens Adds

(Special to THE FINANCIAL CHRONICLE)

PEORIA, Ill.—John W. Rowe, Jr., has joined the staff of Negley, Jens & Rowe, of Jefferson Building.

With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Jerome Zonis has been added to the staff of Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

The Responsibilities of Banking Leadership Today

By HOMER J. LIVINGSTON*
Vice-President, American Bankers Association
President, The First National Bank, Chicago

Asserting that change is the only certainty in the life and enterprise of a dynamic nation, prominent Midwest banker calls attention to the vastly enlarged economy in which banks are now functioning. Gives data on our national economic accomplishments and indicates oncoming changes appear to be even greater. Says all this will require highly competent management for our banks, and gives advice on good bank management. Stresses need of bankers to fully understand the Federal Reserve System as well as world banking and financial problems. Calls for highest standards in bank leadership.

There is everywhere today an increasing realization that the world has experienced in recent years economic, social, and political changes of far-reaching significance. In the United States, the flow of world events and the gigantic forward strides of the American economy are compelling banks and business constantly to reexamine their policies and their objectives. It is not an easy task to adjust our thinking to the vast changes which are today dictating the direction and determining the development of the American economy. It is much easier merely to follow the accepted routines and the inherited opinions of the past. But if history teaches anything, it teaches that constant change is the only certainty in the life and enterprise of a dynamic nation. When change stops, the enterprise and genius of a nation are dead.

Homer J. Livingston

If we are to measure the responsibilities of banking leadership today, we need to understand clearly the vastly enlarged economy in which banks are now functioning. Consider for a moment the remarkable changes which have come to the United States in recent years.

A Record of Accomplishment

The record of American accomplishments is expressed more eloquently in statistics than in mere words. In 1953, the disposable personal income (that is, income after taxes) of the American people was 350% higher, and the gross national product (the goods and services we produce) 400% greater than in 1939. Business expenditures for new plant and equipment rose over 500%, and expenditures for public utilities rose over 800% compared to 1939. Income and production have had a dramatic and almost incredible upsurge. While population was increasing 22% and employment 35%, the gross national product, after eliminating the effects of inflation, increased almost 100% since 1939.

The American middle class, upon which so much of the economic progress of the nation depends, has been greatly enlarged. The number of persons earning, annually, from $2,000 to $5,000, and over, has been increased many times. For example, nine times more Americans were earning $5,000, and over, in 1952 than in 1941. The American people have had a remarkable advance in their real incomes and in their standards of living. The substantial increase in the size of the middle class is one of the most significant developments in this generation, and it is the foundation upon which American industry has built the greatest mass markets in history.

Consider what this broadening of the middle class has done to only a few products in the short time since 1946. The output of room air-conditioning units has risen from 30,000 to an estimated 1,000,000 annually; television output from 6,000 to over 7,000,000 units annually; and the output of farm and home freezers from 210,000 to an estimated 1,150,000 units last year.

Our people today have over 45,000,000 passenger automobiles, approximately 18,000,000 more than they owned in 1940. In the same period, they increased the insurance they own from $115 billion to over $304 billion, and their total savings rose from $68 billion to $250 billion. In fact, in the last three years, the people have saved at the unusually high rate of 7.3% of their disposable income, compared to 4.5% in the prosperous 1929 period. These vast savings indicate that vast markets are available in the economy.

Consider the striking developments in agriculture. Output per man-hour on American farms today is 150% greater than it was only 12 years ago. An endless stream of mechanical equipment has moved to the farms. Almost 6,000,000 units of equipment — tractors, motor trucks, grain combines, corn pickers, and milking machines — have been placed on farms since 1941. Seventeen billion dollars of equipment is on our farms—five times as much as we had before we entered World War II. Today the average American farm is worth $30,000, which is equal to $20,000 invested for every farm worker, and represents almost twice the investment per worker in industry. Despite a decrease in the farm population of 6,000,000 persons since 1940, and a very large addition to our total population, the agricultural industry has increased production and has given all of us much higher standards of living. Farming in our time has become big business.

No factor has had a more profound influence on the growth of our economy in recent years than the increase in population. From 1940 to 1950, our population increased almost 20,000,000, approximately one and one-half times the total population of Canada. In only three years since 1950, our population has increased more than 9,000,000 persons, and by 1960 may reach 175,000,000. Month after month, we add a population equal to a city of 250,000 to be clothed, fed, educated, and sheltered. However, we need to understand that merely adding to our population is no guaranty that economic progress will continue, nor does it assure us that standards of living will rise. The heavily populated nations of the Far East have the lowest standards of living in the world. An increasing population is not enough. Men need freedom, education, and incentives to produce. They need to share in the results of efficient production. They need remuneration for thrift and for the accumulation of capital. They need the free play of all those constructive factors which have been the mainspring of America's extraordinary economic progress.

*An address by Mr. Livingston before the Annual Convention of the Illinois Bankers Association, Chicago, Ill., June 16, 1954.

The amazing record of our economic and social growth reveals that 40,000,000 persons now get paid vacations and 1,000,000 persons (excluding servicemen) went abroad last year. For better or for worse, 27,000,000 homes now have television and can see "I Love Lucy" every week.

As recently as 1935, only an adventurer would cross the ocean by air. Today we casually ask whether Uncle Bill will fly or take a boat to Europe. In 1952, over 86,000 airplanes carrying more than 1¼ million passengers entered the United States.

Greater Changes Coming

Remarkable as these developments have been, the changes now on the horizon appear to be even greater. (One is reminded of the moving-picture producer who said his company's last picture was not very good. He said it was "only colossal and magnificent." The next picture would be much better. So we may say that America's past has only been colossal and magnificent. The future looks even better.) In the future, we may expect electronic equipment; new medicines and the conquest of disease; jet-propelled passenger planes; great highway systems spanning the entire nation; whole sections of our major cities rebuilt and modernized; large expenditures for replacing industrial machines and equipment; vast outlays to enlarge school systems, hospitals, and utilities and also far-reaching changes in our entire economy that will flow out of atomic energy.

Our extraordinary economic progress has been accompanied by a substantial growth of the banking system. Consider only a few of the significant figures. From 1939 to 1953, loans of all banks increased from $22 to $81 billion, investments from $28 to $91 billion, time deposits from $25 to $68 billion, capital accounts from $8 to $16 billion, and total deposits from $68 to almost $200 billion.

The financial welfare of every business and every individual in the largest city and in the smallest village depends to a great degree upon the competence and the ability of the leadership in our 15,000 banks. Even the single responsibility of administering the $68 billion in deposits carried in time accounts by 68,000,000 depositors is a sobering one.

Today, when even the smallest banks are large compared to a few years ago, and when we are stewards for $200-billion in total bank deposits, banking requires an even higher level of leadership. Today, also, when the American economy has such a far-reaching influence on the economies of all nations, and when the United States has grown to world banking and financial leadership, American banking must be adequate to discharge the responsibilities and the challenges inherent in that leadership.

There is an almost irresistible temptation to become romantic in our thinking about the great future of the United States and the banking system. But in order that this discussion may not be lost in abstract generalities, let me set down in specific and practical terms three fundamental responsibilities of bank leadership today.

Requirement of Highly Competent Bank Leadership

The first responsibility of bank leadership is to provide highly competent management for our banks. I shall make no attempt here to discuss the details of everyday banking. I shall deal rather with the major phases of our stewardship. At the risk of oversimplifying this first responsibility, may I emphasize five significant aspects of bank management. First, we are obligated to provide credit facilities for our communities. We must have something more than a casual acquaintance with the businesses and industries we serve if we are to take care of their credit needs intelligently and protect our depositors and stockholders. It is worth recalling that approximately 40% of all bank deposits are invested in loans.

No one can study the vital statistics of the births and deaths of businesses without being impressed with the hazards of business life. The competitive struggle for survival and for profitable operation is intense. In the first nine months of 1952, more than 323,000 new businesses were established, and over 278,000 businesses died. Of 2.6 million concerns listed by Dun and Bradstreet in 1952, approximately one in seven withdrew from operation that year. If you take a 40-year average from 1900 to 1939, you will find that every year one out of three listed business concerns withdrew or failed, and these figures do not include some of the most hazardous retail lines. Of the 867 business failures in January 1954, two-thirds were businesses five years old or less. Dun and Bradstreet reports that the average life of a business is about 66 months. The hazards of business are never small. Obviously, we must have a basic understanding of the financing problems of business in order to extend credit soundly. We need to be better qualified to analyze balance sheets, profit and loss statements, surplus accounts, and budgets. We need to study economic conditions and their effects on the businesses of our customers.

On an average, over 35% of total bank deposits are invested in United States Government obligations, and almost 10% of the deposits are invested in other securities. So large a part of our earnings assets now is in our bond accounts that at least one person in each bank should be assigned the definite responsibility for studying interest trends and the bond market every day. It is as unwise to be complacent about a bond account as it is to neglect the loan portfolio.

We need also to review regularly the problem of building our capital accounts. In 1953, deposits were almost three times as large, and loans were over three and one-half times as large as they were in 1939; and yet, capital accounts only doubled in the same period. Banks need still larger capital accounts for the losses of possible periods of business decline. Equally important, banks need constantly to build capital to take care of the expanded credit needs of their customers. A bank which wishes to grow with its community and with growing businesses must have a growing capital structure.

Good management also necessitates a good auditing and control system in every bank. Poor accounting practices and poor auditing controls are inexcusable in any bank. If a bank is too small to have competent auditing, then management may provide periodic audits by able outside accountants.

Good management makes imperative at least one other re-

Continued on page 24

Accomplishments of New York State Bankers Association

By STANLEY A. NEILSON*
Retiring President, New York State Bankers Association
President, Bank of Gowanda, Gowanda, N. Y.

Speaking as outgoing President of the New York State Bankers Association, Mr. Neilson points out accomplishments during past year. Comments on tough competition from Federal lending agencies and inroads of mutual savings banks. Calls attention to Association's Educational Foundation to promote an informed public and an informed banking fraternity.

As I come to the end of my administration, I cannot help but feel proud of the accomplishments of this past year. I am proud of Al Muench and his staff. I am proud of the Council of Administration. I am proud of the Committee Chairmen and the members of their committees. I am proud of every member of our Association, because it is only through the splendid cooperation of all of you that we have had what I consider a very successful year. You are all very busy men, but believe me, gentlemen, not one single man even hesitated when asked to take on a job. That spirit can't help but make any Association successful.

Stanley A. Neilson

I have always felt that the New York State Bankers Association is and should be the outstanding State Association in the country. After all, we have about one-third of the country's finances in the Empire State.

One of our first aims was to provide continuity to Association policy. To that end I appointed the State Policy Committee which, with the change in our constitution voted at our Mid-Winter Meeting, will become part of the Executive Committee. That Committee will consist of 10 members at large, three from Group Eight and one from each of the other Groups, who will eventually be elected for a term of three years with three to be elected each year for two years and four the third year. In addition, there will be two Group Chairmen and two Group Representatives on the Committee.

Other changes were made in the constitution and by-laws, all of which I hope will improve the administration of our Association.

I feel that we should take a stand on Federal legislation as well as State, and to that end we appeared and filed briefs on the extension of Federal Savings and Loan branches at hearings of the Home Loan Bank Board and also the Banking and Currency Committee of the Senate.

We also appeared last week before the New York State Law Revision Commission and filed a brief opposing the adoption of the Uniform Commercial Code.

Danger of Federal Deficit

You all remember the bulletins which were put out by the Association in support of sound fiscal policy which were used in many other states during that inflationary period. While the inflation has been presently halted, we are still faced with an unbalanced national budget. Conditions in the world are very serious and the outlook is not bright. Much pressure is being brought on the Administration for more spending, raising tax exemptions and further extension of social welfare which would add many more billions to the Government deficit. We are engaged in a cold war and I believe we as bankers must stand fast on sound financial policy. We must not lose by fiscal bankruptcy at home.

The commercial banks are doing a tremendous job of financing industry, business, agriculture and individuals in our various communities. We are, however, faced with tough competition. Over 40 Federal lending agencies, savings banks, savings and loan associations and credit unions are all either fully or for the most part exempt from Federal Income Taxes. These institutions are bidding for our deposits.

Unfortunately, the joint study of the financial situation with the Savings Banks Association was discontinued. I believe we should continue the study in our own Association. When we return to normal conditions, and I hope it may be soon, how much can be drained from the spending stream into the mutuals without affecting the national economy? What will be the eventual effect of unsound mortgage loans? Since these institutions have been growing at a much greater rate than the commercial banks, I believe that for the general public welfare, we should endeavor to find answers to some of these questions.

Educational Program

And last but not least, we have organized our Educational Foundation. This to my mind is one of the most important activities we have ever undertaken. An informed public is absolutely necessary to the future of our country. I might say, too, that informed bankers are necessary to the future of our industry. We hope to assist you in the know-how to increase your earnings and safeguard your deposits; to enable you to pay reasonable wages and to enable you to educate your employees, your stockholders and your public, through service clubs, parent - teacher organizations, schools, farm organizations, and what-not, on the value to every community of commercial banking.

We have been very fortunate in obtaining Bill Green as Educational Director, but each and every one of us must do our part in spreading the information if the Foundation is to be a success.

I am proud to be a commercial banker and a member of our fine Association. I am deeply grateful for your splendid cooperation during the past year. I beg that you continue that cooperation with your new officers, so that our Association may accomplish much for the welfare of our State and Nation.

*Presidential address of Mr. Neilson at the 58th Annual Meeting of the New York State Bankers Association, Lake Placid Club, Lake Placid, New York, June 4, 1954.

Penington, Colket to Admit Two Partners

Penington, Colket & Co., 70 Pine Street, New York City, members of the New York Stock Exchange, will admit Jesse A. de Camp and Edmund Brown, Jr., to partnership as of July 1. Mr. Brown is manager of the firm's investment planning department.

On July 1 W. Lippincott Colket, general partner in the firm will become a limited partner.

From Washington Ahead of the News

By CARLISLE BARGERON

In these days when there seem to be an unusual number of "movements" organized by men of energy seeking to make themselves heard and to wield influence, the Citizens for Eisenhower Committee affords an interesting study. The Republican National Committee, though it would never be heard saying so out loud, and though it maintains an outward show of cooperation, views it with apprehension.

Carlisle Bargeron

It was welcomed in the 1952 campaign as a necessary adjunct for victory. But it has been revived to elect supporters of Eisenhower in the forthcoming Congressional campaigns. This could give the President and his entourage something approaching a veto over Republicans who either have not been so warm in their support of the Administration or who have been openly in opposition. There has been no suggestion from the committee as yet that it would support Democratic candidates in some instances but as the campaign develops it will be faced with this problem and in view of the fact that its membership is composed mostly of persons with no strong party ties, the problem may become quite embarrassing.

The committee takes credit for having delivered millions of voters to the Eisenhower cause in '52. It could not arouse anything like that number for Congressional candidates and, of course, its strength varies in the 435 Congressional districts and in the several states. Although a lot of work has been done on the organization it is doubtful if it is organized down to the Congressional district level. Nevertheless, there is a realization on the part of those Republicans who are not considered a part of the White House team that the committee could be quite a nuisance.

Personal political organizations of this kind are not exactly new in American politics. Herbert Hoover had a large body of organized personal followers and Roosevelt and Truman both had the aggressive support of the CIO-PAC. With Hoover, however, there was no question of his followers taking over the Republican party, and they confined their devotion to him. They didn't try to do anything to or for Republican members of Congress for not going along with him or for going along with him. The CIO-PAC threw its weight all over the political field and it did largely take over the Democratic party.

In the nature of the current political situation the Eisenhower Citizens Committee might very well become a formidable political force to the disadvantage of the Republican party. Mr. Eisenhower has repeatedly said that he is not a party pastisan and neither is his Citizens Committee. They are for Eisenhower, for what he says and what he does. They are for his "dynamic" program which Mr. Eisenhower has said if the Republicans don't support they have no right to be in power.

Interestingly enough, the Committee has taken its support of the President to lobbying and campaigning for his program, the various pieces of it. Their influence has been felt in such matters as the so-called St. Lawrence Seaway which Mr. Eisenhower made a "must" on his program, and for the President's housing legislation. As I understand it, the Committee has no study or research groups to analyze the various pieces of legislation. The word comes down that the President is for this or that, against this or that and the Committee goes to work with that zeal characteristic of newcomers to practical politics. The game fascinates them, gives them a sense of doing something, of accomplishing something.

Their co-Chairman in the '52 campaign was a man of energy and action. And when victory came he lost no time in letting it be known that he was just the right man to be Secretary of Commerce. He didn't get the job but did land as second man, as Undersecretary of Commerce. From this post he quickly moved over to the White House to be the President's chief spokesman with Congress. However, he seems now to have dropped from sight, to be quietly back at Commerce.

Joins King Merritt

(Special to The Financial Chronicle)

WEST PLAINS, Mo.—James L. Bozman is now with King Merritt & Co., Inc.

With Burns, Potter

(Special to The Financial Chronicle)

OMAHA, Neb.—Kenneth Jones is now affiliated with Burns, Potter & Company, 212 South Seventeenth Street.

With Dean Witter & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Durfee L. Combs has become connected with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Two Join Morgan Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — James W. Anderson and William H. Cies have become affiliated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

More Foreign Bonds Paying Interest

Dean Rowland Collins and Dr. Marcus Nadler, in Bulletin of the New York University Institute of International Research, estimate more than 73% of publicly offered foreign dollar bonds met debt service in full in 1953, compared with 70% in 1952.

In 1953 debt service was paid in full on $3,277,168,303, or 73.16%, of the total $4,479,918,914 of publicly offered foreign dollar bonds

G. Rowland Collins   Marcus Nadler

outstanding on Dec. 31, 1953, according to a bulletin entitled "Statistical Analysis of Publicly Offered Foreign Dollar Bonds," issued by Dean G. Rowland Collins, Director, and Dr. Marcus Nadler, Research Director of the Institute of International Finance of New York University.

The increase in proportion of bonds serviced in full from 70.36% in 1952 was due to the growing number of bonds assented to the various debt-service resumption plans, to the net increase of over $182,500,000 in outstanding Canadian bonds caused by the sale of a number of new issues by the provinces and municipalities, and to the flotation by the International Bank for Reconstruction and Development of an issue in the principal amount of $75,000,000. Thus, owing to the assent of bondholders to the Japanese debt-service resumption plan, the principal amount of defaulted bonds has been reduced from $76,361,300 at the end of 1952 to $10,946,200 on Dec. 31, 1953; the percentage of Brazilian bonds assented to Plan A has increased during 1953 from 38.18% to 38.57%; and the face amount of unassented and defaulted Peruvian bonds has decreased from $17,012,000 to $7,909,500. Although Germany, under the terms of the London Debt Agreement of Feb. 27, 1953, instituted the validation procedure on Sept. 1, 1953, and on Oct. 6, 1953, offered to exchange validated bonds of six issues, all bonds are treated in this study as in default during 1953. As of Dec. 31, 1953, $77,227,300 principal amount of bonds have been registered for validation with the Validation Board and only $11,005,600 of bonds have been validated.

Data on the status of all publicly offered foreign dollar bonds as of Dec. 31, 1952 and 1953, are summarized in the following table:

Status of Publicly Offered Foreign Dollar Bonds

	—December 31, 1952—		—December 31, 1953—	
	Millions	Per Cent	Millions	Per Cent
Debt Service Paid in Full	$3,022.8	70.36%	$3,277.2	73.16%
In Default in Regard to:				
Interest	1,198.7	27.90	1,143.4	25.52
Sinking Fund or Principal	74.5	1.74	59.3	1.32
Total	$4,296.0	100.00%	$4,479.9	100.00%

On Dec. 31, 1953, European and Latin-American obligors accounted for 98.6% of defaulted bonds. Of the total Latin-American bonds in default, Bolivia and Mexico accounted for 42.18 and 23.54%, respectively, while German issues represented 66.38% of total European defaulted bonds. Latin America accounted for 12.3% of total defaulted bonds, as compared with 10.6% on Dec. 31, 1952. Europe's percentage increased from 82.6% at the end of 1952 to 86.3% on Dec. 31, 1953. The Far East accounted at the end of 1953 for 1.4% of total defaulted bonds.

The Rise in Family Income

Average family income in United States is over $5,000, representing a four-fold increase from 80 years ago, after taking into account price changes, Solomon Fabricant of the National Bureau of Economic Research finds. Concludes labor has gained more from rise in national productivity than have recipients of property incomes, in two ways: from fruits of economy's increased efficiency, and from price of its work relative to price of capital having favored them.

Average family income in the United States in 1953 was somewhat over $5,000, Solomon Fabricant said in his Annual Report as Director of Research of the National Bureau of Economic Research. This represents a fourfold increase from the family income of 80 years ago. The comparison takes account of price changes, so that the figures represent real purchasing power. The average yearly increase in real income per person in the United States has been about 1.9% over this 80-year period.

Dr. S. Fabricant

"A rate of expansion in income per capita of 1.9% per annum sustained over eight decades would, I suspect, find little precedent or parallel in any other age or nation," Dr. Fabricant said. There have been more rapid increases in other nations for shorter periods, but in the United States also a still higher rate of increase can be found during some periods comprised within the 80 years.

If the same rate of increase in per capita income should continue for the next 80 years, Dr. Fabricant points out, our grandchildren will be enjoying an average family income of about $25,000 (at 1953 purchasing power)—"a level now attained only by the top 1% or so of the nation's families."

Dr. Fabricant's report summarizes a number of the National Bureau's recent findings which bear on the economic growth and productivity of the nation. The National Bureau has been a pioneer in such studies. Under its former Directors of Research, Wesley C. Mitchell and Arthur F. Burns, it gradually accumulated an immense mass of tested factual material on the subject, analysis of which continues to yield signifi-

Continued on page 41

Shopping Centers

By ROGER W. BABSON

In discussing development of suburban shopping centers, Mr. Babson stresses importance of parking space. Says cities which do not buy property needed for parking facilities make a great mistake, and points out municipal parking lots in downtown trading centers would be safer and more convenient than establishing new shopping centers with big parking lots. Outlines plan for safe parking facilities.

A revaluation is going on in merchandising. This will affect shopkeepers in many ways. The change will be due to: (1) The introduction of "self-service"; (2) the congestion of automobile parking; and (3) the trend toward big stores — Super Markets, Super Drug Stores, Super Variety Stores and Shopping Centers.

Roger W. Babson

If I had a store, I certainly would immediately buy some adjoining property to enable my customers to park their cars safely and easily, or else I would move to a location near a municipal parking lot. As many merchants will feel likewise before long, every community will witness a large turnover of business property during the next few years. Some of this will sell at higher prices, while other business property will sell at lower prices, according to parking facilities.

Cities which now do not buy or condemn property needed for parking are making a great mistake. The longer they wait, the more the needed property will cost. Municipal governments which are delaying this work because some influential family or obstinate church objects are handicapping most of the merchants and are driving trade away. Owners of all business real estate will suffer. Yet, these merchants are the lifeblood of every city.

What About Shopping Centers?

The new shopping centers with big central parking lots, which are being written up with great glee, may be only a stopgap. I hear that one of the largest centers near Boston is already in financial difficulty. They are subject to accidents while customers get in or out out of them from the main thoroughfare, so that some women are already becoming afraid of using them. Municipal parking lots in the downtown centers of our communities are not subject to this danger, as speed in these downtown areas does not exceed 25 miles per hour, while cars pass the exits of the shopping centers at 70 miles per hour.

Furthermore, parking lots can become too big. Too many fenders are jammed every day. Power steering is almost necessary for a woman to enjoy a large parking lot. This is especially true as cars are being built longer and fancier every year. Yet, 85% of the cars in the parking lots of the big shopping centers are being driven by women.

Looking Into the Future

In place of new shopping centers as now laid out, we will find that four or more large stores—such as an A&P Grocery, a Penney Clothing Store, a Super Drug Store, and a Woolworth. McCrory or McLellan Variety Store—will unite to buy some acreage on both sides of a main highway, located midway between two cities which could be about five to eight miles apart. This land will extend about 2,000 feet along said main highway, giving angle parking for from 250 to 500 cars.

This angle parking, however, will not be on highway land. The buildings will be 50 feet back of the street line, allowing parking and safe backing out on private property. The buildings will be long and narrow. Instead of being 200 feet square, as at present, they will have the same area, but will be only 40 feet deep and 1,000 feet along the street, thus allowing for angle parking of over 500 cars. There will also be extra land for Saturday parking.

Private Tunnel or Overpass

I forecast that the two sides of the main highway will be connected by a two-way tunnel or overpass, enabling cars and foot passengers to cross this main highway easily and quickly without accident. Thus, a customer leaving home to travel west, on this main highway, to these four super stores would leave the highway at the right and park anglewise directly in front of any super store under a protective canopy.

The customer would then do her shopping and go out by the checking cash register, walking under the canopy directly to her car. She would then back her car out with no fear of being hit by any car traveling on the main highway, would drive to the tunnel and cross under said main highway. If she wished to stop at one of the super stores on the other side of the street she could do so, or she could reverse the above process.

Frederick Terry With Hamlin & Lunt in N. Y.

Frederick A. Terry has become associated with Hamlin & Lunt, 2 Wall Street, New York City. Mr. Terry was formerly a partner of Terry & Company.

Kenneth Spear to Celebrate June 18

Kenneth Spear, Vice-President of Julius A. Rippel, Inc., Newark, will celebrate his birthday, June 18, at the outing of the Bond Club of New Jersey. Mr. Spear has been with Julius A. Rippel, Inc., for the past 15 years. Yachting on the Great South Bay is his favorite sport; he is a member of Bellport Bay Yacht Club.

Julius A. Rippel to Attend Reunion

Julius A. Rippel, President of Julius A. Rippel, Inc., Newark, New Jersey, will attend the reunion at Dartmouth and a meeting of the Alumni Council.

With White & Co.

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—John H. Wessels has become affiliated with White & Company, Mississippi Valley Building, members of the Midwest Stock Exchange. He was formerly with Olson, Donnerberg & Co. and Slayton & Co., Inc.

THE MARKET ... AND YOU

By WALLACE STREETE

With railroad shares recovering all of the ground lost in the stiff shakeout of last week, and going on to reach a new top for the year in the Dow-Jones average, the spotlight was on the industrials, still a short distance shy of making up its 12-point two-day average setback.

* * *

To the technicians this situation, wherein the rails have attained a new top and just two points are needed for the industrial average to equal this feat, would be referred to as a double top. Suffice it to say that to the layman it can be called a strong bullish sign —that is, if the industrials confirm what has been accomplished by the carrier group.

At any rate, in reaching back up toward new highs the market is running counter to what a good number of the prognosticators thought it would do at this juncture. There was almost general agreement in the flush of post-selloff letters that the list would rest quietly for a while and then probably test the lows set last week. Instead, here we have the market testing not the lows but the recent highs (and one component, within four days of the lashing, successfully penetrating the test area).

* * *

Rails Carrying the Ball

The retracing of its steps, which meant recovering some 12 points in the Dow-Jones industrial average and five for the rail index, was a quiet but steady prodding for the market and was accomplished by good leadership, at least on occasions. The aircrafts and building materials took turns with oils and steels as top pivotals, and right now it's the railroads that are carrying the ball.

* * *

In the four days of recovery since the heavy selling of Tuesday and Wednesday a week ago, three sessions were definite showings of strength, and the other was pretty much a standoff. The Thursday and Friday markets last week were almost identical, at least in the matter of total issues traded (on the Big Board), advances and declines.

* * *

On Thursday 1,133 issues traded with 631 up, 233 off and 269 unchanged. Friday's market traded 1,137 issues, 638 up, 246 off, 253 unchanged. On Monday this week with 1,114 issues traded there were 414 up, 453 off and 247 unchanged. On Tuesday out of 1,139 issues traded 569 advanced, 298 declined and 272 were unchanged.

* * *

In point of volume the recovery period left something to be desired, but there was a small expansion of volume on Tuesday's late show of strength.

* * *

Extent of the Recovery

If the Associated Press averages were used as a basis the market already has recovered the full setback of last week and stands within the shadow of the highest mark since 1929. The AP average of 60 stocks on Tuesday spurted $1.70, the biggest daily gain recorded by that average in more than two years.

* * *

At $125 the 60-stock average is $2.90 above the low point reached in last week's break and is only 70 cents away from the peak touched two weeks ago, which was the highest mark reached since Oct. 25, 1929.

* * *

Robert R. Young's successful move to gain control of New York Central stirred up two waves of activity in the shares of that road and in a leased property. Central has been a top active issue for some time now, and gained more prominence in this respect this week.

* * *

On Monday, when the Central vote was to be announced, there was such a pile-up of buy orders for Central that the Exchange officials had to step in to work out an opening for the stock—it came on 25,000 shares at 23⅞, for a small gain. It wasn't able to hold this and eased to 23 at which level it generated a vast amount of trading, carrying forth into later sessions.

* * *

Interest in a Central Subsidiary

More exciting was the move in New York & Harlem Railroad, the subsidiary which has a heavy interest in New York City real estate. On Tuesday, it spurted almost 30 points to a new high for the year. This inactive issue is a wide mover, selling now around 480 as against its 1953 peak of 520.

* * *

Apparently some people in Wall Street feel that Mr. Young is endowed with the Midas touch — for here are some traders who believe, that with Central now controlled by Mr. Young, the New York & Harlem might be liquidated. They feel the stockholders would get a higher payment than now provided under the long-term lease with Central.

Union Pacific was up to its old tricks again this week, bouncing about wildly sometimes in consort with other railroads and sometimes independently as it took on the role of an oil and titanium prospector. On Friday it ran up seven points with some of the gain effected on jumps of a point each trade. It erupted again on Tuesday adding some five points to its value without much effort.

* * *

The rail group developed a strong market on Tuesday with Santa Fe, Atlantic Coast Line and Seaboard Air Line shooting up two to three points. Inclusion of both Santa Fe and Atlantic Coast Line in the Dow-Jones railroad average was the reason why that index attained a fresh top for 1954 on that date.

* * *

The rail investor was offered two bits of interesting news. The House Commerce Committee approved a bill that would require railroads to pay $30,000,000 more next year in unemployment and railroad retirement taxes and which might eventually increase the carriers' tax bill by $55,000,000 a year or more. What was more to investor's liking was the disclosure that major railroads spent 19.9% less for road and equipment improvements in the first quarter than a year ago. It may be why some of the monthly operating reports have not been too bad.

* * *

Continuing Popularity of Building Stocks

The popularity of the building material stocks isn't newborn. This group in 1953 gave a performance which was slightly better than the general market. An average of building stocks was up 4% in 1953 while the average for 1,022 listed Stock Exchange common shares eased some 7%. So far in 1954 the group is found doing 30% better than the (1,022) average, showing a gain of 21% in value as against 16% for huge composite. U. S. Gypsum and Johns-Manville have been the recent favorites in this group.

* * *

A newcomer to the ranks of wide-stepping oils is Mid-Continent Pete, which garnered a lot of attention last Friday in spurting more than seven points and has been stepping out in fair manner since. For awhile the oils had lost favor because of over-production fears.

[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.]

Connecticut Brevities

The Sikorsky Aircraft Division of **United Aircraft Corporation** has announced that it has demonstrated a new anti-submarine helicopter for use by the Navy. The new helicopter, designated XHSS-1 has a more powerful engine than previous models and contains sonar equipment which can be lowered into the water to detect submarines. Other recent announcements by the company include plans for a 97,000 square foot building to be constructed in South Windsor to house work on the development of an atomic energy aircraft engine. On July 1 one share of Chance Vought Aircraft, Inc. will be distributed for each three shares of United Aircraft common owned as of May 28. In this way the entire 1,079,619 shares of Vought will become publicly owned.

* * *

The **Connecticut General Life Insurance Company** has announced plans for its new home office building to be constructed at an estimated cost of $10,000,000 on a 268-acre tract located in Bloomfield.

* * *

Niles - Bement - Pond Company has received a certificate of necessity from the office of Defense Mobilization permitting the company to amortize over a five-year period 65% of the $676,076 cost of purchasing new machine tools for the main plant in West Hartford.

* * *

Stockholders of **Royal Typewriter Company** and of **McBee Company** will meet on July 1 to vote on a proposed merger of the two companies to form a new company, **Royal McBee Company.** The proposed merger calls for holders of McBee common receiving seven-eighths of a share of new common, while Royal common and preferred and McBee preferred would be exchanged share for share for corresponding stock of the new company.

* * *

During June **The Connecticut Light and Power Company** plans to raise approximately $17 million through sale of new preferred and common stock. On about June 17 it is expected that 200,000 shares of preferred stock, series E, without par value but with a stated value of $50, will be sold through underwriters. Common stockholders of record June 1 will be offered rights to purchase one new share for each 10 owned at a price of $14 a share. The rights will be mailed about June 15 and will expire June 30. The proceeds are to be used in connection with the company's plant addition program, presently scheduled at about $42,500,000 for 1954 and 1955.

* * *

The Skinner Chuck Company is completing plans to move its electric valve division in Norwalk to the company's main plant in New Britain. The change is expected in early August and positions in New Britain will be available for all Norwalk employees.

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New Britain Machine Company has offered 5,000 shares of its common stock to employees at the average bid price during the month of April, 1954. The directors have declared a quarterly dividend of 50 cents plus an extra of 25 cents, both payable on June 30 to holders of the new $10 par stock. The old no par stock was split two for one on April 15, 1954.

Ed. K. Young, Jr. With Wm. E. Pollock & Co.

Edward K. Young, Jr. is now associated with Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, in their Institutional Sales Department.

Perkins Adds To Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Howard Smolar has been added to the staff of Perkins & Co., Inc., 31 Milk St.

Financing American Exports Under Increasing Competition

By A. M. STRONG*
Vice-President, American National Bank & Trust Co., Chicago, Ill.

Calling attention to increasing competition for foreign markets, Chicago banker says this development has led to a revival of interest in export credit facilities. Holds Export-Import Bank is no longer primarily interested in assisting exporters but is linked to the foreign aid programs, and accordingly exporters must rely on other credit facilities. Since commercial banks extend only short-term credit, he sees need for more extended export credit insurance to meet similar actions of foreign countries and urges Export-Import Bank expand facilities along these lines to protect our foreign markets.

American exporters are faced with increasing competition in foreign markets. Our allies and our enemies are in a credit and price war with us; a credit war which if carried to extremes will undermine the normal trade between nations. The Communists, of course, would be happy to undermine our foreign trade; it is a part of the cold war.

A. M. Strong

Our friends who lost their foreign markets during the Second World War are trying to stage a comeback at any price.

The United States is entering a period of industrial readjustment. We are reducing our military expenditures and gradually discontinuing our aid to other nations. We must therefore maintain our foreign markets and continue exporting at a high level. The increasing competition is creating a serious problem to our export industries. Important segments of our industry have been adversely affected by this competition. Our non-military merchandise exports declined• in 1953 by approximately one billion dollars and the trend continues in 1954.

European nations and Japan which have been assisted by us after the war have attained a high level of production. Substantially cheaper labor costs enable them to offer lower prices for many products. Government export assistance through subsidies and insurance against commercial, political and exchange risks make it possible for them to extend longer credit terms.

Soviet Russia and her satellites have adopted an aggressive foreign trade policy and are entering into trade agreements with many Western nations. During the second part of 1953 and the first part of 1954 the Soviet Government concluded trade agreements with Argentina, Belgium, Denmark, Finland, France, Greece, Iceland, India, Norway and Sweden and extended existing agreements with Iran, Afghanistan and Egypt. They are ordering a variety of imports ranging from consumer goods to ships. They are buying foodstuffs, electrical equipment, construction equipment, chemical products, machinery, etc. On the export side they are selling mineral products, including manganese, petroleum, gold, grain, timber, furs, etc.

Soviet Russia and her satellites are trying to establish closer economic ties with Asia and Latin America. They are offering enticing conditions to Latin American countries which include longer credit terms and payment in the currency of the South American buyers. They are buying cotton and other agricultural products from Brazil and are offering machine tools, X-ray equipment, typewriters, etc. Argentina is selling to the Soviet countries hides, wool and other products against imports of timber, industrial machinery, etc. An offer was recently made by Russia to Mexico to buy cotton, coffee, sugar, meat, peanuts and ham in exchange for Russian agricultural and industrial machinery.

American exporters of capital goods keenly feel the foreign credit competition. Manufacturers of farm equipment, construction and roadbuilding machinery and other capital goods are receiving requests for long or intermediate credit terms. They find that European and Japanese exporters extend long-term credit supported by government insurance which American exporters cannot match.

Increased Interest in Export Credits

As a result of this increased competition in foreign markets there is a revival of the interest in export credit facilities and insurance. The report of the Export-Import Bank of Washington for the period July-December, 1953, states:

"In recent months there has been a noticeable increase in the number of inquiries and applications for credit to assist United States suppliers in the sale of their products in foreign markets. "The increased interest in the exporter credit is due in part to the revival of keen competition in foreign markets now confronting United States exporters. Furthermore, as defense production passes its peak, thereby releasing additional production capacity, greater demands for exporter credits may be expected."

Although government credit insurance is available in all major countries, the United States does not presently have a private or government export credit insurance company in operation. The Export-Import Bank is the only government agency which extends long-term credit in foreign trade. These facilities are, however, available mainly for development projects abroad and the credit is as a rule extended to foreign governments and foreign establishments.

During the last six months of 1953 new credits authorized by the Export-Import Bank totaled $171,932,480, as shown in the accompanying table. In addition, the Bank allocated $13,352,580 for development projects in Ecuador and the Union of South Africa under previously authorized credits.

The Export-Import Bank of Washington was created pursuant to Executive Order, dated Feb. 2, 1934. The Second Export-Import Bank of Washington was created on March 9, 1934. The Second Export-Import Bank gradually withdrew from business in 1935 and was liquidated on June 30, 1936. The original Export-Import Bank assumed trade financing for all areas of the world.

Why the Export-Import Bank

The reasons for establishing the banks were revealed in January, 1935, in the House and Senate Committee hearings on the bill to extend the life of the banks. Mr. George N. Peek, President of the Export-Import Bank of Washington and the Second Export-Import Bank of Washington, gave the following reasons for the necessity of the Bank's services:

(1) The commercial banks in the United States would not make loans for longer than six months, and this was not a sufficient term of credit to handle business in foreign trade.

(2) Other governments were directing or controlling their foreign trade activities, and it was necessary in order to deal with them to have a focusing point in the United States for these activities.

(3) The fact that there were blocked exchanges in 35 foreign countries which prevented the transfer of funds to manufacturers in the United States to pay for the goods they exported.

Mr. Peek stated that the banks did not contemplate loaning money to foreign countries, but were going to loan money only to American exporters and importers to be spent in America.

During this early period in the Bank's history there were three fields in which it operated. First, the Bank financed the trade of agricultural commodities such as tobacco, cotton, wheat, etc., where private capital was not available. Secondly, the Bank engaged in financing the exporting of heavy machinery and industrial equipment. The other area in which the bank operated was in the granting of loans to United States exporters whose working capital had been inadequate.

A New Policy

The life of the Export-Import Bank was extended by Congress for various periods and its lending authority was increased several times. In 1951 the Export-Import Bank again received an increase in its lending authority from $3.5 billion to $4.5 billion and the life of the Bank was extended to June 30, 1958. Through all the various changes and modifications in the Export-Import Bank, a definite pattern has been consistent. From its inception the purpose of the Bank, whether declared by Executive Order or legislative direction, has been to finance and facilitate the export-import trade of the United States. The policies of the Bank, however, since the Korean War indicate a deviation from the original objectives. The new policy was summarized by its Managing Director, General Glen E. Edgerton, at the hearings before the Committee on Banking and Currency of the U. S. Senate on Jan. 25, 1954, as follows:

"Obviously with the total funds available or that could be made available the Bank is not able to assist in financing all of the exports that could use financing to advantage.

"It becomes necessary therefore to apply a selective process in order to make the resources available to us as effective as possible in promoting the objectives of the act. We like to make loans that will improve the foreign country as well as benefit our trade and make the foreign country better able to meet obligations in terms of dollars.

"First, we have to see that the borrower will be able to pay back the loan. We would also like to have the enterprises make a very definite additional contribution to the foreign exchange position of the country so that it will be able to buy more United States products in the future."

Mr. Hawthorne Arey, Assistant Director and Vice-President of the Bank, in a speech before the Export Managers Club of Chicago on Jan. 7, 1954, said:

"It is our purpose to assist in financing exports and imports and the exchange of commodities. We cannot finance all the exports of the United States, and it was not so intended. We are constantly facing the one fundamental problem. What is the problem of the United States in foreign trade, and how can the Export-Import Bank assist in meeting that problem? . . .

Republic of France, to cover military purchases outside of the United States	$100,000,000	58%
Bank of Japan, for the purchase of cotton in the United States	60,000,000	35%
Credits to assist U. S. manufacturers to finance the sales of aircraft, textile machinery and railway equipment	4,087,480	2.4%
Development projects in Latin America	7,845,000	4.6%
	$171,932,480	

". . . It has been urged that we can reduce some tariffs and that we can simplify custom procedures to the extent that it is in the national interest to do so. I submit that there is another important way, and that is by assisting our customers to develop their economies in such a way that they can earn dollars by developing and selling to us the goods which we need because there are many things that we must import.

". . . Our credit should be extended in those case in which the item exported will assist in the development of the country that is importing it in such a way that it will directly or indirectly provide a means of repayment. It does not mean the item itself. In certain cases equipment that will assist in building roads or harbors would have only an indirect effect, but if those roads and harbors are going to be used to bring the rich products of that country into the stream of international trade, then they are going to serve a purpose. It is for this reason that we have always had in the Export-Import Bank some question on the advisability of instituting in the United States the same system of export credit insurance for example that is quite successful in Great Britain and other countries."

Mr. Lynn U. Stambaugh, Deputy Director of the Export-Import Bank of Washington, in an address before the Export Managers' Club of New York in April of 1954 said:

"The Export-Import Bank strives to confine its development loans to the financing of projects which will enable the country of the borrower either to earn more United States dollars or to save dollars currently being expended for essential imports. . . . Let us make certain that the expansion of the Bank's activities will not lead to indiscriminate or uneconomic financing simply for the sake of promoting exports."

As you can readily see, the Export-Import Bank is no longer primarily interested in assisting exporters to meet current problems. It has broader objectives in view; objectives which have been pursued under our foreign aid programs and are now carried out by the Foreign Operations Administration, Technical Cooperation Administration and also by the Interantional Bank for Reconstruction and Development. American exporters evidently cannot count on the Bank's assist-

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*An address by Mr. Strong before the Foreign Trade Bureau of the Chamber of Commerce, Cedar Rapids, Iowa, June 4, 1954.

Transformations in The Tobacco Industry

By O. PARKER McCOMAS*

President, Philip Morris & Co., Ltd., Inc.

Picturing the tobacco industry's shareholder as the "Forgotten Man," cigarette manufacturing executive reviews recent developments in production and marketing of cigarettes. Points out there is probably more consumer sampling and shifting in the industry than ever before, and new styles and new brands are on the increase. Pleads for government cooperation with the cigarette industry, particularly in area of foreign trade, by favoring exports of cigarettes rather than raw tobacco leaf. Gives information regarding formation of the Tobacco Industry Research Committee to study tobacco smoking relations to health.

Placing the responsibility for various diseases on tobacco was initiated by King James in England in 1604. Through the centuries typhus, influenza, tuberculosis, among others, were ascribed to the use of the "weed."

O. Parker McComas

I point these out because I know that the tobacco industry has successfully solved its problems before, and emerged stronger from each crisis.

But we are here today to discuss the current status of the industry. Many of its current problems stem, to my way of thinking, from the following set of facts:

(1) The value of the domestic leaf crop increased from $234,283,000 in 1940 to more than one billion dollars in 1953, an increase of 358%.

(2) Federal Tobacco Excise Tax collections increased from $640,989,000 in 1940 to $1,613,792,000 in 1953 or 152%.

(3) State and local tobacco taxes increased from $98,000,000 in 1940 to about $501,000,000 in 1953, or 400%.

(4) It is estimated that the discounts enjoyed by the wholesale and retail tobacco trade increased from $133,000,000 in 1940 to $410,000,000 in 1953, an increase of 208%.

Let us contrast these gains by the farmers, distributors and government treasuries—gains I might say that far exceed the inflation of the dollar—with some of the figures of the five large reporting cigarette companies.

(1) Cigarette sales increased from 157 billion in 1940 to 391 billion units in 1953, a gain of 150%.

(2) Dollar sales went from $1,014,000,000 in 1940 to $3,100,000,000 in 1953—an increase of 206%.

(3) Pre-tax profit increased from $118,000,000 in 1940 to $299,000,000 in 1953, an increase of 153%.

(4) Federal and state income taxes increased from $33,300,000 in 1940 to $181,300,000 in 1953, the biggest increase of all, 444%.

(5) As a consequence, net income increased only from $84,800,000 to $118,000,000 in 1953, an increase of only 39% or **less than the depreciation of the dollar.**

(6) Dividends on common stock have increased from $67,300,000 in 1940 to $77,300,000 in 1953, or only 15%.

I could of course go on to other similar comparisons but they would only confirm the picture that everyone—but the forgotten shareowners — has benefited enormously from the growth of the cigarette industry.

Part of this 13 year picture was rectified last Feb. 27 when price controls were lifted and the manufacturers secured a measure of relief. But even with the price adjustment last year, the industry's basic net price, ex-tax, has increased only 57% since 1940 as against a 92% rise in the Bureau of Labor and Standards Consumer Price Index.

The Removal of Price Controls

In the last two months of 1952, after the elections, when it was obvious that price controls would be removed, the wholesalers and retailers accumulated inventory which carried over into 1953. Further accumulation took place before the final lifting of controls and the price increase of Feb. 28 last year. Production and sales figures for the first quarter of 1953 were further augmented by the introduction of king size Philip Morris in January and a Chesterfield promotion deal running throughout the quarter. Thus the first quarter of 1953 was 7% above the first quarter of 1952.

Commencing in April and extending throughout the year, there was a liquidation of this excess inventory with the result that the unit production of the manufacturers for 1953 was about 2% under 1952 in units. Because of the extra length of the growing king size brands, approximately the same quantity of tobacco was used.

In my own mind, I am convinced that the 2% reduction was due almost solely to the inventory adjustment and to king size smokers probably using somewhat fewer cigarettes than previously.

I do not believe the health question had any appreciable effect in 1953, but may be influencing the 1954 figures. Tax paid production compared to 1953 was down in January 9.19%, February down 16.8%, March down 6.4%, and April, we understand, will be off less than 2%. The first three months reflect the comparison with the inordinately high 1953 quarter. As against these figures, which are **production** figures, our studies of state tax payments, which are closer to the sales pictures, indicate first quarter **consumption** was off only 5%. The April state tax figures are equal to last year's. At the present time I would estimate that consumption for the calendar year 1954 will be off from 3 to 5% in units, but almost equal the industry's best year in dollar volume.

Within those totals, great shifts are taking place. Our estimate is that filter cigarette sales will more than double their 1953 performance and capture 8 to 9% of the cigarette market this year. King size cigarettes, we estimate, will continue to move forward to achieve 30-32% of the market as against 26% last year. Both will gain, of course, at the expense of the regular size cigarettes.

As the cigarette manufacturers maneuver to maintain their competitive positions and to work their way out of the dilemmas posed by the 1940-1953 comparisons I presented earlier, the increase in the numbers of brands, styles and sizes of cigarettes on the market continues. Recently we have seen the introduction of a new king size filter cigarette, the reduction in price of a regular size filter tip cigarette and one regular size filter cigarette has already introduced a king size companion at the same price structure on the West Coast. Changes have taken place and will continue to take place in the filters that are being used.

Cigarette Consumer Sampling and Shifting

There is probably more consumer sampling and shifting going on at this moment than ever before in the industry's history, and it would be a bold man indeed who would venture a guess as to how or when it will stabilize.

Those are the main elements of the tobacco industry's picture today. What are we at Philip Morris doing about it?

Well, in the first place, we are most cognizant of this picture as it affects the shareowner, and feel more attention should be paid to earnings. However, we comprise somewhat less than 10% of the industry, and cannot of course separate ourselves completely from the path set by our larger competitors. A year ago, when price relief was effected, it seemed that a realization of its problem had come to the industry and that it was beginning to consider earnings as well as volume. However, the pricing policies adopted in the last few months by some of our competitors lead to some doubt as to whether this is really so. We do not believe it is good business to retail the same product in two different sizes at the same price.

The Cigarette Export Market

A second plank in our overall approach to the current industry problems deals with the export market. At the end of World War II there was a global demand for American cigarettes, limited only by the amount of dollars available

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*An address by Mr. McComas before the Investment Analysts Society of Chicago, Chicago, Ill., June 10, 1954.

Key Factors in Business Outlook

By FRANK A. PEARSON*

Professor of Agricultural Economics, Cornell University

Dr. Pearson contends most of variations in business activity are due to fluctuation in civilian expenditures for food, building, autos, and clothing. Says business will be a little better this fall because the textile industry will improve, but automobile depression will not be over. Lays blame for deficient housing to government outlays for foreign assistance, and holds building activity and the price level are the two most important factors affecting economic welfare.

Part I

The present misnamed Eisenhower depression should be called a textile-automobile depression and it is not as severe as the opposition in an election year would lead us to believe. The Presidents of the United States always get the credit for our economic weather, fair or foul. President Eisenhower was not the cause of the present depression nor was there anything he or his Administration could do about it except talk, and of talk there has been plenty and the end is not in sight.

Dr. F. A. Pearson

Bankers, like others, are prone to overrate the power of the government and underrate the power of 160 million civilians. Most of the variations in our business activity were due to fluctuations in civilian expenditures for four things, food, building, automobiles and clothing. They are so important, that most indexes of business activity reflect the composite of these four great industries.

Food, the most important, is relatively non-variable and is the great stabilizer of American industry. Building, the second most important, is subject to violent fluctuations and its regular periods of over- and under-production cause most of the fluctuations in American industry. The automobile and clothing industries are also subject to regular periods of over- and under-production and affect the level of business.

It is impossible to forecast anything unless it repeats itself with some degree of regularity or unless its component parts repeat themselves with some degree of regularity. There is no business cycle that repeats itself with regularity. The three important fluctuating components of our business, building, automobiles and textiles, however, do repeat themselves with considerable degree of regularity and it then follows that the sum of these can be forecasted.

Since there are periods of over- and under-production there must be considerable over- and under-stocking of goods all the way from producers to consumers. At the present time there are excellent indexes of the stocks of goods at the manufacturers' level and in the channels of trade at the wholesale and retail levels. Figuratively speaking, they are merely side shows around the big tent. Changes in the stocks of clothes in the dresser drawers and the closets of 40-odd million homes, in the automobiles in their garages and car-ports and in the number of houses on the main streets in America, although not measured, are the most important factors affecting American business.

Textile Depression Over

Recently the civilian stocks of clothing were large, and a textile depression occurred during 1953-54. These stocks have been depleted and the textile industry will turn up this summer and fall.

Recently automobiles have been produced faster than they were worn out. Figuratively speaking, there is a nice new shiny car under every car-port of America. Collectively the consumers have decided that they will wear down their present stock before buying a new car. This explains the present automobile depression and there is not likely to be much recovery during the rest of 1954.

The stocks of houses and other buildings are accumulating but have not reached the point where they are excessive.

At the present time business is good because building is active but business is not so good as it was because of the automobile and textile depressions. Business will be a little better this fall because the textile industry will improve, but the improvement will be a little disappointing because the automobile depression will not be over.

The small local bankers, who cannot afford an economist, a statistician or a baker's dozen of the business services, need not have an inferiority complex. The most up-to-date data on the business situation are at his beck and call.

If he consults his favorite haberdasher, automobile dealer and building contractor concerning the state of their business, he will be in an excellent position to appraise the nation's business. This method will yield a more accurate appraisal than long distance calls to the man who is supposed to know in Washington or New York.

There is no known method of forecasting the trend in commodity prices, the most important variable affecting the welfare of agriculture.

Part II

Our attempts to maintain a balance of power in both Europe and Asia accounts for the lack of better housing. No nation can take income from consumers for such foreign assistance or for war without sacrificing housing standards. Since civilians cannot reduce their food, clothing and automobile expenditures, increases in income taxes are reflected in a decreased amount of their income left for housing. This reduction in home-buying dollars does not show up in the number of homes built. It does appear as a reduction of the amount of space and quality of construction.

This accounts for the millions of small, shoddy brooder houses, misnamed homes, that during recent years sprang up everywhere like mushrooms. A brooder house is a good place to start a family but a poor place to raise one.

In comparing the building booms of the twenties and fifties, it was found that based on the number of dwellings constructed, the building boom of the fifties exceeded that of the twenties. Based on the proportion of the amount of money spent on construction, the boom of the fifties was about half as big as that of the twenties.

Part III

Building activity and the price level are the two most important factors affecting the economic welfare of bankers, bakers, butch-

*An address by Dr. Pearson before the 58th Annual Convention of the New York State Bankers Association, Lake Placid Club, Lake Placid, New York, June 4, 1954.

ers and candlestick makers. When building activity declines and commodity prices fall, gloom and fear spread across the nation with the speed of a Florida hurricane or a midwestern tornado. From President Washington to President Eisenhower there have been five major depressions due to the unfavorable combination of falling prices and building activity.

The maelstrom of the thirties is the most recent and is deeply etched on the memory of everyone 40 years old or more. This unfavorable combination closed every bank, spawned the Blue Eagle, the A.A.A., the Ever-Normal Granary, the Wagner Act, Social Security, W.P.A. and Keynes' make-work deficit-financing theories that have captivated bankers, businessmen and farmers. This unfavorable combination bankrupted farmers, businessmen and bankers. The nation suspended gold payments.

The early nineties were angry years, a repeat performance of declining building and declining prices. The homestead strike, the Pullman strike and Coxey's Army flashed across the horizon. Bank suspensions increased from about two to about 30 per thousand banks. J. P. Morgan and a group of bankers loaned the United States Treasury $72 million and kept the United States on the gold standard.

Falling prices and falling building activity played havoc with the popularity of the particular individual who happened to be in the White House. Democratic Van Buren and Cleveland and Republican Grant and Hoover illustrate this point.

Conversely, a rosy hue suffuses the nation when building is active and commodity prices are rising. There have been five periods when real estate activity and the price level were rising at the same time. They represented about one-fifth of the 170 odd years between Presidents Washington and Eisenhower.

The first of these favorable combinations occurred during the administration of the first President of the United States, George Washington. It was indeed fortunate that building was increasing and commodity prices rising during the early days of the nation. Had they been falling all would not have been so serene in the early days of the republic and George Washington might have been the last President as well as the first. The favorable combination made Secretary of the Treasury Alexander Hamilton the idol of the Republican Party and George Washington the idol of everyone.

The next favorable combination occurred during the eighteen thirties. Andrew Jackson was President during eight years of rising prices and rising building. He was then, and still is, an idol of the Democratic Party.

The next favorable combination occurred prior to the Civil War and the next one did not occur until almost 50 years later at the turn of the century. They were both, in every sense of the word, golden eras.

You have just lived through the fifth favorable combination. One hundred and fifty million people have been enjoying a great prosperity but have little comprehension of what caused the sudden appearance of the Horn of Plenty. Unfortunately, the millions of people who have failed to appreciate this extravaganza are not likely to live to experience another. Believe it or not, the Greatest Show on Earth, rising prices and rising building activity, has made its rounds only five times at irregular intervals during the last century and a half.

C. J. Devine Co. Employee Seminar

An advanced course of study, dealing with all the principles and facets of the markets for United States Government and tax exempt securities, is being conducted by C. J. Devine & Co. in its office at 48 Wall Street, New York City, and in the nearby New York University Graduate School of Business Administration at 90 Trinity Place. Attending the classes are selected employees in the home office and in the firm's branch offices scattered throughout the country.

Believed to be the first such course undertaken by a government and municipal bond house, the seminar daily sessions run from 11 a.m. to noon in the Devine office, continuing from 1:30 to 6 at NYU. The course will continue for two weeks.

The course includes lectures by prominent scholastic authorities, including Dr. Marcus Nadler, and Dr. Sipa Heller of New York University. Others who will speak before the student employees on economics, taxation, finance, tax-exempt credits and other related subjects include H. Everett Woodruff, Vice-President and Investment Officer, New York Life Insurance Company; Craig S. Bartlett, Vice-President and Investment Officer, the Hanover Bank; Harold C. Taylor of the Chase National Bank and Russell McInness of Wood, King & Dawson.

Thomas J. Hughes Now With Ratterman Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Thomas J. Hughes has become associated with Ratterman & Co., 307 East Fourth Street. Mr. Hughes was formerly with Edward Brockhaus & Co., Inc. for many years specializing in municipal and corporate trading.

With White & Company

(Special to THE FINANCIAL CHRONICLE)

BLOOMINGTON, Ill.—Mark T. Tucci has become connected with White & Company, Corn Belt Bank Building.

With Hess Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—Janet Dickinson has joined the staff of Hess Investment Company, Illinois State Bank Building. Miss Dickinson was previously with W. G. Houston & Co.

Andrew Lord, Jr. Joins Eaton & Howard Inc.

(Special to THE FINANCIAL CHRONICLE).

BOSTON, Mass. — Andrew J. Lord, Jr. has become associated with Eaton & Howard, Inc., 24 Federal Street. Mr. Lord was formerly a representative for Lord, Abbett & Co.

No Serious Economic Recession in Prospect

By BEN H. WOOTEN*

President, First National Bank in Dallas

Prominent Texas banker, warning that past is not sole guide to the future, contrasts current economic situation with that of 1929, and on the basis of changed conditions holds there is not likely to be a stock market collapse as experienced in the earlier period. Foresees vast possibility for better living and says consumer buying power is tremendous, though we are now in a "buyers' market." Decries fears of a serious recession.

The subject assigned to me is, "The Business Outlook." In order that we may intelligently look out from where we are, let's analyze business as of this day.

Ben H. Wooten

Briefly, the business slide appears to have stopped, at least temporarily. The output of industry in April and early May held steady. Employment seems to be improving somewhat. The automobile output rose in April. Television sets were turned out in larger volume. The major consumer durable goods output increased 4% in April. A buying flurry is going on in cotton textiles. Farm machinery producers are encouraged by the latest trends. Steel mills, however, are still operating at 70% of capacity. The price picture gives little or no indication of additional business pitfalls. Home building seems to be headed for another record year. School construction will set a new record. Public utility financing is at near-record levels. The price of raw agricultural products seems stabilized.

The situation as of today leads us to hope that we are on a normal plateau. We are troubled, however, by the gaunt specter of police action or war, so any statement I may make relative to the outlook for business must be based solely upon world conditions as they are today, without taking into account military activities, other than a possible stepped-up defense program.

Most of us as business men have chided economists for looking into "the crystal ball" to find what the future holds, but on careful reflection we must realize that every business man does it too, whether he realizes it or not. He must have some opinion about the future. If he did not, he could not run his business. He must have something upon which to base his plans. How could he make a budget? How could he determine his inventory? How could he make contracts? How could he manage his operations in general if he did not have some belief about what lies ahead? Sometimes the accuracy of his forecast spells the difference between success and failure.

Past Is Not Sole Guide

There is no substitute for experience in forming judgments about the future, but one must always realize that the past is not the sole guide to the future. Time brings changes in circumstances—and these often preclude a repetition of history.

All of us number among our acquaintances some people who adhere stubbornly to the old belief that what goes up must come down—that prosperity is always followed by depression, and, therefore, we are in for trouble because it will happen again.

The prophets of doom have had a hectic record, and I do not think they are going to improve that record.

The stock market was high in 1929, and it is high now, but here are some of the conditions of 1954 that did not exist in 1929:

(1) **The World Was at Peace in 1929.** There was at that time no great danger to freedom anywhere comparable to the Communist threat of today. In the Federal budget we were appropriating only a meager few millions for defense, and we had a standing army scarcely large enough to be called much more than a constabulary. (Only 137,000 in the regular army in 1929.)

Weapons of war were relatively simple compared with those of today. Danger from a sneak air attack with such destructive devices as atomic and hydrogen bombs was not even imagined, let alone latently feared.

Today our armed forces total more than 3,000,000 men, and we are spending at an annual rate of almost $50 billion for national security.

The international situation is presently tense—and there are no apparent signs of easing.

When we appraise the economic future, we must not overlook the unsavory fact that the United States very probably will have to maintain a defense program costing from $40 to $50 billion, maybe more, annually for a long time.

None of us takes delight in the prospect, but it is a cold circumstance that cannot be left out of account. It will probably keep a minimum of 9,000,000 men and women engaged, directly or indirectly, in defense alone, counting those in the armed services. It will draw heavily upon our natural resources and upon our industrial capacity.

(2) **A second major circumstance differentiating 1954 from 1929 is to be found in our philosophy of government.** The role of government in our economic life has changed markedly in this generation—whether you and I like it or not. In 1929 there was no Federal insurance of bank deposits; there was no social security program. FHA mortgage insurance was not even conceived. There was no general maximum-hour and minimum-wage law. Federal crop insurance and farm price support legislation had been advocated from time to time, but scarcely anybody then had the faintest idea such laws would ever be enacted. Most people in 1929 regarded unemployment as a normal sort of social problem to be handled locally: only a few individuals held to the theory that the Federal government should be empowered to do what Congress authorized in 1946—take any steps necessary "to promote maximum employment, production, and purchasing power."

Yet all of these legislative changes (and others of a similar import) are in full force and effect right now.

Under this changed philosophy of government the American people fully expect every means at hand to be used in the maintenance of reasonably full employment, production and purchasing power. Any administration unwilling to act in accordance therewith would receive unfavorable support at the ballot box on election day.

Labor is much more strongly organized now than in 1929. Union membership exceeds 17,000,000 today compared with only 3,625,000 then. Union leadership is now much smarter. Other groups such as farmers and veterans are well organized too—are aggressive and articulate and aware of the effectiveness of political action.

(3) **A third circumstance very worthy of mention grows out of the threat of Communism — and undoubtedly bears heavily upon the minds of those who make decisions in industry today.** Here I refer to the generally known—but little publicized — realization among business leaders that a serious American depression might be a great victory for the Communists. At least it would very probably send us farther down the leftist road, perhaps far enough to destroy much of what remains of free enterprise. President Eisenhower realized this when he said, "A high and sustained rate of economic growth is necessary to the welfare, if not the survival, of America and the free world."

Wise management today does not hold to the theory that depressions are inevitable or that we should sit idly by awaiting the return of prosperity, and I am sure you will agree with me that, if necessary, industry will take the initiative in fighting a depression.

(4) Now let me refer to a fourth circumstance. **It is financial.** In 1929 the Federal debt was only $16,900,000,000. Today it is almost $275,000,000,000. Interest charges alone on our present debt are about $6,000,000,000. The entire Federal budget in 1929 was only $3,300,000,000.

In the debt and in the cost of government you find a condition making it imperative that the nation's economy operate at a high level. The U. S. government derives close to 80% of its revenues from taxes on corporate and personal incomes. Any decline in income must, of necessity, be reflected in an even proportionately greater decline in Federal revenues, which would force additional deficit financing.

(5) **My fifth point relates to the securities market today.**

There are many people who believe that the stock market foretells the future. If that be so, then all of us should be optimistic because the market is the highest since 1929.

But there is one difference which is important. Today's market is in much sounder condition than was the one of 1929.

Speculative forces today play a comparatively small role in price movements. Margin regulations work against speculation and in favor of investment. The thin 10% margins of the old days exposed the market to far wider fluctuations than now exist. Forced liquidation is much less likely now. Pension funds and investment trust funds with a relatively steady flow of money to

Continued on page 41

*An address by Mr. Wooten before the 19th Annual International Distribution Convention of the National Sales Executives, Chicago, Ill., June 2, 1954.

Securities Salesman's Corner

By JOHN DUTTON

Most People Have a Financial Goal

One of the most important considerations in people's lives is their constant seeking after security. It is so important that the greater portion of our days is taken up with preparation for acquiring a skill with which we can provide financial security during our working years, and then continuing such endeavors so that our responsibilities to our families and ourselves in later life wil be properly accomplished.

The life insurance business has been building a solid public acceptance of the idea that people can go out and carve a sound financial foundation for themselves through systematic saving carried throughout the years. Today people are acclimated to the idea that it is practical to plan their financial affairs so that retirement, education of children, provision for their families in the event of their death and building up an income that will augment their earnings can be worked out within the limits of their earning capacity. In other words, the ground work has been laid from an educational standpoint, and those who are in the investment securities business can utilize the "program planning approach" to a much greater advantage today than was possible 25 years ago.

There are people who have only a hazy idea of what they want when it comes to buying securities. All they need is someone to sit down with them and put those ideas into concrete form. That can readily be accomplished through the consultation type of interview wherein the client's own ideas are put down in black and white and clarified for them. I have known cases where retired people had a definite need for regular and generous income from their investments, yet until someone came along and cleared the air for them their haphazard methods of purchasing and selling securities left them with a feeling of insecurity that was only changed when a planned program was placed before them.

There is a broad area of goodwill and confidence that can be created by getting over into the client's backyard and finding out what he actually wants from life as well as from his investments. Securities are only a means to an end—they provide income and a feeling of security against the vicissitudes of life. The same is true of life insurance, real estate and other forms of property. When you find out what your clients want from their property, as well as their aims, their hopes for their children and themselves, you begin to build a relationship with them that becomes both close and friendly. Selling securities then resolves itself into a pleasant task of selection of the proper investments and watching over them for your clients. There is no more satisfactory arrangement possible once you have established this type of clientele.

Each account that you have set up on a properly planned and programmed basis can be reviewed periodically. It is always possible to reaffirm the objectives of the account in discussions with them. When people are inclined to stray from the main purpose which they have in mind in investing, you can clear the air and get them back on the track again just by reminding them where their real interest should be directed.

As we approach new clients and build stronger ties with those who are now doing business with us, we should constantly keep these simple fundamentals before us of asking questions which will clarify the real objectives of those these objectives when changes in with whom we are doing business. We should also remind them of their investments are indicated, or when new commitments are made. Successful investment results and satisfactory relationship with clients can thus be achieved.

This is National Steel

Merchandising's most modern methods work best in National's Long-Span Multiple Buildings

When the time came to pick a building design for suburban Cleveland's modern new Meadowbrook Mart, the most logical choice—from every standpoint—was a Stran-Steel Long-Span 50 Multiple building, 150 feet wide and 642 long.

First consideration was floor space, and the choice was strongly influenced by the Long-Span's provision of a maximum amount of unobstructed interior area—in the Mart's case, over 91,000 square feet . . . enough for the more than 70 retail businesses that make it an outstanding service and shopping center.

Second was construction costs. Long-Spans go up rapidly and easily, so the owners made appreciable savings in time and money by their choice.

And finally, Long-Span was chosen because it easily lends itself to adaptation and modern treatment, as shown by the illustration of the Mart above.

The Long-Span Multiple, a product of the Stran-Steel Division of Great Lakes Steel, fits into any site or any application—farm, industrial, or commercial—as readily as it did for the Meadowbrook Mart. Straight sturdy sidewalls and arch roof give a maximum amount of unobstructed space. Arch ribs and trusses of famous N-A-X High-Tensile Steel make for long life, strength and economy.

All-steel buildings are but one of many National Steel products that serve many industries in many ways . . . that make National Steel one of America's leading producers of steel.

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

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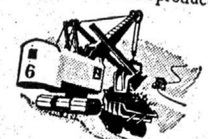
Buffalo, New York. Blast furnace division for production of various types of pig iron.



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

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

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

NATIONAL STEEL

The Downward Slide Has Been Stopped!

By WALTER WILLIAMS*
Under Secretary of Commerce

Commerce Department executive, asserting conditions are ripening for the greatest period of economic expansion in the nation's history, claims that the present Administration has straightened out the economy appreciably, and the downward slide has been stopped. Points out industrial production, store sales, prices and personal incomes, as well as construction activity and new business orders, all have upheld well in the present adjustment. Cites as factors for optimism the nation's growing population and the steadily increasing rate of productivity of the national economy. Stresses current large reservoir of liquid holdings by the people.

Why is there so much "Potential Opportunity" for sales executives today and where is it? Let me answer briefly by pointing out six different areas which provide the basis for enormous opportunities to each and every one of you interested in the sales-promotion field:

Walter Williams

(1) The first area of opportunity is to be found in an analysis of the business barometers today. There are those who think the turn in the business cycle has already been made or that we are at the point of turn now. Dr. Sumner Slichter is one of those who believes that the business turn upward is imminent if it is not indeed already turned upward. Dr. Arthur F. Burns, Chairman of the Council of Economic Advisers, stated in his address delivered at Columbia University on May 26: "Taken all together, the outlook for early recovery, therefore, seems favorable, and the business-cycle policies pursued by the government seem to be working out reasonably well." To be sure, Dr. Burns conservatively adds, "but, history carries a stern warning on how easily economic developments may be misjudged."

Key Barometers

Whether the turn has already been made or whether we are approaching it, a calm, objective analysis of key barometers measuring the condition of business gives much reason for solid encouragement.

Industrial production shows up particularly encouragingly. Starting at a figure of 137 at the peak in July, 1953, this index has steadily gone downward until it hit 123 in March of 1954. Then, in April for the first time, it stopped sliding downward, remaining at the same figure as for March, namely 123. Significantly, the index for May is expected to be at this same figure, 123, or perhaps a point higher.

Department store sales have held up well with May sales being 2% to 3% higher than the March-April average. Remember, too, that the March-April figures covered the Easter buying period. To be sure, May sales were about 6% lower than a year ago, but let us not forget that May of last year showed sales at a peak level.

Prices have held favorably. Wholesale prices of industrial commodities continue remarkably firm while farm prices have tended upward since the beginning of the year to a level slightly above a year ago. The strength of prices has undeniably been a favorable factor in the recent adjustment. This adjustment would certainly have been much more severe if prices had declined sharply instead of remaining firm.

Personal income in April was at a high annual rate of $282 billion, slightly down from March. However, the total reduction in personal income since the peak of last July has only been 2%. With lower taxes, disposable personal income has been virtually unchanged over this period.

Construction activity has been roaring along at an unusually high level. In May total construction activity stood at 4% above May, 1953. Non-farm new housing starts have averaged over 1.1 million at an annual rate in the first four months this year. This is just slightly below the corresponding period of a year ago when we were heading in to the peak period of the business boom. The barometer of *"new orders"* gives reason for encouragement. New orders received by manufacturers of durable goods increased in March and April from the relatively low rates of earlier this year.

The figures on *plant and new equipment expenditures* still remain encouraging. Business continues to invest in new, productive facilities at near-record rates. The latest survey of plant and equipment expenditures shows that spending in the current quarter is within 5% of the high rate a year ago. Investment is particularly strong in the public utility and commercial fields.

Inventories Being Reduced

Business inventories are still being reduced. This is in contrast to the substantial accumulation in the second quarter of 1953. It now appears that the rate of liquidation thus far this quarter is somewhat greater than during the previous quarter. The head of a very large national retail distributing organization recently stated that whereas sales of their stocks on hand had gone on for several months at a pace more rapid than they were buying from their suppliers, he forecast that "within approximately 30 days" his firm would very likely be buying at or perhaps greater than the rate at which their sales had been running.

Steel production is scheduled at 70.9% of rated capacity for the week ended June 5. This is about 4% higher than in Mid-April when operations began to improve.

A calm, dispassionate analysis of the various business barometers today would not, perhaps, indicate any crystal-clear, sharp upturn. But, the same calm, dispassionate analysis would seem quite conclusively to indicate that the rate of decline has sharply lessened and that a flattening out process has replaced the steady decline since July, 1953. No one can forecast events, but on balance, there would seem to be strong reasons for feeling that a good, solid bottom is being laid for a renewed rise in business activity. It is perhaps relatively immaterial to try to split hairs as to whether the upturn itself has actually come yet or not. Indeed, considering the different positions occupied by different businesses at any given time in a business cycle, it is impossible to call the turn for all businesses at any one time.

Liquid Holdings of People

(2) The second area of opportunity is to be found in the enormous reservoir of liquid holdings on the part of our people. As of December 31, 1953, the net amount of liquid assets held by American citizens was just under $300 billion. To this enormous figure must be added about $200 billion more to cover personal holdings of what economists call "corporate and other securities." This means a grand total of approximately $500 billion of net liquid assets held by our people. Think of the enormous purchasing power wrapped up in this gold mine. Incidentally, too, you may be interested to know that this staggering total of liquid assets gained approximately $11 billion during the year 1953.

Now while we are talking about this large reservoir of potential purchasing power, let us take a look at certain other figures in the savings realm which are both good and not good. In 1952, the rate of savings of disposable personal income was 7.2%. In 1953, it was 7.3%. Figures for the first quarter of 1954 show that this savings rate jumped to 8.0%. Now this is fine in one respect. It shows that our people are thrifty and are saving. But it is not fine in the sense that it shows that our people are putting their savings away instead of buying the things that you and your sales force could and should be selling to them. Sometimes the question is kicked around among economists as to what is the appropriate rate of saving. It must be remembered, of course, that a satisfactory percentage of savings must be had in order to provide funds for investment in new machinery, new plant, etc. There is probably no way to get at any accurate answer as to what the correct rate of savings should be.

However, in one recent discussion of this sort the suggestion was offered that 5½% might be right. Whether it is or isn't is perhaps not so important as the fact that the rate has jumped from 7.2% in 1952 to 8% in the first quarter of 1954. The significance of this high rate to you who are representatives of the great sales organization of America, is the fact that the purchasing reservoir is enormous and getting more enormous at a more rapid rate every day.

What Eisenhower Policies Are Doing

(3) The third area of opportunity is to be found in the job that the United States Government under the policies and philosophies of the Eisenhower Administration is doing to strengthen the economy. This, I think, is no place to go into a discussion of this sort in detail. Sufficient to say, however, that by sound budgetary policies, enormous tax savings have been made possible for the people of America. The staggering figure of between $7 and $7½ billion will have been made available to the people of the country over the last several months. The Federal Government has been following a policy of maintaining an adequate money supply designed to provide for the needs of a growing economy. The Administration has embarked upon a program of reformation in the tax structure. This is particularly significant and is apart and aside from the matter of reductions alone in taxes. There is an intelligent effort being made to at least commence a recasting of our tax structure so that there may be increased incentives, thus stimulating the expansion of our free-enterprise economy.

The Administration also has recommended and adopted modifications for loan and insurance programs. In many ways where administrative rules and decisions can be adopted and made, the private economy is being assisted. In a word, the Eisenhower Administration is doing a thorough-going job of assisting in the creation of an economic climate designed to stimulate the expansion and benefit-producing nature of our economy.

European Conditions Improved

(4) A fourth area bearing upon the potential opportunities which open up to the alert businessman today relates to conditions in Europe. Do you remember only a few months ago when expressions of anxiety and misgiving were drifting across the ocean indicating that Europe was bordering on panic because of her concern as to what was going to happen to the American economy? Well-informed students who return from Europe now, point out that Europe's economy has been booming ahead at a rapid rate in recent weeks and months. Indeed, one very well informed economist put it this way: "Europe has found that just because the United States economy catches a cold, the European economy does not necessarily catch pneumonia."

(5) An important area relating to the opportunities which are ours, is to be found in the oft repeated statements concerning the growing population of our country and the steadily increasing rate of productivity of our economic machine. There is no denying that both of these factors give solid reason for optimism, particularly on the long-pull basis.

However, may I bring to your attention one aspect of the factors that have to do with increasing productivity which should have your careful and sober consideration. Whether it be to preserve our national security or whether it be to provide a stronger, more productive economy for the welfare of our people, there is no denying the fact that improving technology is one of the very important factors involved. You will be startled I am sure to learn that whereas we had 52,000 graduates from our colleges and universities in the realm of science, research and engineering in 1950, only 19,000 such graduates are coming off the assembly line in 1954. These figures are bad enough. They are much worse, however, when we take a look at the conditions in the field of training scientists and engineers in Russia as compared with our own program.

Actually the numbers of people graduating from our institutions of higher learning in America are not too much greater than those reported to be graduating from institutions of higher learning in Russia. Here, however, is where the rub comes: in Russia, the percentage of those graduating in science, research and engineering is nearly 50% above those graduating in science, research and engineering from our American schools. I would like to pause in this discussion to urge most respectfully that each of you do whatever he can to encourage a larger percentage of the high school graduates of America to enter our universities and colleges in the fields of research, engineering and science. In the waging of the cold war where technology will play such an important part in the final outcome, we must have an increasingly large number of men trained in these fields.

(6) The sixth and final area of opportunity is to be found in the atmosphere of confidence which prevails today. This confidence may be measured in the investment and business world by noting the high level of construction, the high level of plant and new equipment expenditures and the high level of activity on the stock market. Confidence on the part of the consumer is reflected by the high level of consumer expenditures. Each of you can, I am sure, from his own experience note the sharp change of psychological sentiment today as compared with let us say six months ago. Then there was a sense of anxiety; then there was a feeling of concern as unemployment figures were mounting and other business barometers showed steady decline. Test for yourself the change of sentiment of those with whom you come in contact today as compared with the sentiment as expressed by those same people a few months ago. Confidence is a basic factor, and in view of the changed degree of confidence, it is appropriate, therefore, that it be listed as one of the solid planks upon which we may begin to build new records.

"Never So Much for So Many Sales Executives"

Let me close by reminding you that it is really opportunities which you Sales Executives have today, and it is these opportunities which I have really been trying to point out to you today. One does not have to be a Pollyanna nor a rosy-hued optimist to recognize the fact that conditions are ripe, or at least getting ripe, for what will doubtless prove to be the greatest expansion period in the history of the American economy. You, by your alert efforts, can not only benefit for yourselves and those with whom you associate, but you can also do much toward strengthening the American economy for the benefit of all American citizens by seizing hold of those opportunities which exist today.

*An address by Under Secretary Williams before the National Sales Executives, Chicago, Ill., June 4, 1954.

NYSE Golf Tourney To Be Held June 22

Robert C. Picoli, Chairman of the New York Stock Exchange Golf Association, announced that some 350 experts and/or hackers are scheduled to participate in the 55th Annual Tournament of that Association on Tuesday, June 22.

As usual, the annual tournament, and the annual golfers' dinner that same evening, will be held at the Winged Foot Club, Mamaroneck, N. Y.

Among the prizes to be awarded to the lucky or skillful, the most coveted is the Sterling Silver Tray which the Association presents to the competitor turning in low net.

Last year, John Munroe, at Bache & Co., carded a net of 66 to win the tray. Edwin H. Crandell, of Blair S. Williams & Co., had low gross—74.

Harold W. Scott, Chairman of the Board of Governors of the New York Stock Exchange, and Keith Funston, Exchange President, will be guests of honor.

Other features of the all-day tournament include tennis and a golf exhibition by prominent professionals at 5:00 p.m.

To Be Burton, Cluett Co.

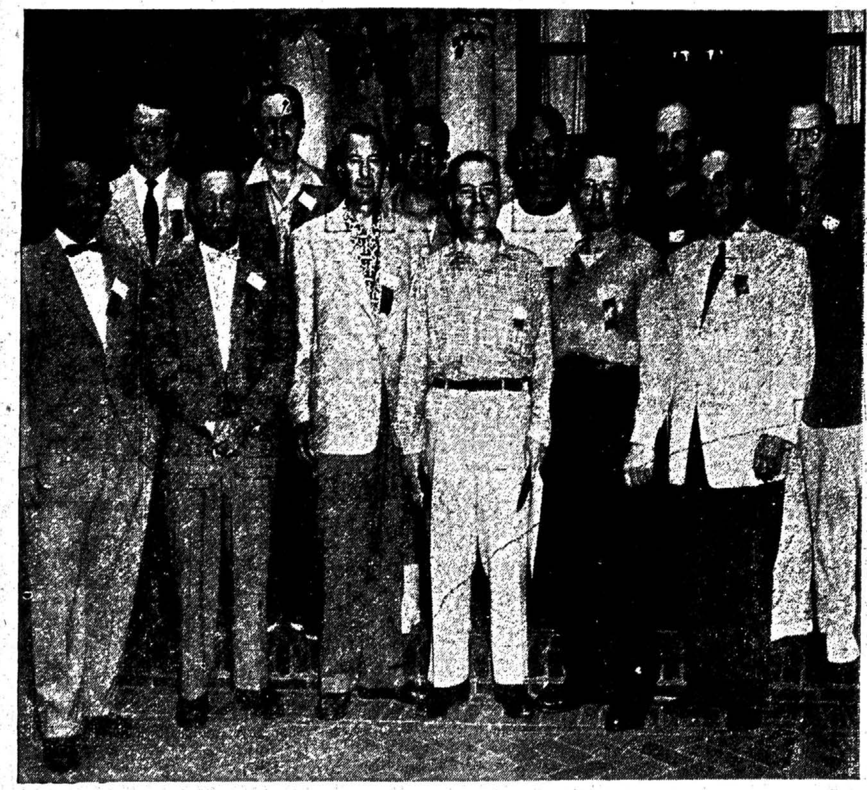
Effective June 30 the firm name of Burton, Cluett & Dana, 120 Broadway, New York City, members of the New York Stock Exchange, will be changed to Burton, Cluett & Co.

New Branch Office

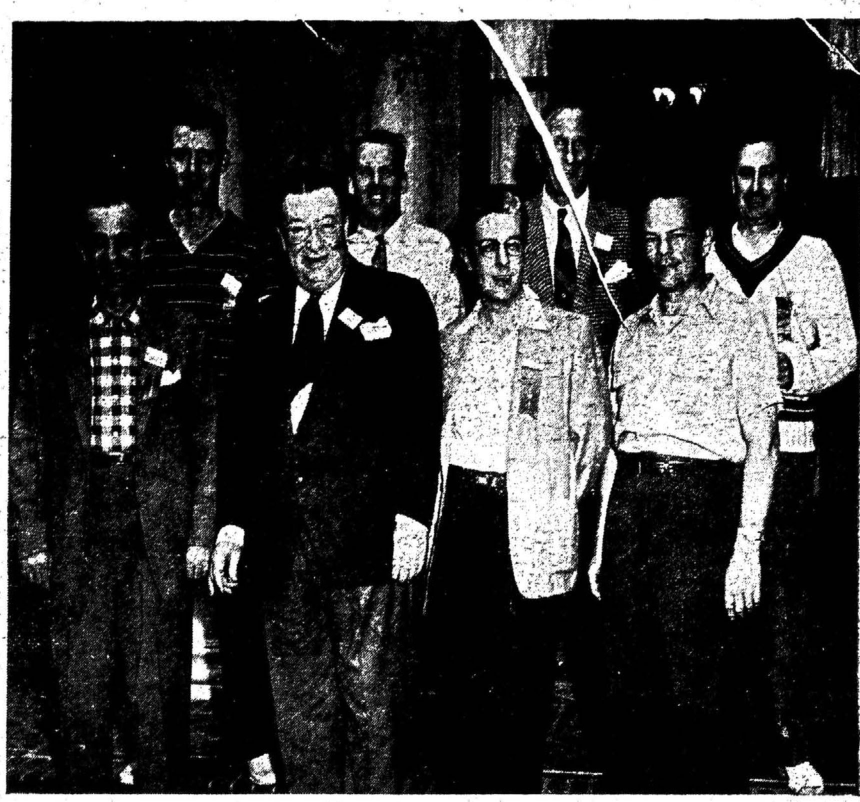
ALEXANDRIA, Va. — Jones, Kreeger & Hewitt, members of the New York Stock Exchange, have opened a branch office at 130 South Washington Street, under the management of Oscar P. Ryder.

Municipal Bond Club of New York

Holds 21st Annual Field Day June 11th



(Front row) Richard N. Rand, *Rand & Co.;* Gil White, *R. D. White & Company,* William T. Hall, *The Bond Buyer;* Albert J. Milloy, *The First Boston Corporation;* Bill McKay, *The Blue List;* William H. Mears, *Chemical Bank & Trust Co.* (Rear row) Robert V. McCarthy, *The First Boston Corporation;* Kenneth J. Sickler, *Chase National Bank of the City of New York;* Charles C. Horton, *Wertheim & Co.;* Harold Young, *Equitable Securities Corporation;* David H. Callaway, Jr., *First of Michigan Corporation;* William F. Dore, *Halsey, Stuart & Co., Inc.*



(Front row) Robert M. Goodwin, *National City Bank of New York;* Jonas C. Andersen, *Kuhn, Loeb & Co.,* newly elected President of the Club; Myles G. Walsh, *Blyth & Co., Inc.;* Field Day Chairman; Donald C. Patterson, *Chemical Bank & Trust Co.* (Rear row) Robert R. Krumm, *W. H. Morton & Co., Incorporated;* James M. Ransom, *Harris Trust & Savings Bank;* George B. Gibbons, Jr., *George B. Gibbons & Company, Inc.;* H. Grady Wells, Jr., *Andrews & Wells, Inc.*

Sports Winners at Municipal Club Outing

The following are the results in the various activities and sports events at the Municipal Bond Club of New York Field Day last Friday:

Bridge Tournament: North-South—James M. Ransom, Harris Trust & Savings Bank and Andrew Dott, J. G. White & Co., Inc.; East-West—Dave Kales, Wood, Gundy & Co., Inc. and Edwin Sunderland, John C. Legg & Company, Baltimore.

Tennis Tournament: 1st—George Barnet, National City Bank and H. Grady Wells, Andrews & Wells; 2nd—Dana Scudder, National City Bank of New York, and Zack Taylor, Chase National Bank; 3rd—Harold Young, Equitable Securities Corporation, and Paul Wolf, Harris Trust & Savings Bank.

Horseshoes: 1st—Wm. Mueller, Halsey, Stuart & Co. and H. Grady Wells, Andrews & Wells; 2nd—W. H. Morton, W. H. Morton & Co., Inc. and George Waldmann, Mercantile Trust Co.

Golf: Sanders Shanks Memorial Trophy—John Fitterer, Kuhn Loeb & Co.; Governors Trophy—Thomas Cafone, W. E. Hutton & Co.

Members Low Gross: 1st—Thomas Cafone, W. E. Hutton & Co.; 2nd—Edward Cobden, Kean, Taylor & Co.; 3rd—George Hamilton, Jr., Dominick & Dominick.

Members Low Net: 1st—John Fitterer, Kuhn, Loeb & Co.; 2nd—Edmund C. Byrne, Byrne & Phelps; 3rd—Howard Finney, Bear, Stearns & Co.

Guests Low Gross: 1st—John Joseph, John E. Joseph & Co., Cincinnati; 2nd—John Allyn, A. C. Allyn & Co., Chicago.

Guests Low Net: 1st—Robert W. Thornburgh, W. C. Thornburgh Co., Cincinnati; 2nd—R. J. Cook, Wm. J. Mericka & Co., Cleveland.

Longest Drive: 264 yards—Gilbert Hattier, White, Hattier & Sanford, New Orleans.

Nearest Pin: 7 ft.—John Ward, Chase National Bank.

Continued from page 6

Chemical Marketing Problems In Defense Market Research

departments. It must be agreed, however, that in this emergency it was vitally necessary to fulfill basic military requirements.

It was a political decision to fight a butter-and-guns battle, superimposing full civilian requirements on top of partial military or mobilization requirements. This basic decision could not help but dislocate some chemical market balances, resulting in present day over expansion in certain capacities. A few examples are in order. The total capacity in the United States on Jan. 1, 1951, for toluene was 83,000,000 gallons. The goal established for 1955 was 185,000,000 gallons. The February, 1954, production level was 120,000,000 gallons annually. The capacity for benzene manufacture on Jan. 1, 1951, was 215,000,000 gallons. The goal established for 1955 was 375,000,000 gallons. The February production level was 235,000,000 gallons annually. Currently, as is well known to some of you, there are definite marketing problems for these two organic chemicals, even in advance of the attainment of production goals. Fortunately, the majority of expansion took place in the petrochemical industry. These chemicals can, if necessary, be diverted to other products within the refinery. The styrene capacity in 1951 was 626,000,000 pounds. February operating level on an annual rate basis was 472,000,000 pounds. The goal established for January, 1955, was 1.21 billion pounds. These particular marketing problems stem from decreased production of TNT and synthetic rubber.

Grouping the goals for inorganic solids and liquids, the capacity in January, 1951, was 26,433 short tons per year with a goal established for 1955 of 34,812 short tons per year.

I would like to treat one of these goals specifically to indicate to you some of the problems encountered during the expansion period. I do not believe that any chemical has caused as much political furor and inter-industry concern since Korea as has nitrogen. I would estimate half the Congressmen on Capitol Hill now know the chemical formula for urea. This is also probably true of the majority of Cabinet officers.

It is a well known fact that the largest consumer of nitrogen in the United States is the agricultural industry. Despite the President's assurance, because of the atomic and hydrogen bombs, that any future war would be a short one, the Department of Agriculture refused to look at the soil as the Department of Interior looks at petroleum. They did not and do not feel the soil to be an expendable natural resource to be even temporarily depleted in times of emergency. Ideally, they are correct. Amidst the myriad of arguments which have taken place among NPA, DPA, BDSA, and ODM, the Department of Agriculture was adamant that fertilizer requirements are a true military requirement. Actually, the total direct munitions requirements of nitrogen are comparatively insignificant when considered with the total needs of farms and industries.

Under the next-to-last expansion goal, when military and industrial requirements were computed for total mobilization, agriculture still had more than two times as much nitrogen available as at the peak of World War II.

Despite this, USDA insisted upon a re-expansion, increasing agriculture's requirements to that of "total mobilization," which required a 10% increase in supply. At this time there were several certificates of necessity which had been denied, one of which was for a Rocky Mountain State. There were numerous calls similar to those reported by Secretary Stevens. I can assure you that some former representatives in government understand what pressures can develop.

It was the Chemical & Rubber Division's opinion that, since sufficient nitrogen capacity existed in the country to maintain an all-out war and at the same time to more than meet a Spartan type of existence, further expansion should be industry sponsored. It was, and is, their feeling that any further government sponsored expansion was intercession in a normal growth pattern. As is obvious, they lost, and additional certificates of necessity for nitrogen expansion will be issued shortly, one of them probably in a Rocky Mountain State.

Production of ammonia in 1951 was 1,774,000 tons. The new goal is 3,500,000 tons.

Another specific example of problems that have arisen because of goals is the chlorine industry. Chlorine capacity in the country as of January 1, 1951, was 2,180,000 tons. A goal of 3,420,000 tons was established for 1955; present operating level is an annual rate of 2,700,000 tons. A large share of this production was instituted as a direct result of military requirements. One of the plants constructed was at Muscle Shoals, Ala. This plant, to my knowledge, has never operated at 100% of capacity and recently has been shut down. The price of chlorine, I am sure, has not been rising in the past 18 months. But the Army is insistent that this plant be sold or leased and be operated to enable chlorine availability at a nearby classified plant. Despite the Chlorine Industry Advisory Committee's assurance that sufficient capacity presently existed to insure the Army's complete demands, and despite the industry's assurance that, in event of emergency, top priorities for this installation would enable full capacity operation, bids for the plant were invited. I am not sure of the present marketing position of the chlorine producers in Alabama, Tennessee, Arkansas, and Virginia, but I am hopeful their sales problems will not multiply as a result of the entry of this new production.

Another example are chromium chemicals. During 1951, annual production was 127,600 tons. Because of this and anticipated military requirements, a goal was set for 1955 of 150,000 tons. Using February as an index again, the present annual production rate is 87,000 tons.

The Problem of Avoiding Overexpansion

An item of underexpansion may be of interest. The Chemical & Rubber Division of NPA recognized that the nylon type of materials were vitally necessary to the defense effort. Elaborate supply-requirement studies were made, which indicated needed capacities exceeding those of plants under construction or existing. One factor the Chemical & Rubber Division had failed to recognize, however, was that nylon skirts are a direct competitor to cotton skirts. Some of the representatives of our southern states quickly picked this fact up and assumed that the capacity remaining after the Korean crisis would be available for skirt manufacture. Only expansion for direct military use was thereafter approved.

It is my opinion the benefits and evils of the expansion goal program of the Korean crisis will not be fully realized until all of the tax-amortized facilities have come into being. The marketing problems of some of these 60 goal-chemicals will be considerable. Some plants will not be operating at an efficient and low cost production rate. The net result of it may possibly be some diversion of facilities. This dislocation will, I am sure, be only temporary since on its average growth curve the chemical industry will catch up to this excess capacity in two to five years. Some of the 60 chemicals, of course, will not be affected by decreased military consumption. Those that are will definitely require imaginative selling and firm, thorough market research.

The basic cause of this necessary evil was national survival, and politics. Both are hard, real facts. In the goals, military requirements for Korea had been forecast up to 1955. On this basis, new plants were built and are building. The military requirements have substantially diminished.

This means in certain lines we have excess capacity. The answer to this is imagination and aggressive selling.

The picture is not quite as bleak as it sounds. The styrene industry faced the same problem when the rubber plants were shut down after World War II. Styrene began to appear in fishing tackle boxes and Christmas tree ornaments. The net result was a shortage and talk of increasing capacity. It's been done before and can be done again.

N. Y. Munic. Bond Club Elects Officers

Jonas C. Andersen, Kuhn, Loeb & Co., was elected President of the Municipal Bond Club of New York, succeeding Thomas F. Adams, Adams, McEntee & Co., Inc. Donald C. Patterson, The Chemical Bank and Trust Company, was elected Vice-President; J. Dalton Couig, Hirsch & Co., Secretary; and Joseph H. Vandernoot, Treasurer.

Jonas C. Andersen

Geer With Laird & Co.

Laird & Company, members of the New York Stock Exchange, announce that Ralph W. H. Geer has become associated with the firm as Manager of the Research Department, in the New York office, 61 Broadway.

Halsey, Stuart Group Offer Central Illinois Public Service Bonds

Halsey, Stuart & Co. Inc. on June 15 was the successful bidder for $5,000,000 Central Illinois Public Service Co., first mortgage bonds, series F, 3¼%, due June 1, 1984, naming a price of 101.65%. The bonds are being offered publicly at 102.25% and accrued interest.

Proceeds from the sale of the bonds will be used to finance a part of the cost of the Company's 1954 construction program.

The new bonds will be redeemable at prices ranging from 105.25% to 100%; for debt retirement purposes only they may be redeemed, beginning June 1, 1958, at prices ranging from 102.13% to 100%.

Central Illinois Public Service Co., is engaged principally in furnishing electricity in 61 counties in the central and southern parts of Illinois; it also furnishes gas in 12 of these counties. For the year 1953, about 91% of its total operating revenues was derived from the sale of electricity and about 9% from the sale of gas. Among the larger cities in the Company's service area are Quincy, Mattoon, Canton and West Frankfort.

Joins Edwin D. Berl

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Edward A. Loughrey is now with Edwin D. Berl & Sons, 333 Montgomery Street, members of the San Francisco Stock Exchange.

Davidson Forms New S. F. Exchange Firm

SAN FRANCISCO, Calif.—Dissolution of the firm of Bailey & Davidson as of May 28 and the formation of Davidson & Co. has been announced by H. Dodge Davidson, general partner of the new firm. Limited partners are John H. Wilsey and Alfred S. Wilsey of the Wilsey Bennett Co., wholesale dairy produce merchants.

The firm, member of the San Francisco Stock Exchange, with offices in Modesto, Fresno and Visalia, will do a general investment and brokerage business, including municipals and corporate underwriting and private placements.

Resident managers of the firm's valley offices will be Harvey H. Shields, Jr., Fresno; William L. Warner, Modesto, and Glen H. Nielsen, Visalia. All are former members of the Bailey & Davidson staff.

With Sutro & Co.

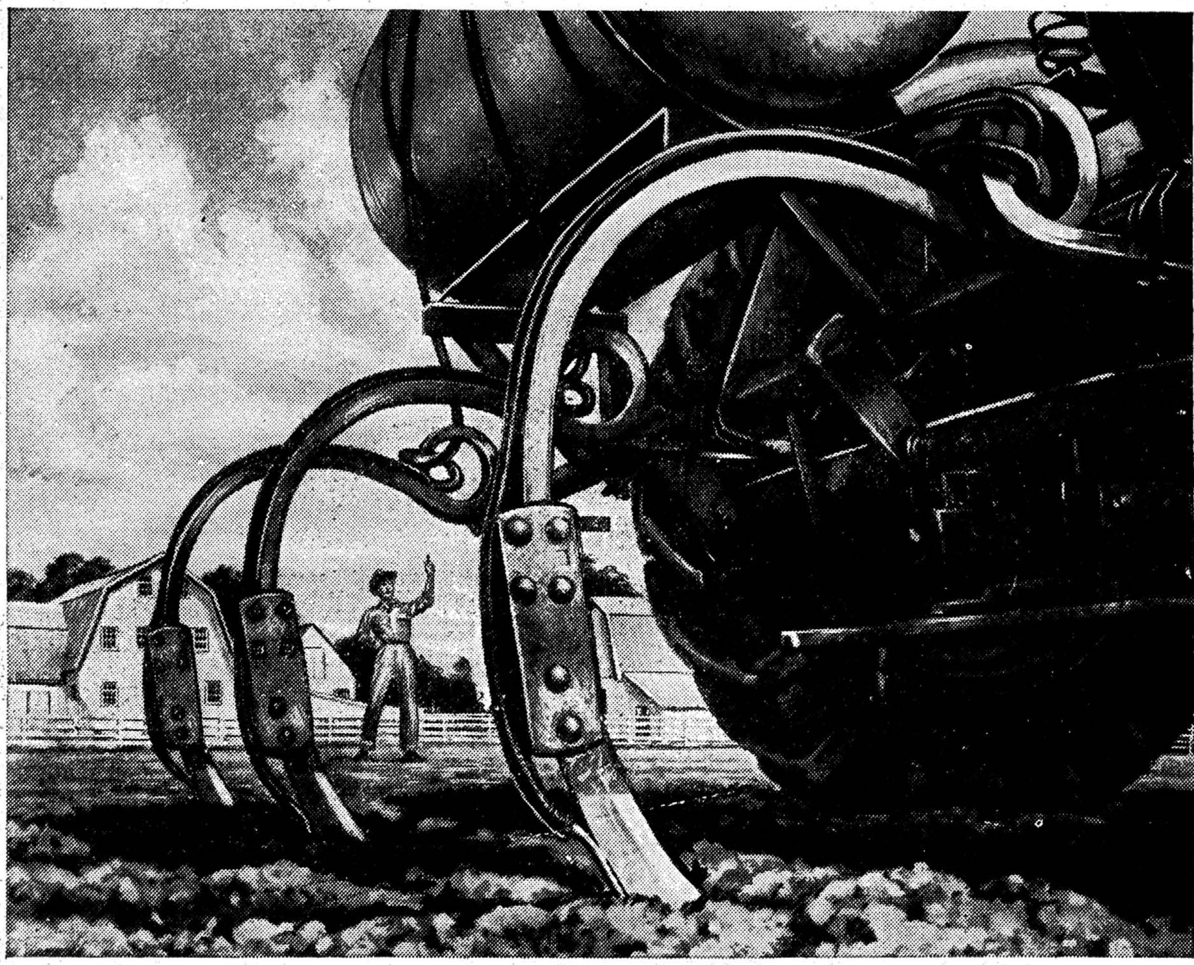
(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Foo Lee is now with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With Cosgrove, Miller

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla. — Adrian G. Wynkoop is now connected with Cosgrove, Miller & Whitehead.



NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

DeWitt A. Forward, Senior Vice-President of **The National City Bank of New York,** was awarded an honorary Doctor of Laws degree by his alma mater, Colgate University, on June 14. One of eight so honored, Mr. Forward is President of Colgate University's Board of Trustees.

Mr. Forward joined National City in 1916, the year he graduated from Colgate. World War I, he served as a Second Lieutenant in the aviation section of the Army Signal Corps. He returned to the bank after the war, and in 1920 became an Assistant Cashier. He became an Assistant Vice-President in 1923, Vice-Persident in 1927, and Senior Vice-President in 1945.

In addition to being President of Colgate't Board of Trustees, Mr. Forward is a trustee of the **Dime Savings Bank of Brooklyn, New York;** Director of The National City Safe Deposit Company, The National City Foundation, Allis-Chalmers Manufacturing Company, International Banking Corporation, and Boeing Airplane Company; a member of the Association of Reserve City Bankers, the American Institute of Banking and the Academy of Political Science.

Mr. Forward is a member of the Committee on Correspondent Bank Relations of The Association of Reserve City Bankers and has served as Chairman of the Association's Committee on Bank Credit Policies. In 1947-48 he was a member of the Credit Policy Commission of the American Bankers Association.

Mr. Forward is a member of Delta Kappa Epsilon and Phi Beta Kappa.

* * *

New York's newest banking office at 34th Street and Fifth Ave. was opened on June 16, N. Baxter Jackson, Chairman of **Chemical Bank & Trust Company, New York** announced.

Opposite the Empire State Building on the southeast corner of 34th Street and Fifth Avenue, Chemical's new office has been especially designed "to accommodate the financial needs of one of New York's most rapidly growing business communities," Mr. Jackson says.

The new Bank features a revolutionary 30,000-lb. vault door, first installation of its kind and size in the world. The units is bigger and stronger than the vault door which withstood the atomic bomb blast at Hiroshima.

Managing officers of the new office are: Vice-Presidents, F. Stafford Cleary and John J. Cunliffe; Assistant Vice-President, William J. Jantzen; Assistant Secretary, Stanley T. Davison, and Assistant Managers, Leslie J. Christensen, John W. Marx, Herbert H. Turnier and Walter J. Vreeland, Jr.

Members of the advisory board, previously identified with Chemica's office at 29th Street and Fifth Avenue, which was transferred to the new location, are: Albert E. Winger (Chairman), George E. Allen, Charles E. Baldwin, Jr., Ralph Dudley, Kenneth W. Fraser, Kerwin H. Fulton, Gale F. Johnston, David H. Marx, William A. Murray, William H. Pouch, Vincent C. Ross, Eugene A. Schmidt, Jr., and Robert D. Williams, Jr.

Founded in 1824, Chemical is one of New York's oldest banking institutions. Its assets approximate $2 billion. It maintains 19 offices in Greater New York and has correspondent banks throughout America and in more than 5,000 communities abroad.

* * *

Appointment of Walter R. Graham as an Assistant Vice-President of **Manufacturers Trust Company, New York** was announced on June 11, by Horace C. Flanigan, President.

Mr. Graham came to Manufacturers Trust in May, 1946 and was appointed an Assistant Secretary in the Real Estate and Mortgage Department.

* * *

Trustees of **The Hanover Bank, New York** on June 15 elected Edward M. Henry a Vice-President. Mr. Henry, who started with the Bank in 1930 has been with the Southern division, supervising the Bank's business in Alabama, Florida, Georgia and South Carolina.

* * *

Mr. August Ihlefeld, President of **Savings Banks Trust Company, New York,** announced the appointment of Mr. John J. Duggan, Jr. and Mr. Philip O. Roberts as Assistant Vice-Presidents.

Mr. Duggan has been with Savings Banks Trust Company since 1943 specializing in public utility investments.

Mr. Roberts became associated with Savings Banks Trust Company in 1944 as a specialist in industrial securities. Prior to that time he was with **Hanover Bank, New York.**

* * *

Fifty years of experience as a savings banker was celebrated June 15, 1954 by Adam Schneider, Jr., President of the **Roosevelt Savings Bank, Brooklyn, New York.**

Mr. Schneider started his banking career June 15, 1904 as a clerk with the Roosevelt at that time known as the **Eastern District Savings Bank.** He advanced through all departments of the Bank and on June 5, 1919 received his first official title, Assistant Cashier. At that time he was one of the youngest bank officers in New York State, being only 28 years of age. He was elected Comptroller on Jan. 3, 1924. This was followed by Trustee in 1928. First Vice-President and Comptroller in 1937 and President, July 3, 1941.

The trustees, officers and staff of the Roosevelt Savings Bank honor Mr. Schneider with a testimonial dinner, June 17.

* * *

The Northville Bank, Northville, New York, was absorbed by **The Fulton County National Bank and Trust Company, Gloversville, New York,** effective June 1. A branch was established in the former location of The Northville Bank.

* * *

Stockholders of the **Hartford-Connecticut Trust Company, Hartford, Conn.** and of the **Phoenix State Bank and Trust Company, Hartford, Conn.,** have approved a merger, subject to the approval of state and Federal authorities.

Lester D. Shippee, President of Hartford-Connecticut Trust, and Raymond C. Ball, President of the Phoenix State Bank, announced on June 15 that the merged institution would function as the **Connecticut Bank and Trust Company** as of July 1.

The consolidated bank will serve greater Hartford and central and Eastern Connecticut through 21 offices. Capital funds will exceed $22,500,000; commercial resources, $300,000,000, and trust assets, $400,000,000.

The National Bank of Norwalk, Connecticut has increased its common capital stock effective June 3 from $240,000 to $504,000, $96,000 of this increase was made by a stock dividend and $168,000 by sale of new stock.

* * *

The Half Dime Savings Bank of Orange, N. J., announced the election of Walter M. D. Kern as Treasurer of the Bank, effective July 1.

* * *

William E. Blewett, Jr., was elected a Director of the **Central National Bank, Richmond, Va.** on June 9.

The announcement was made by W. Harry Schwarzschild, Jr., President of the Bank, after the board of directors named Mr. Blewett at a noon meeting.

Mr. Blewett succeeds Karl Robbins, who was forced to resign because of the pressure of his own business.

* * *

The Guaranty National Bank of Huntington, Huntington, West Virginia was issued a charter to take effect June 1 by the office of the Comptroller of the Currency. The Bank has a capital of $400,000 and a surplus of $539,312.76. The President is D. S. Diddle and the Cashier, B. P. Rinehart. This is a conversion of the **Guaranty Bank and Trust Company, Huntington, West Virginia.**

* * *

The National Bank of Cambridge, Ohio has changed its title effective June 1 to the **First National Bank of Cambridge, Cambridge, Ohio.**

* * *

The **Michigan Avenue National Bank of Chicago, Illinois** has increased its common capital stock from $600,000 to $700,000 by sale of new stock effective June 3.

* * *

The National Bank of Jamestown, Jamestown, North Dakota, has changed its title to the **Jamestown National Bank, Jamestown, North Dakota,** effective June 1.

* * *

Mercantile National Bank, Dallas, Texas stockholders will vote June 30, for a two-for-one stock split and a 10% stock dividend to bring outstanding capital shares to 825,000.

* * *

The First National Bank of Mountain View, California with a common capital stock of $250,000 went into voluntary liquidation and was absorbed by the **Central Bank, Oakland, California,** effective May 14.

* * *

Appointment of Roland Pierotti to the position of Assistant to the President of the **Bank of America, San Francisco, Calif.** was announced by President S. Clark Beise.

Mr. Pierotti's appointment fills the vacancy caused by last month's retirement of R. P. A. Everard. Mr. Pierotti transfers to San Francisco from Washington, D. C., where he served as Vice-President and Washington representative for the Bank.

Mr. Pierotti began his apprenticeship in banking in 1923 with the Bank of America National Association in New York.

He became Bank of America's Washington representative in 1947, with rank of Assistant Vice-President. He was advanced to a Vice-Presidency two years later.

* * *

William Watson, formerly Comptroller, was elected Vice-President and Comptroller of **Union Bank & Trust Co. of Los Angeles, California;** Arthur R Horne was advanced from Assistant Cashier to Assistant Vice-President; and Harvey R. Walk was elected an Assistant Cashier by the directors at their June meeting, according to Ben R. Meyer, Chairman of the Board and President.

Mr. Watson served for 10 years with the **Canadian Bank of Commerce** in Victoria and Vancouver, British Columbia, before coming to Los Angeles and entering the employ of Union Bank & Trust Co. as Assistant Auditor in April, 1922. In October of that same year he was elected Auditor and in 1943, Comptroller.

Mr. Watson is a charter member and past President of the California Association of Bank Auditors and Comptrollers, which he helped to organize in 1923, and which later expanded into the National Association of Bank Auditors and Comptrollers. Currently, he is a member of its Southern California Conference, as well as a member of the Union Bank 25-Year Club.

Mr. Horne has been with the Bank since 1939, having served assignments in the collection department; with the note department from 1944 to 1950, the last three years as Manager; and in the operations department since 1950, when he was elected Assistant Cashier.

Mr. Walk started with the Bank as a messenger in 1938, later working in the bookkeeping department, of which he was made manager in 1946, the analysis, credit and bookkeeping-and-proof operations departments. He was named Manager of the latter in January of this year.

* * *

Five new Assistant Cashiers were announced at the **United States National Bank of Portland, Oregon,** following the May meeting of the bank's board of directors.

They are Alton P. Chase, Leonard L. Gibson, John O. Littlehales, Jr., Carl W. Mays, Jr., and William C. Meagher. The appointments become effective at once, according to E. C. Sammons, U. S. National President. All of the men are at the bank's head office.

Mr. Gibson, Mr. Littlehales and Mr. Meagher are in the credit department. Mr. Chase is at present in the note section and Mr. Mays is in the personnel department.

Continued from page 2

The Security I Like Best

of the company continues to be turbines, a large measure of diversification has been achieved over the years through the entrance by Smith into the manufacture of other water-handling equipment, including various types of valves, intake and crest gates, trash racks and rakes, and adjustable and fixed vane axial flow pumps. As an outgrowth of its turbine business, the company makes controllable pitch marine propellers for the Navy and the U. S. Maritime Commission. In addition to the foregoing, Smith engages from time to time in the construction of special machinery. The most recent such contract consisted of the design and production of two axial flow air compressors for the National Advisory Committee on Aeronautics. These compressors, one of 100,000 horsepower and the other of 150,000 horsepower, are believed to be among the largest ever produced.

For 1953, the company's product sales mix is estimated to have been:

Turbines	50%
Valves and Other Water-handling Equipment	35
Navy Propellers	12
Other	3
Total	100%

From the standpoint of sales to domestic end users, Smith's principal customers, listed in order of their importance, are the U. S. Government, industrial concerns, public utilities, and municipalities. About 85% of the company's sales last year were in this country, with the balance going to foreign customers.

The outlook for Smith's normal business seems favorable, because of its close relation to the demand for hydroelectric power. The latter has continued to expand, despite an estimated 413% increase in installed domestic capacity since 1920. In this connection, it is interesting to note that projects now under construction in the United States will add approximately 1,850,000 horsepower annually to the national total during the next three years. In terms of currently installed waterpower capacity of an estimated 31 million horsepower, this represents an increase of approximately 18%. This is exclusive, of course, of any new projects (such as the recently approved St. Lawrence Seaway) which might materialize during the period. It seems reasonable to expect that the company, with its preeminent industry position, will continue to obtain a significant share of any new orders.

S. Morgan Smith's postwar operating record has been one of consistent growth. Sales have expanded without interruption since 1946, when billings amounted to $5.3 million; the 1953 figure of nearly $21.5 million represented an increase of about 304% over 1946. During the same period, taxable profits grew from $404,000 to more than $3.2 million, an improvement of approximately 700%, or more than twice as much as that of sales. This is evidence of the marked progress which the company has made in improving its operations since the end of World War II. While Smith's pre-tax profit margins during 1952 and 1953 showed some decline from those of the two previous years, this was due mainly to congestion of the company's productive facilities rather than to competitive influences.

Based on the common capitalizations at the end of the respective years, earnings per share increased from 96 cents in 1946 to an all-time high of $3.24 last year. This growth in earnings has approximated 238%. Adjusting all earnings to the present common share capitalization, however, the increase since 1946 has been about 350%, a figure well in excess of the growth in sales. This has occurred despite the incidence of the excess profits tax, plus provisions for renegotiation which penalized earnings to the extent of 37 cents, 82 cents, and 81 cents per share, respectively, during 1951, 1952 and 1953.

The outlook for the current year appears bright for a number of reasons. As mentioned above, the company suffered during the last two years from inadequate and badly arranged facilities. This situation was corrected about midway through 1953, when a large new plant, erected at a cost of approximately $3 million, commenced operation. The new plant represents the largest single expenditure in the history of the company, and increases Smith's productive capacity by an estimated 25%. In addition, it allows greater flexibility of manufacturing, with a resulting increase in efficiency. It is believed, in fact, that based upon existing orders, the company will be able as a result to earn in the vicinity of 20% before taxes on its 1954 billings. This figure would approximate the postwar high pretax profit margin of 19.7%, which was registered in 1950.

At March 31, 1954, Smith's backlog amounted to $26 million, compared to $39 million at the close of 1952. Despite a reduction of more than 30%, the current figure is somewhat higher than normal, and it is anticipated that it will be further reduced during the year.

The company's first quarter results showed little change from the comparable period of 1953. Billings during the period amounted to about $5 million, slightly more than the $4.9 million registered during the initial three months of last year, while taxable profits are believed to have approximated $1 million in both periods. The year-to-year net income comparison, however, was markedly favorable to the more recent quarter, due to the fact that S. Morgan Smith paid a substantial excess profits tax in the earlier period. First quarter earnings were $471,000, or $1.19 per share, compared to $306,000, or 77 cents per share, reported in the corresponding period of last year.

While an estimate of total 1954 billings must of necessity be somewhat vague, it is expected that production against existing contracts will continue at or near the first quarter rate during the balance of the year. This presupposes that no work will be done during 1954 on any new orders of a major nature. New short cycle business, such as small valves, will represent a modest proportion of the anticipated gross. Projecting a profit margin of 18-20% before taxes Smith should be able to bring down taxable profits of $3.3-$4.0 million. After income taxes at 52%, net earnings for the year are therefore estimated at a record $4.00-$4.80 per share, an increase of between 20% and 50% over the $3.24 attained in 1953.

The company's dividend policy during recent years has been to disburse conservative sums to stockholders on a regular quarterly basis, augmented by year-end extras when conditions have warranted. During 1953, regular payments of 25 cents quarterly were made, and an extra amounting to 25 cents per share was paid in January, 1954, based upon 1953 results.

At Dec. 31, 1953, S. Morgan Smith's financial structure was relatively simple, with $3 355,000 of long-term debt comprising the entire senior capital. Of 395,240 common shares outstanding at that date, at least 70% are believed to be owned by descendants of S. Morgan Smith, the managment and their families. In this connection, it is of interest to note that prior to the public sale of 100,000 shares for corporate account in June, 1952, the ownership of S. Morgan Smith was entirely private. In effect, the offering provided the existing owners with a ready market for part or all of their holdings. Despite this, however, none of the original owners have liquidated any of their holdings in the 23-month period which has elapsed since the offering. This may be stated definitely, because any additional stock to be put up for public distribution would have had to have been registered, and none has so been.

The company's current position at the latest year-end appeared fully adequate for the operating needs of the business. Current assets amounted to $9.9 million and included cash items of nearly $1.8 million. Current liabilities approximated $4 million, leaving net working capital of about $5.9 million.

Smith's cash requirements during 1954 will presumably be lower than in either of the last two years, due to the completion of the above mentioned plant. Although the sinking fund on the company's long-term notes amounts to $245,000 per year, this will be offset by annual accelerated amortization on the new facility of an estimated $300,000-$350,000.

Currently selling around 25 in the Over-The-Counter Market, the common shares of S. Morgan Smith are being valued in the market at 7.7 times 1953 earnings of $3.24 per share, and at 5.2-6.2 times estimated 1954 share earnings of $4.00-$4.80. The yield on last year's dividend disbursement (including the extra paid in January, 1954) is approximately 5%. Although the stock is at the peak of its 1952-1954 range of 14¼-26, it still appears to be an outstanding vehicle for further participation in the long-term growth of the hydroelectric power industry. By the same token, the shares are believed to possess greater than average stability due to the depression resistant nature of the business.

Chicago Municipal Club Annual Outing

CHICAGO, Ill.—At a meeting of the Board of Directors of the Municipal Bond Club of Chicago the Board selected Sept. 10 as the date for the 1954 annual outing.

As in recent previous years, this party will be held at the Knollwood Country Club in Lake Forest, Illinois.

This affair, which is one of the highlights of the Chicago Municipal Bond Club's annual activities, is an invitational outing and includes golf, games and other entertainment.

Elmer G. Hassman, A. G. Becker & Co., Incorporated, President of the Club, stated that every effort will be made to provide "more fun, more food and more festivities than ever before."

It is presently expected that invitations to members and guests will be sent out during the month of August.

New York Stock Exchange Weekly Firm Changes

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

Hugh D. Auchincloss, limited partner in Auchincloss, Parker & Redpath, effective June 17 becomes a general partner.

Transfer of the Exchange membership of the late Thatcher M. Brown to Thomas McCande will be considered by the Exchange June 24.

Edward G. Webb Co. Opens in Lynchburg

LYNCHBURG, Va.—Edward G. Webb and Dabney C. Jackson announce formation of Edward G. Webb & Co., to deal in tax-exempt bonds. The firm's offices will be in the Peoples National Bank Building.

Formation of the new firm was previously reported in the "Chronicle" of June 10.

Hutchins-Parkinson Admit

BOSTON, MASS. — Hutchins & Parkinson, 27 State Street, members of the New York and Boston Stock Exchanges, on July 1 will admit Louis O. Hilton to limited partnership in the firm.

Continued from page 9

The Responsibilities of Banking Leadership Today

quirement—a carefully considered plan for employee training and for the development of successor management. The growth and success of a bank rest squarely upon its officers and employees. It is well for management to ask itself candidly such questions as the following: Exactly what are we doing to train our people to render intelligent service to every customer? What program have we for employees and officers to progress within the bank to higher responsibilities? Are we developing successor management in our banks? Are the working conditions and the remuneration adequate to attract able young men and women? Do we encourage or discourage employees who have imagination and ideas? Are trained young people, who ought to find banking attractive, leaving our communities to find employment elsewhere? In the years ahead, more than ever before, these problems will occupy a position of transcendent importance in banking.

We may say, then, that the first major responsibility of bank leadership is strong internal management.

Understanding the Federal Reserve System

The second responsibility is to understand the operation of the entire banking system which combines the 15,000 individual banks. This necessarily requires an understanding of the Federal Reserve System, the money markets, and government fiscal policy. This is no casual or incidental responsibility. Without competency in this field, no banker can discharge the full responsibilities of his leadership.

Only a few years ago, such terms as money supply and open market operations were relatively unknown. Today they are a part of the language of banking. Yet, how many bankers could explain the full meaning of the term, money supply? How is the money supply increased and decreased? Where does the money come from, and where does it go? What happens to the money supply if the Treasury buys gold? What takes place when banks increase their holdings of United States Government securities? What takes place when the 15,000 banks have a decrease in commercial loans? What happens when the Federal Reserve Banks buy securities from nonbank investors? What takes place when we have direct purchases by the banks of United States Government securities to finance a deficit of the Treasury? What effect does an increase in currency in circulation have on bank reserves? What are the factors which affect the money supply and reserve balances? Exactly how do they operate? These are banking and monetary questions, and they are the business of bankers.

What are the instruments of control the Federal Reserve System has available to tighten and ease money markets and money rates? We use freely such terms as bank reserves, rediscount rate, and open market operations. Specifically, what is the purpose of bank reserves? Is the primary purpose of bank reserves to protect depositors, or is it to serve as an instrument of general credit control? What are the advantages and disadvantages of bank reserves as an instrument of general credit control? What are the weak and the strong points of the present geographical basis for determining member bank reserves?

There are bankers who believe that reserve requirements generally are on a level which is far too high. They also feel that it may not be good policy over a long period for the Federal Reserve System to hold an amount of government obligations as large as is now held in the System's portfolio. These bankers believe that it might be desirable gradually, over a period of time, to reduce reserve requirements and then to offer holdings from the System's portfolio for investment by the banks. Without attempting to analyze the advantages and disadvantages of these proposals, it is apparent that they deal with a fundamental aspect of the operations of the banking system. Consequently, it is important that each of us consider these matters carefully and be thoroughly informed regarding them.

One may ask similar questions of open market operations and the rediscount rate. How are open market operations conducted? To what extent are open market operations an effective and desirable instrument of credit control? What are the weak and the strong points of this instrument? How effective are changes in the rediscount rate? What are the advantages and disadvantages of selective credit controls such as we had under Regulation W?

Then there are all the questions of fiscal policy which are so vitally related to banking. How do Treasury operations affect the banking system? In a business decline, what effect might the Federal budget have upon banks? What effect would a Federal surplus have upon banks? Is the influence of the Federal Reserve System limited in the government bond markets?

If it is not the responsibility of the banker to be informed on these matters, whose responsibility is it? Too frequently we have been guilty of the sin of ignorance.

Understanding World Banking and Financial Problems

Finally, there is a third major responsibility. To meet fully the requirements of his leadership, the banker must have an intelligent understanding of world banking and financial problems. Here his responsibility for being well informed assumes great proportions.

At the minimum, the banker ought to have an intelligent understanding of the monetary, fiscal, and economic problems of such nations as Canada, Great Britain, France, Germany, Italy, and Japan. Despite the political uncertainties and the confused economics of the world, we cannot withdraw from it; nor can we sever the ties of trade and finance which bind us to the world. Our responsibility is to understand these problems and their impact upon our banks and our economy.

What are the fundamental differences between the banking systems of the major foreign nations and the banking system of the United States? What are the relationships between the central banks of the principal foreign countries and their treasuries? Which nations, if any, have their internal finances in sound condition? Which ones have balanced budgets? What fundamental differences are there between some foreign budgets and the American budget relative to capital expenditures? What is meant by convertibility? Complete convertibility? What particular problems must a nation analyze to determine whether its currency can safely be made convertible?

Among the problems of world finance and banking, there is also the question of the place of gold in international affairs. What is a free gold standard? A modified gold bullion standard? What are the effects upon the Federal Reserve Banks and member banks of the System of the shipments of gold between the United States and other nations? What changes, if any, should be made in policies governing American trade with other nations?

Summary

Here then are the broad outlines of the major responsibilities of the banker. They are responsibilities of heroic dimensions.

There is:

(1) The responsibility for competent internal management.

(2) The responsibility for a thorough understanding of the entire banking system with its 15,000 banks, including the Federal Reserve System and the Treasury, all as interrelated parts of the financial structure.

(3) The responsibility for a fundamental knowledge of world monetary, fiscal, and economic problems.

You may say that this is the counsel of perfection. And so it is. A greatly enlarged and dynamic American economy, closely interwoven with the economies of the entire world, demands the highest standards of bank leadership.

Geo. D. B. Bonbright Co. To Admit New Partner

ROCHESTER, N. Y. — George D. B. Bonbright & Co., Powers Building, members of the New York Stock Exchange, on July 1 will admit John H. Kitchen, Jr. to partnership as of July 1.

J. Frederick Brown

J. Frederick Brown, partner in Boettcher & Company, Denver, Colorado, passed away on June 8.

LETTER TO EDITOR:

Peterson Does Not Advocate Repeal of 16th Amendment

Calls attention to misstatement in preface to his article in "Chronicle" of June 10. Says he does not conclude "16th Amendment must be repealed and Federal income taxes abolished," but the proposal, advanced by others, "merits examination. Says solution to Federal income tax abuse is essential.

Editor, The Commercial & Financial Chronicle:

Will you kindly correct a misstatement of fact inadvertently made by your editorial staff in the issue of June 10, 1954? In a preface to my article, "Tax Revision Revisited: The 16th Amendment," the statement was made that I had concluded that the "16th Amendment must be repealed, and Federal income taxes abolished." This was not my conclusion but that of Frank Chodorov, author of "The Income Tax: Root of All Evil," and Governor J. Bracken Lee of Utah. What I said was that their case "merits examination."

Dr. W. H. Peterson

I had suggested that the problem of Federal income tax abuse may also be solved by removing the progressive aspect of Federal taxation leaving a proportional tax structure.

Along these lines, Senator Everett M. Dirksen and Representative Chauncey W. Reed, both Republicans of Illinois, have proposed a Constitutional amendment to set a general ceiling of 25% on individual and corporation income tax rates with provisions for a rise of 15 percentage points on a one-year basis and a three-fourths majority vote of the House and Senate.

Testifying for the American Bar Association before a Senate Judiciary subcommittee a few weeks ago, an ABA official said that the Reed-Dirksen amendment would "provide needed assurance, which statutory law cannot provide against recurring abuse of the Federal taxing power and aid greatly in the formation much needed venture capital." Testifying against the proposed amendment Secretary of the Treasury George M. Humphrey said that it would require a "reconstruction" of the entire Federal tax system, and "a financial breakdown could easily result." The Administration's opposition tabled the proposition for this session of Congress.

Continued interest in solutions to Federal income tax abuse will serve to save our free enterprise system.

WILLIAM H. PETERSON,
Graduate School of Business Administration, New York University.

June 12, 1954.

New Officers of Manufacturing Chemists' Association

Before adjourning their 83rd Annual Meeting, held at White Sulphur Springs, W. Va., the Manufacturing Chemists' Association elected Fred J. Emmerich, of Allied Chemical & Dye Corporation, as Chairman of the Board, and reelected Wm. C. Foster as full-time President and a Director of the Association. Foster reports on Association's growth.

Fred J. Emmerich, President of Allied Chemical & Dye Corp., today was elected Chairman of the Board of Directors of the Manufacturing Chemists' Association, Inc., at its 82nd annual meeting here.

Fred J. Emmerich William C. Foster

Mr. Emmerich succeeds Charles S. Munson, Chairman of the Board of Air Reduction Co., who was elected to the newly created post of Chairman of the Executive Committee.

William C. Foster, full-time President and a Director of the Association, was reelected.

Howard S. Bunn and William H. Ward were elected Vice-Presidents. Mr. Bunn is a Vice-President of Union Carbide and Carbon Corp. Mr. Ward is a Vice-President of E. I. du Pont de Nemours & Co., Inc. M. F. Crass, Jr., full-time Secretary-Treasurer, also was reelected.

Directors elected for the term expiring May 31, 1957, are: Leland I. Doan, President, The Dow Chemical Co.; John Fennebresque, Vice-President, Celanese Corp. of America; Joseph Fistere, President, Mallinckrodt Chemical Works; A. E. Forster, Hercules Powder Co., Inc.; John L. Gillis, Vice-President, Monsanto Chemical Co.; R. K. Gottshall, President, Atlas Powder Co.; R. C. McCurdy, President, Shell Chemical Corp., and Mr. Ward of du Pont and Mr. Foster of MCA.

Directors elected for the term expiring May 31, 1956, are: V. G. Bartram, President, Shawinigan Chemicals, Ltd., and J. Clarke Cassidy, President, Niagara Alkali Co.

Charles E. Wilson, Chairman of the Board, Grace Chemical Co., was elected a Director for a term expiring May 31, 1955.

The New Chairman

Fred J. Emmerich, who was elected Chairman of the Association, was born in New York City in 1892 and received his education in the New York public schools and at New York University where he attended the School of Commerce, Accounts, and Finance.

After completing military service during World War I, he joined the National Aniline & Chemical Company as an accountant in 1920, a step marking the beginning of a successful career in the chemical industry. National Aniline, a pioneer in developing the American dye industry, became a unit of Allied Chemical & Dye Corporation that same year.

Mr. Emmerich soon was promoted to General Auditor at National Aniline, and in 1926 he was transferred to Allied Chemical. Appointed Comptroller in 1929 and subsequently Vice-President, in 1946 he was elected President of Allied Chemical, one of the largest chemical companies in the country.

In 1950, Mr. Emmerich was awarded the honorary degree of Doctor of Science in Commerce by New York University, and was recently elected as a member of the governing council of that University.

In 1952, he was awarded the Gold Medal of The American Institute of Chemists, in recognition of his achievements "as a business leader devoted to building chemical industry by fostering cooperation among men skilled in chemistry, engineering, and commerce."

He is Vice-Chairman of the Board of Directors and a member of the Executive Committee of the Manufacturing Chemists' Association, a member of the Board of Directors of The Economic Club of New York, and serves as Trustee of the National Industrial Conference Board, the Committee for Economic Development, and the U. S. Council of the International Chamber of Commerce.

Reports on MCA Progress

In a report to the membership delivered at the White Sulphur Springs Convention, William C. Foster, the first full-time President of the Manufacturing Chemists' Association, announced an increase in member companies from 127 to 149. Three of the new members are located in Canada. The MCA represents over 90% of the productive capacity of the American chemical industry.

In commenting on the MCA annual certificates of achievement in safety, Mr. Foster told his audience of over 650 chemical industry executives that in 1953 the industry achieved its best safety record with an accident frequency rate of 3.69 per million man-hours worked, making the chemical industry one of the safest in the nation. Twenty-two companies which operated 174 plants through 1953 without a lost time accident will receive the certificates of achievement at the 82nd annual meeting of MCA being held here.

Mr. Foster also discussed the expansion of the MCA public relations activity and reported on the "highly gratifying" results of the first Chemical Progress Week which was held nationally May 17-22.

He also announced that during 1953, three new functional committees were formed. The new committees cover industrial relations, statistics, and tax policy.

In concluding the report of his first year of stewardship, Mr. Foster complimented the companies making up the chemical industry on their "consciousness of public responsibility and spirit of unselfish cooperation." He assured the group that MCA stood ready to support them enthusiastically in what he termed their "tremendous work."

La. Nat'l Securities Co.

(Special to The Financial Chronicle)

NEW ORLEANS, La. — The Louisiana National Securities Co. has been formed with offices at 1637 South Carrollton Avenue to engage in the securities business. Officers are T. B. Clifford, President; Dr. Joel B. Gray, Vice-President; and Mrs. Marjorie F. Bethune, Secretary.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market has been giving evidence of an improved investment demand, especially in the intermediate and longer-term obligations. Some of this buying has been the result of new money being put to work. However, switches from the near-term issues has been responsible for the bulk of business which is being done in these obligations. Commercial banks have been the active buyers of the middle-term issues with reports that a not unimportant amount of the longer-terms are also being bought by these same institutions. Pension funds, mainly the public ones, are still putting fair amounts of money into the most distant issues.

The short-term market is the more active one, because of the very strong demand which still persists for the most liquid obligations. The switching which has been going on from the shortest Treasuries, into other maturities has had practically no effect upon the market for the nearest-term issues.

Corporate Market Improved

Certain sectors of the money market appear to be working out of the stalemate which it has been in, because of the more realistic approach which investors as well as underwriters and borrowers have taken towards the whole picture. The corporate bond market was the first one to get relief from the indigestion which had developed there. Corporate issues had been coming along too rapidly and they were being priced away from the going market for these securities. Accordingly, many of the new bonds were not being sold and there were quite a few stale syndicates around.

First of all there was a postponement of several of the new corporate bonds that were supposed to come along and this had a favorable psychological effect upon buyers of new corporate obligations. Secondly, most of the stale syndicates were dissolved and this made bonds available at prices which investors were willing to pay, and as a result these bonds found permanent homes very readily. These two developments meant that the corporate bond market had overcome nearly all of its indigestion, because some of the bonds which were still in syndicates started to move out without having to change the original offering prices. Also, the outstanding corporate obligations turned about and prices of these securities moved up as much as a point in some instances.

Municipals Still Under Pressure

The municipal market, according to reports, has been giving some evidence of an improved tone, even though there is still an ample supply of these securities around and the offerings that are pending appear to be large enough to keep the buyers of this kind of security well supplied for some time to come. The indigestion still appears to be fairly prominent in the municipal market, and there does not seem to be much chance of it being removed immediately. However, the not too long maturities of state and municipal bonds, as well as certain of the revenue bonds, have moved out very well, and this has led to switches in some cases from government obligations in order to get the fund which have been used to pay for the tax-free securities.

Government Market Firmer

The government market has been acting better also because there appear to be more buyers around for the intermediate and longer-term issues. The tendency to lengthen maturities seems to be gaining a bit more momentum, with certain of the larger commercial banks among the important buyers of the new 1⅞% notes. Although there is still a fairly sizable supply of this issue around, it will not take too much more buying of the kind which has been going on in this security before it will be well placed in strong hands.

The longer-term bonds likewise appear to be attracting more investors, with others than the pension fund now showing an interest in these obligations. The fact that there has been a broadening of the demand for the longer-term bonds has enabled the market to take the selling, which comes in from time to time, pretty much in stride. Life insurance companies continue to be sellers of the more distant maturities, because funds are still needed by these concerns in order to take care of private deals and other non-Treasury securities.

Open market operations by the Federal Reserve Banks keep the money markets on the easy side, with the shorter-term obligations the principal beneficiaries of this policy. However, it seems as though some of the money which has been made available to the money market, through open market operations, is beginning to find its way into the middle- and longer-term issue.

Lily-Tulip Cup Stock Offer Underwritten By Blyth Group

Lily-Tulip Cup Corp., New York, is offering 88,000 additional shares of no par value common stock to shareholders at the rate of one additional share for each eight shares held of record June 15, 1954, at $65 per share. Warrants evidencing such rights expire at 3:30 p.m. (EDT) on June 29, 1954.

Blyth & Co., Inc. heads an underwriting group which will purchase from the company any unsubscribed shares. The stock is traded on the New York Stock Exchange. Dividends have been paid in 1954 at the quarterly rate of 60 cents per share.

Proceeds from the sale of this additional common stock will be used to repay $3,000,000 of notes and the remainder added to the company's general funds, available for working capital and capital additions. The comany contemplates expenditures during 1954 and 1955 of approximately $7,000,000 for new machinery and additions to plants.

The company manufactures and sells paper cups and nested paper containers utilized in the serving and packaging of foods and beverages. Products range from half-ounce cups to 10 lb. nested tubs for wholesale food products. Its principal plants are located in Springfield, Mo., Augusta, Ga. and College Point, N. Y.

In 1953 the company had net sales amounting to $54,768,862 and net income of $3,077,865.

The Guaranteed Annual Wage vs. Employment Stabilization

By KENNETH R. MILLER*
Senior Vice-President, National Association of Manufacturers

Commenting on responsibilities of industrial leadership, Mr. Miller states it should be recognized that the public expects jobs, the community expects payrolls, and employees expect steady work. As to the guaranteed annual wage, now being demanded by some labor unions, he points out that this might reduce job opportunities, boost prices and prevent business growth. Recommends employers seek means of stabilizing their operations, and thus prevent seasonal and occasional unemployment. Lays down as basic needs: (1) sound government policies; (2) continuing scientific and technological advances, and (3) recognition of role of risk capital in the job making process.

In terms of the individual company, there are many who believe that 1954 will be a good year for them despite a business decrease as compared with last year. Profit-wise, some of this decrease may be offset by the removal of the Excess Profits Tax and also by reduction in overtime—which is always a costly by-product of operating at full capacity. Furthermore, as peak demand declines it affords management a needed opportunity to look to ways and means for increasing efficiency and introducing more economical methods.

Kenneth R. Miller

Despite these clear signs of hope, we are not so myopic that we do not perceive that to the political opportunists, to the merchant who hears about big plant layoffs, to the man who is out of a job, this "alleged" depression is worrisome.

I want to make three points here that all tie in with our theme of industrial leadership.

(1) **The Public Expects Jobs:** There is always the expectation that management will provide jobs. People have come to expect jobs as their due and automatically require business to employ as many people as are able and willing to work.

(2) **The Community Expects Payrolls:** Every service in town, every tradesman, every shoe clerk, every gas station operator, every barber has an ear cocked for talk that sounds like there may be a reduction in his own income. He may not even realize he is relating what he hears about the community's economic health to the decisions he makes about his own store or service. But the fact is that he more or less takes it for granted that it is up to business to keep people employed. He counts on industry's payroll to keep his business going.

(3) **The Employee Expects Steady Work:** And I want to spend a little more time on this one.

The man who works for others not only expects to have a job but wants that job to be steady. He is quick to sense any ominous shadow that threatens, and while I want to mention communications a minute or two later, let me say right here that there is no news that travels as fast as news about a company's plans to hire or layoff people.

In many places today, employees are talking about leaner times and tightened belts. Their normal and human concern about their jobs is augmented by the efforts of those who are oiling the "fear" mechanism—by those who expect to profit by voicing their doleful predictions.

This is the sharpest sort of signal for industry. It is a reminder that the full function of industry isn't being explained even now—and it certainly is not being understood. I think each of us as employers should have heard the first faint bell months ago and should have been ready to explain to our employees what that new noise was—it was a country returning to normal competitive conditions.

Let's face it. The quest for security has reached new peaks as a driving force in our society. No matter where people work — on the bench, at a lathe, on an assembly line, at an executive desk — they are concerned about the security of their jobs.

One of the basic reasons for this preoccupation with security is the fact that our America has greatly changed from an agricultural to an industrial economy. 75 years ago, if for any reason a man lost his job or just plain wanted a change, he could go West and start all over again on a section or a half-section of land. With a plow and a fair measure of grit, he could build his own security.

But times have changed. The industrial workers of this country have become specialists. The shutdown of a major plant can throw the workers in a whole community out of work through no fault of the employees themselves. Unemployment insurance is intended to cover in part the needs of the temporarily unemployed. But this is no answer to the problem of job security, nor is it intended to be.

I am aware of the fact that many people believe that we can resolve this problem of job security merely by passing a law or signing a contract guaranteeing employment.

Understanding the Doctrine

Certainly there can be no quarrel with the basic desire for steady work and steady pay—but there is a great urgency for **everybody**—management, employees and the public alike—to **understand** what this phrase actually **means.**

Few people know that today "guarantees" have covered only a fraction of one percent of total wage earners—that the mortality of these plans has been exceedingly high—and that they have been largely confined to a few non-durable consumer-goods industries, and that the guarantees are frequently cancelable.

Do people understand what is involved in wage guarantees tied in with unemployment compensation as demanded by several of the larger CIO unions?

Just what are the implications of such guarantees to a free economy?

What would they do to flexibility, initiative, risk and incentive which are vital in a competitive system?

What would happen to risk capital, to new business, to business expansion?

What would be the impact of guarantees on the employee, himself?

Do consumers realize that all costs of the guarantee would filter down to them?

Few people in business itself are now prepared to answer questions like these. Employees in the mass production industries, where union pressure for guarantees is presently being felt, are probably only superficially aware of the real significance of their demands. The small businessman and the average person who is disassociated from this union drive very likely feels immune and is not aware of the possible repercussions and the chain reaction effect which a national pattern of "guarantees" could conceivably bring.

Whatever may be management's view of proposed wage guarantees, the problem cannot be lightly brushed aside. The desire for continuity of income and employment which lies at the root of current proposals for guaranteed wage and employment plans is so basic that it properly deserves the best thinking and most constructive action possible.

I say "action" because genuine progress towards steadier work is possible **only** through intensified management efforts to deal with those factors within its control which cause job fluctuations. We have made a good deal of progress in this direction, but we still have a long way to go to provide steady work and pay.

"Exciting Discoveries"

We in NAM do not profess to know what is the best approach for all plants. However, our long-term concentration in this field has led us to some exciting discoveries—discoveries which prove that any business which attacks the problem of steady work and steady pay with zeal and determination will be amply rewarded.

Over the years, certain methods and techniques for reducing fluctuations in production and employment have taken on special significance. Their relative importance and method of application, timing and emphasis must, of course, be tailor-made to fit the needs of each company.

Since the primary cause of seasonal unemployment stems from ups-and-downs in seasonal sales volume, a study of how to stabilize employment would logically start with a survey of the fluctuations in sales and a thorough exploration of all possible methods to avoid such swings in sales. Many companies have found it possible to substantially level off peaks and valleys in production by anticipating high sales points and producing to meet them during slack periods.

I recognize that there are limitations as to what business can do of and by itself—but no one can convince me that greater application to the problem will not bring greater results—results not only in steadier work and pay for the employee, but in more efficient low-cost operation—and accompanying profits—for management.

Now, coming back to my theme of public, community and individual expectation of jobs and steady work; there are many businessmen who may feel it is unreasonable of people to expect that industry will always "hit it on the nail." It is natural to feel that people ought to understand that other things are involved — for example, that as long as Americans have the freedom to buy what they want and also *not* to buy things, steady production and steady employment are not entirely deliverable.

We more or less take it for granted that people should understand that a wide range of forces contribute to stability or instability in a free economy—including government's fiscal policies, international relations, work stoppages, technological progress, weather, the market itself, etc.

But in saying this, I am reminded of the wisdom of Thomas Jefferson's statement in a letter to William Charles Jarvis, Sept. 28, 1820:

"I know no safe depository of the ultimate powers of the society but the people themselves; and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them, but to inform their discretion by education."

Business Upturn Near

Looking at this problem from the overall viewpoint, I think we can take heart in the fact that President Eisenhower is a firm believer in the ability of the economy to thrive without the application of government palliatives. Despite the heavy pressure put upon him from many sources, he has stood firm in his view that "emergency action" is neither necessary nor desirable at this time. A normal business up-turn is believed by many to be in the immediate offing.

I think we are already seeing signs of this. He has refused to be stampeded into a "slam-bang" anti-recession program. But, let's not overlook the fact that the Administration has promised to take whatever steps necessary to maintain the economy at a high level. In the face of the continued clamor for the White House to "do something," every economic sign-post is being watched with the greatest care. Unless business gives indication of a determination to do its part, we can be sure that the government will move in to try and bolster the economy against a slump.

Yes indeed, the spotlight is focused upon us and everything we do carries with it the obligation not only to serve the best interests of our customers, employees and stock-owners, but to make a continued contribution to the public good. And I have faith that business will give a good account of its stewardship in this regard.

As we look to the future and assess our strengths we find that:

(1) The structure of our free economy is basically sound.

(2) The Administration is achieving important results which will add substantially to our national welfare.

(3) Our standard of living is high and there is every prospect that it will remain so—that the era of production and expansion which lies directly ahead will be of a scope and magnitude beyond any ever witnessed in the past—allowing us to meet the needs of a population which minimum estimates tell us will be increased by 40 million people by 1975.

These factors add up to a bright outlook—a future in which there is every possibility that industry can satisfy the needs of our people for goods and services providing that certain requirements are met. I have in mind such basic needs as:

(1) Sound governmental policies with recognition of the importance of a balanced budget, of reduced expenditures and of a tax policy which assures a business climate favorable to expansion rather than to restriction and uncertainty.

(2) A national labor policy which while recognizing that the public interest is paramount gives protection to the rights of individuals and equalizes obligation as between employers and unions.

(3) Continuing scientific and technological advancements based on research.

(4) Recognition of the role of risk capital in the job-making process which begins with expanded investments in new plants, new facilities, new tools and new machines.

Many factors will enter into the shaping of our future. The Design for American Life in 1975—and yes, in 1955—will be largely influenced by what you and I do about the problems which we face in our sphere. We well recognize that high standards of living do not alone assure a strong nation. Without a recognition of human values, an appreciation of cultural riches, and a dedication to spiritual understanding, no nation can thrive. The integrity and leadership of the industrialists in his day-to-day living in the community and in his relationships with his employees and customers are now being tested.

As employers, we are interested in doing the things which hold the greatest promise for long-range success—for us as individuals, for our companies, for our employees and, above all else, for our country. We disagree with each other in many things, but we want most of all, to do what is right, what is honest, what is in the interest of progress.

*An address by Mr. Miller before the Chester Rotary Club, Chester, Pa., May 11, 1954.

Edgar J. Loftus to Be W. C. Langley Partner

Edgar J. Loftus

Edgar J. Loftus on July 1 will become a partner in W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange. Mr. Loftus is Senior Vice-President of R. S. Dickson & Co., Inc.

Hammond Organ Stock At $28 Per Share

Public offering was made on June 15 of 114,954 shares of common stock of Hammond Organ Co. at $28 per share by a group of underwriters, managed by A. G. Becker & Co. Inc. and Hornblower & Weeks.

This offering represented no financing on the part of the company, the stock coming principally from the Estate of Mildred Hammond, which is selling 66,930 shares, with eight other stockholders, including Laurens Hammond, President, selling amounts ranging from 1,200 to 13,124 shares.

Hammond Organ Co. manufactures and sells various types of electric organs. Its stock is listed on both the American and Midwest Stock Exchanges.

A net profit has been reported in every year since the organ was introduced in 1935. Dividends have been paid in every year since 1936. Net income for the year ended March 31, 1954 amounted to $3.35 per share on the 746,608 shares which represent the total capitalization.

With Samuel & Engler

(Special to The Financial Chronicle)

COLUMBUS, Ohio—Francis V. Pettit is now affiliated with the Samuel & Engler Company, 16 East Broad Street. He was formerly with Westheimer and Company.

Steel Industry Faces New Challenge

By MARTIN R. GAINSBRUGH*
Chief Economist, National Industrial Conference Board

Pointing out one out of eight jobs in the manufacturing economy is created directly in the iron and steel industry, Dr. Gainsbrugh holds the industry is now faced with the challenge of utilizing its increased and potent capacity to serve the nation at peace. Estimates, since last war, 10% of manufacturing investment in new plant and equipment has been directed into the steel industry. Holds cyclical correction in business, which began a year ago, seems to be near its final stage, and forecasts a steady level of activity well into 1955.

There is little doubt but that what we have been going through since the middle of 1953 deserves the title of recession. While the spasm in certain of our industrial sinews—such as the iron and steel industry—has been more violent than in others, total industrial production has declined some 11% since last July, and the gross national product has slipped off about 3%. The causes of the decline would seem to be three in number: cutbacks in defense expenditures, a changeover from inventory accumulation to inventory liquidation, and reduced demand by consumers for various types of durable goods. However, the course of business decline has slackened notably in recent weeks, and the indicators which pointed downward so unanimously six months ago now show as many signs of upturn as continued decline. It can be useful, therefore, to add up the sources of current weakness, as well as the stabilizing factors, in an attempt to evaluate current trends.

M. R. Gainsbrugh

Current Weaknesses

Among the sources of current weakness, I would identify the following:

(1) **Unemployment:** In April, the latest month for which we have comprehensive Census data, unemployment declined by about a quarter million. This, however, was a considerably smaller decline in unemployment than a normal seasonal trend would have produced. Increases in agricultural employment, construction work, and retail trade before Easter were not sufficiently great to produce the usual decline in unemployment because of a continued decline in factory employment in durables industries. Almost as large a percentage of our labor force is without work today as in April, 1949 and 1950. In addition, a third of the unemployed have been without work for 15 weeks or more. Finally, we must anticipate a significant rise in unemployment next June and July, when so many of our young people leave school and can be expected to enter into the labor market.

(2) **Consumer Expenditures on Durables:** Although most categories of consumer expenditures have held up well all through the months of the recession, consumer expenditures on durables in the first quarter of 1954 were down to an annual rate of $28.2 billion, as compared with $30.7 billion in the second quarter of 1953. Such expenditures have been declining steadily, quarter by quarter. This suggests that the abnormally high level of durable goods buying which characterized the postwar years—including even the recession year 1949—may be at an end, as the last vestiges of backlogs for cars and household appliances have been worked off. It may be worth adding that the current level of sales in these markets is being maintained only by intensely competitive retail practices—practices that have, for example, left automobile dealers with virtually no profit margin at all in 1954.

*An address by Dr. Gainsbrugh before the Industrial Relations Session of the American Iron and Steel Institute, New York City, May 27, 1954.

(3) **Consumer Credit Repayment:** Between 1945 and December, 1953, consumer credit rose from little more than $5 billion to an all-time high of $29 billion. An increase in consumer credit was a potent factor in making for effective demand during the 1949 slump. But in their 1954 report, the Council of Economic Advisers found that: "The heavy borrowing of recent years to finance the purchase of homes and all sorts of durables has raised the ratio of debt service charges to consumer incomes. Last year, the payment of interest and required repayment of principal on mortgages and consumer debt amounted to about 15% of disposable income. In addition to debt service, most consumers were paying premiums for private insurance or pension plans, amounting to another 5% of disposable income in 1953. Other contractual obligations, such as contract rents and the operating costs of home ownership, claimed still another tenth of income. All told, debt service, insurance premiums, and contractual costs of home operation took about three-tenths of consumer incomes last year. This represented a considerable increase over recent years, but was at about the pre-World War II level." At the present time, debt repayment has exceeded new credit extension for about four months, but this has made a relatively small dent in the record amount of credit outstanding. Repayment requirements represent a prior lien upon current income, and therefore act to restrain new purchases, not only of durable goods, but also of many types of nondurables and services.

(4) **Defense Spending:** Expenditures for national security are at a current rate of about $47 billion, as compared with an annual rate of $53.5 billion at the end of the Korean War. Budget estimates for fiscal 1955 provide for a further decline of several billions in defense outlays, although this trend could be quickly reversed should there be any worsening in international tensions.

(5) **Agriculture:** Agricultural incomes have held up tolerably well throughout the months of declining industrial activity, and have served to buttress the flow of total income, in contrast to the experience of 1948-1949, when declining agricultural incomes compounded the difficulties stemming from inventory liquidation. However, this relative stability reflects, in the main, the fact that agricultural prices were already depressed, in many cases to their support levels, when the 1953 recession began. Earlier estimates of the Department of Agriculture set net farm income in 1954 at about the 1953 level. But it has recently revised its forecast and now expects that "farm operators' realized net income will likely show some reductions this year, but possibly not more than 4 or 5% from the 1953 total of $12.8 billion."

Stabilizing Factors

These seem to be the chief remaining sources of continuing weakness in our economy in the second quarter. Set against these, however, are a fairly impressive array of stabilizing factors:

(1) **Retail Sales:** Because the process of business adjustment has been largely confined to the manufacturing industries, the impact of declining production and employment upon total incomes has been relatively slight. Indeed, if we consider disposable incomes, the tax cuts which went into effect at the beginning of this year have practically offset any decline in income. One of the results has been a continued high level of consumer spending. This strong, final demand has made the process of inventory liquidation an orderly one: thus far, we see no tendency for the business decline to feed upon itself, or for unintended inventory accumulation to frustrate the attempts of business firms to achieve effective balance between their stocks and their sales. Despite some curtailment of volume in durables—particularly in the credit market for durables—consumers are still spending at an annual rate of about $230 billion, an almost imperceptible decline from their record outlays of a year ago. This certainly does not suggest that American consumers as a group have either found or felt it necessary to alter their living standards. Nor does it suggest an inadequacy of current purchasing power which has to be supplemented by emergency governmental measures. On the contrary, the actual picture is one of strong, stable consumption, accompanied by a continued high level of individual savings.

(2) **Inventories:** The rate of inventory liquidation has apparently reached its peak. This is not to say that we can expect a sharp reversal to inventory accumulation such as we experienced in the first half of 1950. It is far more likely that inventory liquidation will continue in the months ahead, but at somewhat less than the first-quarter annual rate of $5 billion. With the peak of inventory liquidation passed, industry can look forward to a pace of new orders which is more in line with current consumption than it was during the bleak winter months just passed.

(3) **Investment:** Continued high levels of investment represent one of the most promising signs on the current horizon. Business expenditures for new plant and equipment are scheduled at more than $27 billion in 1954, a slight decline from last year's extremely high $28.4 billion. Private surveys since the official canvass by the SEC indicate that manufacturing corporations are holding firm to their investment plans and are in no sense deterred by the months of recession which we have already experienced. At the same time, residential construction has turned up, and we seem to be headed for another year of more than one million new housing starts.

(4) **State and Local Expenditures:** Outlays by state and local governments for schools, highways, etc. continued to rise quarter by quarter at the rate of about one half billion dollars. There is no question but that demands for this type of construction extend many years into the future. The immediate limit to the probable rate of such governmental outlays is apt to be set by problems of state and municipal financing. At this stage, however, the pick-up in such non-Federal outlays has acted as an offset to the decline in defense expenditures. I would not suggest, of course, that the impact of such nondefense outlays is the same as that of defense expenditures: obviously the two impinge upon different industries and have quite different material and labor requirements. In the short run, however, it would seem that state and local expenditures have tended to maintain the aggregate income flow to a significant degree.

I don't want to pass from this brief iteration of short-run forces making for contraction and expansion without saying a word about certain so-called long-term stimuli which have day-to-day bearing upon the course of business activity. A number of basic expansionary pressures of a long-term character are at work on the American economy. Among these I would note: (1) continued population growth; (2) technological progress and the demands for new capital formation which accompany it; (3) the upward trend toward the more efficient use (productivity) of both capital and labor; (4) further tax reform to stimulate both individual and business incentives; and (5) freer trade among the nations of the world, at least those outside the Iron Curtain.

Adding up the plus and minus signs, the conclusion that emerges is one of economic activity tapering off at somewhere around current levels. The cyclical correction which began almost a year ago seems to be at or near its final stages. *However, the general pattern that currently prevails—and is likely to continue for the remainder of this year and well into 1955 — is of strong, sustaining forces, rather than a preponderance of either expansionary or contracting factors.*

Position of the Iron and Steel Industry

In my remarks about national trends, I have deliberately avoided any detailed discussion of the position of the iron and steel industry. As I pass from the general business outlook to the more specific prospects for that industry, the interrelations between the general and the specific become striking. I would stress two aspects of that interrelationship: that the fortunes of the whole—that is, our national economy—and this rather large and fundamental part—iron and steel—are tied closely together; but further, that in the course of the business cycle, the adjustments necessary to restore the health and vigor of the whole fall inordinately upon you.

One need only think for a moment about the size and scope of the iron and steel industry to appreciate how closely its fortunes and that of the economy as a whole must be entwined. Its dimensions may be commonplace to most of you, but to an outsider, they give awesome testimony to the importance of this one industry, and therefore the responsibilities associated with it.

In our manufacturing economy, one in every eight jobs is created directly in the iron and steel industry. A somewhat larger percentage of all incomes paid out by manufacturing industries is generated through iron and steel production.

Since the war, 10% of manufacturing investment in new plant and equipment has been for the expansion or improvement of iron and steel capacity. (I might note here, parenthetically, that in a world divided into hostile camps, our numbers count but little. while 124 million tons of ingot capacity—about half of the world's total — symbolize the industrial potential that is a deterrent to aggression.)

And in the complex of industries that make up the national economy, the iron and steel industry is at the core, both as a market for the output of other industries and as a supplier of materials and products to other industries. In a recent analysis of the inter-industry flow of goods and services, the iron and steel industry appeared as a significant purchaser for 74 of the 199 industries (not only of primary metals, petroleum and structural clay products, but of electric power and railroad services); it appeared as a major seller to 135 of the 199 industries. (I personally find it noteworthy that an industry which is most commonly thought of as the producer of a basic, raw material, now puts its product directly into the *house* and the *household;* the final consumer as well as the industrial user thinks of steel as a competitive product, i.e., when he considers steel casement windows or stainless steel kitchens.)

I think that these three dimensions of the iron and steel industry—the employment and incomes it creates, the investment it undertakes, and the central position it occupies both as a market for the output of other industries and as a supplier of material and products to other industries—are a dramatic indication of its central importance to the national economy. But while the fortunes of this industry and that of our economy move closely together, it is nevertheless true that in the course of cyclical swings, the adjustments that our economy works through are magnified in the adjustments required of the steel industry. Its products—raw, semi-fabricated and finished—are represented in durable commodities which have in the past experienced the widest fluctuations in demand. As a result, the industry has been extremely sensitive to expansion and contraction in both investment activity and final consumer demand. Indeed, the impact of business recession upon steel production has been considerably greater than that of durables production as a whole. Over the seven cyclical contractions since 1920, the Federal Reserve index of durables manufacturing declined 42% on the average, from each peak to the following low; steel ingot production has declined 61% on the average—an amplitude almost half again as severe as aggregate durables production.

The current decline, of course, has been no exception. While durables manufacturing has fallen off 14% since last July, steel ingot production has slumped 25% (31% from the peak rate in March of last year). The particularly severe drop in iron and steel activity is, I think, not unrelated to the character of the postwar boom through which we have been living. The Conference Board has recently inquired into the structure of the postwar industrial expansion. We found, for example, that by 1952 almost half of the 24% postwar increase in aggregate output (as measured by the Federal Reserve index of industrial production) was accounted for by increases in the production of machinery and transportation equipment. The same high relative importance of durable goods production carried into early 1953 —when, compounded by inventory accumulation, the demands upon the iron and steel industry reached record proportions.

A More Normal Pattern Expected

As we look toward the levels of economic activity which are likely to emerge during the rest of 1954 and early 1955, it would seem reasonable to expect that the trend of recent years, toward increasing durables production, will revert to a more normal pattern. (In 1935-39, durables production constituted 44.7% of total manufacturing production; in the first quarter of 1953, 57.1%.) If this is so, then the rounding out of general business activity may lead to revived steel demand at levels still somewhat below those suggested by postwar ratios of aggregate industrial activity to iron and steel activity. In this respect, 1954-55 may be ushering in a pattern of industrial relationships which has been unknown to the iron and steel industry for some 14 years. (If the cold war were to heat up, however, all bets on this hypothesis are off. We should then have to expect a return to a garrison state and the industrial demands which are inherent in war mobilization or partial mobilization.)

If this analysis is correct, your industry is now faced with a new challenge, no less daring and at the same time no less rewarding, than the one which it has just met so successfully. That is the challenge of utilizing a new and potent capacity and an evolving technology to serve the needs of a nation at peace. In meeting that challenge, *stability* and *flexibility* would seem to be major prerequisites—economic stability and industrial flexibility. I know that these are not easily come by in an industy such as yours, but the imagination and ingenuity embodied in the technological developments of recent years are not inconsiderable assets. First-quarter operating statements suggest that your firms have not bowed supinely to the spectre of fixed costs, and the emergence of new products and new uses for old products bespeaks the vigor of a dynamic industry.

I find, too, that I am not the only one that holds your industry in esteem, and indeed, throws out challenges to it. The recent wage demands of the United Steelworkers of America can be interpreted as a testimonial to the ingenuity with which your industry abounds, though I rather doubt that many of you have looked upon them in quite that light! I do not propose to comment upon the merits of the union's case. However, in view of the timing and proportions of the demands served upon the industry, it would seem in order to review its wage structure briefly.

In 1952, average hourly earnings of production workers (in blast furnaces, steel works, and rolling mills) have risen from $1.99 to $2.14 (March, 1954), straight time hourly earnings from $1.94 to $2.11, and average weekly earnings have held around $79.50, despite a sharp drop in average weekly hours (40.0 to 37.1). During this time there has been marked stability in the cost of living. (The Consumers' Price Index stood at 113.5 in 1952, 114.6 in April, 1954.) Matched against steel workers, who gained 15 cents in average hourly earnings, and 17 cents in straight-time earnings, automobile workers received nine cents and ten cents respectively.

The history of wages in this country bespeaks the long-term parallel between real earnings and industrial productivity. The labor force of your industry has, with the rest of American labor, shared in the fruits of increasing productivity. This has resulted, however, from the interplay of market factors and has not, in my knowledge, been furthered by the proliferations of contract formulas which may inhibit the flexibility which is so essential to continued progress.

Louis Loeb Joins Bache Metal Dept.

Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, announce that Louis I. Loeb has become associated with the firm's Metal Department. In his new capacity, Mr. Loeb will deal with non-ferrous metals, both in the domestic and foreign markets.

Until recently, Mr. Loeb was Vice-President of Miles Metals Corp. He is a former resident of Mexico where he was engaged in mining and industrial operations. From 1941 to 1947, Mr. Loeb served with the War Production Board in Washington.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

There is wide variation in the yields currently available on the shares of leading insurance companies. From a low of less than 2% on some shares, returns range all the way to 5% or more with an average for a representative group close to 3.70%.

To illustrate this point and serve as a basis for this week's discussion, a tabulation of 50 fire and casualty company stocks has been arranged according to the current yields they provide:

	Current Price	Indicated Dividend	% Yield
Yielding Less Than 3%:			
Hartford Fire	165	$3.00	1.82
Continental Casualty	127	2.60	2.05
Aetna Casualty & Surety	142	3.00	2.11
Automobile Insurance	92	2.00	2.17
St. Paul Fire & Marine	45	1.00	2.22
Federal Insurance	32	0.70	2.25
Republic Insurance	53	1.20	2.26
Globe & Rutgers	42	1.00	2.38
Hartford Steam Boiler	68	1.00	2.65
Insurance Co. of North America	93	2.50	2.69
United States Fidelity & Guaranty	70½	2.00	2.84
Fireman's Fund	61	1.80	2.95
Glens Falls Insurance	66¾	2.00	2.99
Yielding 3% to 4%:			
Firemen's Insurance	31½	1.00	3.14
Standard Accident	57¼	1.80	3.14
Phoenix Insurance	101	3.40	3.37
Merchants Fire Insurance	51½	1.80	3.50
Fidelity-Phenix	84½	3.00	3.54
American Automobile	56	2.00	3.57
Continental Insurance	84	3.00	3.57
Employers' Group	56	2.00	3.57
New Amsterdam Casualty	45½	1.65	3.63
U. S. Fire Insurance	43	1.60	3.72
National Fire	80	3.00	3.75
Great American	39	1.50	3.82
Security Insurance	41	1.60	3.90
Pacific Fire Insurance	87	3.40	3.91
Maryland Casualty	31	1.20	3.93
Westchester Fire	27¾	1.10	3.96
Yielding 4% to 5%:			
Aetna Fire Insurance	60	2.40	4.00
American Insurance	30	1.20	4.00
Fidelity & Deposit	75	3.00	4.00
Springfield Fire & Marine	50	2.00	4.00
North River	33⅝	1.40	4.16
Fire Association of Philadelphia	51½	2.20	4.27
Seaboard Surety	42	1.80	4.29
Northern Insurance	57½	2.50	4.34
Camden Fire Insurance	25	1.10	4.40
New Hampshire Fire	45	2.00	4.44
National Union	44	2.00	4.55
Home Insurance	44	2.00	4.55
Jersey Insurance	37	1.70	4.59
Hanover Fire	39	1.80	4.62
American Surety	61¼	3.00	4.90
Pacific Indemnity	61	3.00	4.92
Yielding 5% or More:			
Agricultural Insurance	32	1.60	5.00
American Equitable	33	1.70	5.15
New York Fire	25½	1.35	5.29
Providence-Washington	28	1.50	5.36
Merchants & Manufacturers	11	0.60	5.45

There are many reasons for these differences as the yield is a reflection of both past and prospective operations as well as an evaluation of current investment practices and future dividend policies. Also it takes into consideration current market conditions as they reflect investor preference for particular names or securities.

Hartford Fire, which sells at a price yielding less than 2%, is the lowest of the group. The leading position this company occupies in the insurance industry as well as its long and successful underwriting record and the conservative financial policies, are all factors of importance in this connection. The bulk of its investment funds are maintained in high grade bonds with less than 15% in common stocks. Thus, regardless of the trend of business or stock market fluctuations, Hartford's current dividend payment amounting to less than 50% of investment income seems secure.

A number of other companies are in a somewhat similar position. St. Paul Fire & Marine has most of its assets invested in municipal bonds, the income from which covers current dividend payments by a substantial margin. The risks involved in holding securities in this position are considerably less than where earnings and dividends are dependent upon dividend distributions from common stock holdings. Therefore, payments are valued more highly.

In some of the other cases among the low-yielding stocks the element of growth is a consideration. For example, Continental Casualty has been particularly aggressive in expanding its operations in the field of accident and health insurance. More recently it has obtained control of a life insurance company and is likely to expand profitably in this field. This undoubtedly is part of the reason for the high valuation of the shares of this company.

Another factor accounting for the low yields on some particular stocks is the buying that has taken place by pension funds. This buying has been concentrated in the so-called high-grade stocks with the result that a few issues have been bid up, while others have been ignored.

From this it becomes apparent that an investor must be very selective in his investments in the insurance field. Differences in fields of operations, trends in underwriting and investment policies as well as other factors are important in evaluating the securities. Obviously, a low yield does not necessarily indicate a high price for the stock that can not be justified by future operations. Conversely, a high yield does not indicate a low price for the shares as subsequent events may be disappointing either from an underwriting or investment standpoint.

The current wide variations in yields does give incentive to examine carefully some of the issues which provide a favorable return yet are in a position to participate in developments which are being capitalized at a higher rate in some companies selling on a lower yield basis.

Investment Firm Celebrates 75th Anniversary

Paine, Webber, Jackson & Curtis, founded in 1879, now has 40 offices from coast to coast. Principal partners of firm see business activity on rise, and investment activity expanding.

Business activity all over the United States is definitely on the rise, according to the unanimous belief of the 34 general partners of Paine, Webber, Jackson & Curtis that assembled at Hamilton, Mass., June 12, to celebrate the firm's 75th anniversary. The investment house with 40 offices coast to coast was founded in Boston in 1879.

Morris F. LaCroix

"In our opinion," said Morris F. LaCroix, senior partner, "opportunities for investors have rarely been surpassed since the founding of our firm 75 years ago.

"The leveling off of business during the past six months has obscured the immense potential of our industry. Necessary adjustments have taken place and while certain segments of our economy have been uncertain in their trend, others have forged ahead.

"A national survey of industrial activity leads us to expect a gradual improvement in the tempo and profits of business and gives us confidence in the long-term price trend of investment securities."

Fundamental developments now under way in this country through scientific and technical research are likely to bring about important changes in our economy, Mr. LaCroix said. "It is our belief that our standards of living for the coming generation will be substantially improved, and during the next three quarters of a century, if we dare think ahead that far, our people will experience many more and continuing changes for betterment than have occurred in the past 75 years," he added.

Mr. LaCroix said that new wealth created and made available as a consequence of scientific and technical developments and their ramifications is "impossible to calculate. These vast and varied research projects in the field of chemistry, electronics and atomic energy will have revolutionary effects upon the food we eat, the clothing we wear, our housing and transportation, and will add to our cultural opportunities and the reasonable comforts and pleasures of modern life.

"New and important segments of our people are making themselves felt in the investment markets, and we believe that this trend towards larger income for the lower and middle income groups will grow in the years ahead to provide the funds for an ever-increasing ownership in our corporations through common stock and other forms of investment. All of those changes and opportunities will give our country a greater political solidarity and a stronger economy than it has enjoyed in the past."

Lloyd W. Mason, managing partner, located in the firm's New York office, reported that activity in the investment markets "is currently running at near record breaking levels. New investors are coming to us in increased numbers each day and the dominant attitude of both our new and old clients is one of optimism."

George Forrest, Los Angeles partner of the firm, said that business was "booming in California and the industrial capacity of the area is growing by leaps and bounds."

Reuben Thorson, Chicago partner and Chairman of the Midwest Stock Exchange, noted that midwestern industry was shaking off the effects of the business downturn. "Only the automobile industry is lagging appreciably behind the parade," he reported. "Farm income is slowly beginning to rise as prices firm. This has been reflected in an increase in agricultural implement sales and a general improvement in business."

Wm. F. Weed With First Michigan Corp.

DETROIT, Mich. — William F. Weed has joined First of Michigan Corporation, Buhl Building. He will participate in the firm's negotiation of mergers, sales and private financing of established businesses, according to W. Sydnor Gilbreath, Jr., President. Mr. Weed was at one time senior member of the New York Stock Exchange firm of Weed, Hall & Co., and he has been engaged in the investment business in Detroit for many years.

Mr. Weed's association with the firm was previously reported in the "Chronicle" of June 10.

Joins Frank Edenfield

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Lewis B. Robertson has become affiliated with Frank Edenfield & Co., 8340 Northeast Second Avenue. He was formerly with Gordon, Graves & Company.

Are Britain and U. S. Doomed to Ever Rising Public Spending?

By PAUL EINZIG

Commenting on the continued rise in government expenditures under the Conservative Party rule in Great Britain, Dr. Einzig raises the question whether democratic countries are doomed to inflation. Says only hope to check inflation lies in technological progress leading to a fall in production costs, but contends labor saving devices will accrue to the benefit of workers only, since employers are not in position to resist their claims for higher wages.

LONDON, Eng.—The British Conservative Government assumed office in 1951 with a program of drastic reduction of public expenditure. Yet, having been in office for more than 2½ years, it has failed to cut expenditure, or even arrest its non-stop increase. To some extent this was the inevitable consequence of the application of the rearmament program inherited from the Socialist Government. The delivery of arms ordered in 1951 did not get into its full stride until 1953, and it was inevitable that military expenditure should rise during the early years of the Conservative regime. But this is not the whole story. The new Government has also failed to arrest and reverse the rising trend of social expenditure. Although it succeeded in cutting some items, it had to consent to allow other items to rise. Every attempt at retrenchment in that field provoked a sweeping wave of protest on the part of the Socialists, and more often than not the Government yielded to the pressure.

Dr. Paul Einzig

After two and one-half years of futile efforts to check the rising trend of government expenditure, one is reluctantly led to the conclusion that under Parliamentary democracy with universal sufferage we are fated to witness a non-stop growth of public spending. Nor is Britain the only country which has had this experience since the war. The same is the position in the United States and other democratic countries. The advent of the Republican party in 1953 made no fundamental difference from this point of view in the United States any more than did the advent of the Conservative Government in Britain. Whichever political party is in office the pace of spending is set by party which favors more and more government expenditure. In or out of office, Socialists, New Dealers and their equivalents in other countries, effectively influence official policies, owing to the popularity of their policies of spending public moneys.

Quite recently the floodgates of inflation through government expenditure have been widened in Britain as a result of the majority decision of the House of Commons to increase the salaries of its members by 50%. The amount involved is in itself negligible. The additional cost is just over £300,000, a mere drop in the ocean. But the consequences of this decision are likely to be incalculable. Until now a substantial section of the Conservative party was trying hard to persuade the government to cut expenditure. In consequence of the decision to increase the salaries of Members of Parliament, they will be in a much weaker political and moral position to preach economy. They will not be able to do so without exposing themselves to unpopularity among those who would stand to benefit by additional expenditure.

Hitherto old age pensioners, government officials and other claimants submitted with reasonably good grace to the government's refusal to concede their claims. Henceforth any refusal is liable to provoke very strong reactions. The decision to raise the salaries of Members of Parliament must be regarded as a major victory of the policy in favor of budgetary inflation.

Nor is this all. Apart from the budgetary aspects of the problem, fears of a major recession are also liable to influence public policy in favor of creeping inflation as an alternative to slump leading to chaos and Communism. The recent scare of an American business recession made most of us realize that moderate inflation is a much smaller evil than a slump or a prolonged depression. While in theory the correct policy would be to steer exactly halfway between the two, in practice it is seldom possible to avoid both boom and recession for any length of time. Since the authorities have duly realized that recession would be the graver of the two evils, their anti-recession policy and tactics are bound to have a slight bias in favor of inflation, just to be on the safe side.

The combined effect of this attitude and of demagogic pressure in favor of increased government spending is that democracies are doomed to almost continuous inflation. The only hope to check it or at any rate moderate it lies in technological progress leading to a fall in the cost of production, as a result of which inflation could be held more or less under control. It would be idle to rate these hopes too high. Given full employment and the existing balance of power between employers and employed, the chances are that, much more often than not, the adoption of labor-saving devices would not result in any substantial reductions in the cost of production. Workers and their unions would claim the greater part of any benefit arising from such devices, in the form of higher pay or easier working conditions, and employers are not in a strong position to resist such claims.

In order to avoid non-stop inflation it would be necessary to make the workers realize that, taking a long view, they stand to lose through the persistent increase in the cost of living. Even from this point of view conditions are changing to the detriment of stability. The "escalator clause" is included in a large and increasing number of wages contracts, and even in the absence of such clause the workers are sufficiently powerful to secure increases of wages at least in proportion to the rise in the cost of living. There is now an agitation in Britain to link pensions and other social service benefits to the cost of living index. If this is conceded it will convey the impression that "inflation without tears" has become a practical possibility. Resistance to inflation would weaken further.

If carried to excess, this trend may sooner or later give rise to the feeling that even a recession, with all the losses and risks involved, would be better than the continuous inflation. We are very far from that stage, at any rate as far as official opinion is concerned, and the flow of inflation will continue for a long time before it can provoke such a reaction.

Continued from first page

Outlook for Security Groups —And Investing Policy

basis and with inflation, if possible, curbed.

I will run through the groups briefly, divided into broad categories of so-called consumer industries, intermediate, and heavy or cyclical.

Consumer Goods Industries

Banks: Bank shares properly selected constitute a safe group with gradual income improvement and capital appreciation potential. I am fully aware that interest rates are not rising and are probably not going to rise and that competition is rife. On the other hand, banks have been on ice for two or three decades and during a great deal of this time they had very little to do but render service and hold government bonds. With the gross national product now conceded to be normal at well over $350 billion, the banks are in business again and, by and large, loans and discounts should be maintained and even rise. Combinations will take place and some sort of branch banking here and there will permit institutions to develop strong, widespread organizations. These institutions enjoy some tax advantages and money is ploughed back into the business to compound over the years.

The banks in general have not kept pace with industry and I should think that over the future there will be a marked shrinkage from the 12,000 or so banks which we have in the country to clusters of strength. These equities, it seems to me, should return to favor for the defensive portion of an individual's portfolio, taking the place of preferreds, and, to a degree, of bonds. In some cases, stockholder action could bring about mergers, which could mean an enhancement of the shares. It seems to me there is still a lot of stretch in bank equities compared to the fully developed structures in Canada and England.

Food: In the food industry the grocery chains have appeal since, after over a decade of frustration, they have gained the maneuverability to scrap small neighborhood stores, transforming them into fewer but larger self-service markets and expanding their operation to new population centers, and, when the process is far advanced, there should be rising earning power and larger dividends. Unlike department store chains, they have not the white elephants in the overcongested downtown areas of the obsolescing cities.

Electric Utilities: During the postwar period the electric utilities have gone from a price-earnings ratio of 8 or 9 to a multiple approaching 14 but, if selections are carefully made, there can still be found growth where financially minded managements are able to transform such growth into increased per share earnings and dividends, avoiding excessive dilution and yet improving common stock ratios. With cheap money, it would appear that this backlog of most portfolios could aspire to sell on dividend yields of less than 5%.

Some of the companies could stand stockholder pressure to get the managements to improve the return on the rate base, lifting such equities off the ground from selling around book values to selling at a respectable premium.

Natural Gas: The natural gas utility industry, which has been one of the great postwar phenomena in the extent and brilliance of its growth, may regain glamour if the epoch-making decision of the FPC in the Panhandle Eastern case enables them to make money on gas reserves instead of running an eleemosynary venture institution. The application of the FPC decision could, over the years, mean that even the present straight pipeline companies, with their enormous credit capability, could buy up reserves and become factors in oil as well as gas reserves. The whole group could stand resurveying and this factor could compensate somewhat for the long-term solicitude over an ever diminishing rate base once expansion ceases.

Intermediate

In the intermediate category, we might comment on the following:

Air Transport: The domestic air transport industry will face a year of squeeze between rising costs and lower load factors. There may be an upward adjustment of fares and, sooner or later, there will be mergers to rationalize the industry and end up with a half-dozen trunkline systems to cover the nation, which in air speed will soon be half the size of the State of New York in railroad time equivalent. Hence, 13 major domestic and many minor companies are an absurd wastage of money and men and, when the group is narrowed to a few, their shares will stand considerably higher than at present. Nevertheless, it is a grueling field.

Chemicals: The industry is, of course, a series of industries and needs specialized study. There is probably, by and large, adequate capacity, or overcapacity, and some time may be needed to digest the great postwar expansion. I consult the consulting services and have them lead me around the labyrinth of chemical terms, which can scarcely be pronounced much less remembered, and they delight in rendering a subject which is fascinating somewhat more obscure than need be.

My own rule is to look at the chemical companies which sell in the market for less than $1 billion and seek their potential. I relate their capital expenditures to the market valuation and, if the percentage is alluring, I am inclined to look further and place my bets on the theory that such companies are sufficiently large to be seaworthy, and the incidence of research may just as well strike here as elsewhere and the impact could be more meaningful on a smaller base than a larger one.

A sub-group here—fertilizers—should continue to do well, in spite of surplus crops, for reasons which are sufficiently known and need not be labored now.

Oil and Gas: The oil industry continues an attractive one as it has for the past 70 years, except for an agoning interlude in the '30s. Constituting a standby for equity investors the length and breadth of the land, we can overlook, or glory in, the flexibility of our minds, which inveigh against the evils of Europe's cartelizations and yet are happy with the virtues of the Texas Railroad Commission and now the State Department - sanctioned consortium of the world companies for the preservation of Iranian sovereignty.

Our five international companies should be able to make the best of two worlds: stability and strength here and the greater growth and profitability abroad, their stake in the 40 billion barrels of North American reserves nicely balanced against their greater but more precarious 90 billion barrels of reserves in the Middle East. I count upon the need and greed of governments to push up the costs of Middle Eastern oil, as in these areas the national budgets are part of the lifting costs, and, therefore, there should be no serious threat to price stability.

One can make a case for the domestic integrated producers, even though there should be increasing competitive pressure on the marketing end. One can also make a case for the leveraged refiners, in view of their low earnings multiple, but for my own part, I would prefer to have a stable-full of good exploratory companies, which seem to me to be the essence of the oil industry, namely, find the oil and turn it over to the other fellows to process to handle, to treat, to bookkeep, and to supply the never ending capital expenditures.

The natural gas producers, meaning the companies with greater emphasis on that segment of the industry, have a double attraction in that the use of this commodity is growing faster than domestic oil and the price structure is still rising and it is a commodity insulated and isolated from world supplies.

Radio: The television, radio, and electronics industry is an obviously rising industry even though this year will constitute somewhat of a pause while inventories and the color problem get sorted out. The chief difficulty here for the investor, or the speculator, is to boil it down to a few entries because, in due course, there will be fewer survivors, although perhaps not so great attrition as in the automobile industry where 54 began and, in effect, three are left. There are the broadcasting networks where the fruits of broader coverage will mean higher rates and rising income, followed by the manufacturers, the parts companies, and the brand names of the set producers, where there will be casualties.

Perhaps air conditioning may also be taken over by this group after a frightful toll is taken of too many and too weak assembly outfits.

Rubber: The rubber companies have never been appreciated during the postwar period and I consider them undervalued. They should be free from the broncho busting days of rubber and cotton price fluctuations which are now replaced by synthetics.

Rayon: The rayon industry should show some improvement as soon as the overdue turn in the textile cycle takes place.

Heavy or Cyclical

In the heavy or cyclicals, mention might be made of nonferrous metals, the steels, and the rails, as constituting industries where the postwar revaluation which has taken place in so many industries has yet to be fully felt.

Nonferrous Metals: In the nonferrous metal group there is the aluminum segment where two of the four companies constitute excellent long-term speculations. Time and government contracts may enable these two, which do not command investor approbation, to translate the annual throwoff of cash into balanced capitalizations, giving substance to thin equities and then reflect a good multiple for a growth commodity.

In copper there appears to be a relatively inelastic supply in terms of a world which must arm for war and at the same time improve living conditions if it, is to withstand the challenge of the Soviet bloc. While zince and lead had a price washout, copper has remained strong but its adjustment, if it comes, should not be severe.

The nonferrous metal group has come a long way from the days when these companies were encumbered by heavy debt, and instead they are now, in some instances, so lush with excess cash. Further, instead of riding mines to exhaustion many of the companies have become diversified enterprises with multiple interests, with exploratory staffs, and research, and all the beginning attributes of growth enterprises, in combination with becoming holding companies and financing or almost banking houses. Thus, the neglect and concern which they have been accorded by the investment fraternity for many years have been much overdone.

Mining nowadays can be less of a gamble than in the past and what with the ability to contract the output of new properties to the government a great deal of the curse of commodity fluctuations is being taken out of the mining picture. Hence, this group, both in the large and in the small, should reach a higher investment estate and, for a variety of reassons, metals may be stockpiled by governments as constituting the strategic assets of the world, much as gold was the sinew of war in the old days. Thus there will be less likelihood of a double pincer movement of declining volume and prices being allowed to go too far in any downturn phase of the business cycle. This whole group should in time be differently interpreted.

Steel: The steel industry is now passing through its test period. The question as to where the breakeven point is, is being answered and, of course, the main feature of this answer is that the big companies have given their own battle cry of massive retaliation so that, so far, price cutting has been negligible though various absorptions are taking place, and the wage increase in the offing may also be absorbed. Although the industry has put back huge quantities of capital during the postwar years, yet the major companies are selling for $50 an ingot ton as against $250 cost for new integrated facilities. With capitalizations in good ratios and the recognition that if we are to employ 60-65 million people, the country needs at least 80-90 million tons of steel, all should spell a better yield basis for steel company dividends especially now that capital expenditures have peaked out, and the shares can advance still further.

It is, of course, unfortunate that we could not buy the shares when operations were at capacity because the textbook said you buy steel when the operating ratio is low and you sell when it gets to 100%, even though the shares were available 20% to 25% cheaper when operating at capacity than ow, when operating at less than three-fourths of capacity.

Rails: The railroads, after a decade and a half of large scale bankruptcy, have become revitalized. It is true that they carry only about 60% of the freight of the country and are giving up their passenger business little by little, yet the 60% in units and dollars is a great deal more than ever before and the trucks, now grown to a large industry, have their problems of labor, regulation and rates and are complaining, man bites dog, of unfair competition from the rails. Railroad technology and budgetary control have improved enormously and, leaving aside the low interest equipment obligations, the industry has only a funded debt of $6½ billion, which is one of the few areas of the economy where there has been drastic debt contraction.

If the eastern roads, which seem to constitute a fixation in investors' eyes, are tossed out, the improvement in the railroad systems of the rest of the country has been even more remarkable.

Many of the railroad companies now have strong capitalizations, good earnings power, pay out dividends which can and should increase, particularly with capital expenditures flattening out and declining, and again with gross national product where it is and where it is apt to go as the years go by, they should be revalued. Instead of an Atchison and a Union Pacific, we should end up with a dozen or more of similar caliber. There can be a strong upturn in the shares before they become conventional and relatively dull, although I suppose the nature of the operation itself will always add some excitement here and there.

In the area of capitalizations, there is still a great deal to be done in eliminating unnecessary preferreds and replacing them with fixed debenture issues, since the debt can be considered too low in relation to the nature of the assets and corporate taxes. All of this, of course, is again exclusive of eastern roads where a lot of things are wrong and plant on balance may still be excessive.

Part II

A Professional Approach

This is all rather prosaic, pedestrian, and perhaps even platitudinous, but it brings me to the industry on which I am really bullish: that is, my own; namely investments.

For the first time in a quarter of a century, it seems to me we have the beginnings of a base for the professional investor to act decisively. In the beginning of this century, the financial community was a powerful General Staff, which overlooked industry, criticized it, changed it, reorganized it, or, where necessary, destroyed it. This is all in line with Schumpeter's famous definition that:

"Capitalism is the process of creative destruction, a process of industrial mutation which incessantly revolutionizes the economic structure from within, incessantly destroying the old one and incessantly creating a new one. This competition was as much more effective than the other (static, or textbook, competition) as a bombardment is in comparison with forcing a door. Competition of this kind acts not only when it is in being, but also when, as always, it is only a threat. It disciplines even before it strikes."

At that time, the captains of finance had resources of their own and at their command which enabled them to fulfill their role. Since then, inheritance taxes, income taxes, and the decline of talent in relation to resources, have all contributed to dry up the amount of capital at command, perhaps absolutely but certainly relatively, to the enormous growth of the companies which constitute the American industrial scene. Some of the functions, particularly the monetary ones, have rightfully been taken over by the Federal Government in order to supervise the flow of production and distribution of goods and the income capability to consume them.

But nothing was done to take the place of what I call the General Staff function of the financial community which perhaps at times was exercised too vigorously but certainly in the past quarter of a century has been exercised most squeamishly if at all.

It is true that there have been many good reasons for this atrophy of power. In the thirties securities prices were being revalued from almost zero to some figure of solvency. Then in the forties came the war and security prices were beginning to take into consideration the inflation of war and the reconstitution of the political economy of the country. In the postwar years and early fifties investors were occupied in revaluing securities to reflect gradually the social revolution, the new plateau of national output and income, the enormous monetary base which had been created, and the new earning power of a gross national production of $350 billion as against $75 billion for the thirties. Whether the change was of physical output or of dollar devaluation did not matter since the revaluation had to be made in terms of dollars in security prices.

Now the much awaited recession has taken its 3.66% toll from the previous peak of gross national product and there is general confidence that in a year or two, by one means or another, we will again re-establish the economy at peak levels or thereabouts.

Correction of Price-Earnings Ratios

In this present phase we are changing the multiples wherever called for and, instead of great enterprises selling at 6, 7, or 8 times multiples, they are being properly valued at twice that. They reflect the probable permanence of 3% long-term money which should be normal to an economy of this size and magnificence, just as 6% or 10% money might be appropriate for a less developed or inadequate economy such as exists in many parts of the world.

So, it is my theory that security prices, while sharply separating the marginals from the impregnables, may establish a certain stability at higher multiples. The investor at that point, which may not be far away assuming that the threat of war is kept at a distance, will have a tough time in figuring out what to do. He will be confronted with several alternatives.

(1) He can hold the major companies and wait for population growth and improving standards of living to be reflected in gradually rising earning power and slowly improving dividends. These companies, by and large, will be the multi-billion dollar value outfits which occupy a unique position in history, being neither risk outfits such as we have been prone to think of business in the past nor government owned outfits which decay under the dead hand of bureaucratic organization. But neither will they be strongly propelled capitalistic enterprises. There will be movement here but it may not be volcanic nor necessarily very profitable to the investor. Many of these enterprises will be characterized if not shackled by their social responsibilities and the increment will have to be judiciously allocated to the stockholders, management, employees, customers, and long-term capital expenditures, and sometimes even influenced by political considerations.

(2) They can invest in the true compound interest institutions where the ploughback of money remains in paper and not in plant.

(3) They can invest in the so-called growth companies and hope for a drug outfit to invent something that other people will copy, or a chemical company to turn research into capital expenditures over the years, or other such type potential.

(4) They can invest in new industries with all of the gamble and risk of mortality. Many of the new industrial and technological developments may be part and parcel of existing enterprises and, only where their impact on the enterprise may be large, will their significance be important.

(5) They can discover resources as in the oil and other extractive enterprises and, if the discovery is large in relation to the equity base, the reward can be very great.

(6) They can invest abroad with all of its complexity and so far with inadequate inducement taxwise, but here again existing enterprises may more properly undertake the risks, the supervision, and the transfer of technology to appropriate foreign markets rather than being undertaken as independent ventures, and if world stability improves, as it gives signs of doing (witness the approaching convertibility of sterling and the easing of inflation in one or two areas) this could constitute a good diversified increment of earnings on companies which are becoming world-wide in scope and importance.

Besides doing all of this in suitable proportions to a given portfolio or fund, there would be another area which could very well engage the drive and attention of the professional investor. The professional investor today is no longer alone. He can call upon or is a part of the $5-$6 billion investment trust or holding company aggregation of capital. Acting in concert with others, and calling upon Wall Street and other streets, and even pension funds and other nonbarnacled vessels of capital, there could be the basis for putting enough money in a given situation and reinstate the Staff function of finance without endangering the boat because of a lop-sided cargo.

Hulbert S. Aldrich Elected President of New York State Bankers Association

President of New York Trust Company honored by the 58th Convention held at Lake Placid Club, New York, succeeding Stanley A. Neilson. William F. Ploch, President of Nassau Trust Company, elected Vice-President and John C. Bates, Vice-President, Marine Trust Company, Buffalo, named Treasurer. Albert Muench is Executive Vice-President.

Hulbert S. Aldrich, President, The New York Trust Company, New York City, was elected President of the New York State Bankers Association at its 58th Annual Convention at Lake Placid Club, Lake Placid, N. Y., on June 4. He succeeds Stanley A. Neilson, President, Bank of Gowanda, Gowanda, New York.

Hulbert S. Aldrich | William F. Ploch | John C. Bates | Albert L. Muench

William F. Ploch, President, Nassau County Trust Company, Mineola, was elected Vice-President, and John C. Bates, Vice-President, The Marine Trust Company of Western New York, Buffalo, was elected Treasurer.

Albert L. Muench of Larchmont, New York, was appointed Executive Vice-President, a newly created post. Mr. Muench has been Secretary of the Association since 1943. The Association's Council of Administration also appointed Robert E. Watts of Port Washington, Long Island, to succeed Mr. Muench as Secretary. Mr. Watts has been Assistant Secretary since 1948.

The New President

Hulbert S. Aldrich was born in Fall River, Mass., on April 3, 1907. He was graduated from Phillips Academy in 1924, and received his Ph.B. from Yale University in 1930.

Mr. Aldrich joined The New York Trust Company 23 year ago, following his graduation from Yale University. He was appointed Assistant Treasurer in 1939, and elected Vice-President in 1943. He was elected President and Director of The New York Trust Company in 1952.

Among his outside affiliations, he is a director and member of the executive committee of the Bridgeport Brass Company and the National Sugar Refining Company, and director of the Discount Corporation of New York, Noranda Copper and Brass Company, Rockbestos Products Corporation, Charles T. Wilson Company, Inc., and the Penn-Dixie Cement Corporation.

Mr. Aldrich is also Trustee of the Excelsior Savings Bank, Brearley School and Greer School. He is Treasurer and Director, New York USO Defense Fund, Inc.; member, Association of Reserve City Bankers; and General Chairman for 1954 of New York Heart Association.

He is an active member of the Union, River, Yale and Down Town Association Clubs.

Association's Membership

The New York State Bankers Association represents 849 financial institutions, including practically all commercial banks in the State with deposits in excess of $34 billion. Other members include investment banking houses, savings banks, and foreign bank agencies. Included in the Association membership are 36 members from other states scattered throughout the country.

Continued from first page

What the Chemical Industry Is and Is Not

America as is commonly supposed — although its period of great growth is comparatively recent. The first chemical plant in America was opened in Boston in 1635 by John Winthrop, Jr., to turn out saltpeter and alum. True, it was not a potent factor in American industry which at that time was largely agricultural, but the colonial settlers needed chemicals for meat-pickling, tanning, dyeing, and soap-making, and thus chemical manufacturing made its first contribution in this country.

The industry grew slowly, and began to take on some importance around 1850. By no means could it have been called a creative industry at that time. It would have been described better as an industry making known essential basic inorganic chemicals, such as sulphuric acid and alkalis. The organic chemical industry, largely based on coal tar, began to grow in the 1880's and to develop industrial, food, medicinal, and dye chemicals of relatively simple structure.

I suppose the industry's first claim to fame so far as size is concerned, occurred around 1910 when American production of sulphuric acid and alkalis had exceeded the combined production of England, Germany and France. However, it was still small. It was not to become a well-integrated industry until much later. We were still dependent on Europe for many chemicals. During the First World War, imports of drugs, dyes, and many specialty chemicals were shut off, causing considerable hardship and inconvenience, and it is generally agreed that the comprehensive chemical industry as we know it today dates from this period.

Chemical Industry Not Well Known

Second, the chemical industry, by its very nature, is not well known—in the sense, for instance, that people think of industries such as steel, coal, oil, automotive, and other large industries. It is not, however, an isolated or detached segment of manufacturing, but is woven into the industrial fabric of the United States more tightly than any other single industry. While it makes many products sold directly to the ultimate consumer, its sales largely consist of chemicals required as raw materials or in the manufacturing processes of other industries. In fact, chemicals and allied products is the only group in the 72 industrial classifications of the United States Department of Commerce which supplies products to every other group.

It is obvious from this that chemicals, either directly or indirectly, are indispensable to the operations of your own industry —whatever it may be. Your industry may or may not manufacture some of these chemicals itself, as is done by steel makers, meat packers, oil refiners, and food processors—to mention just a few—but the fact remains that every industry requires chemicals at some stage in the completion of a finished product. This suggests rather emphatically that what happens to the chemical industry is important not only to those who are in it, but to every industry, and even to every individual American.

Third, the chemical industry is not a despoiler of our native raw materials. On the contrary, the findings of its research have had the practical effect of conserving our supplies of vital raw materials. In part, this has been done by the synthesis of natural products, or the discovery of alternate sources of supply. In part it has been done by the development of more efficient extraction or utilization processes. More than that, there is good reason to believe that such contributions to our national wealth can be expected to keep right on flowing from the industry's laboratories.

This is of immense importance to our economy. We no longer depend upon Chile for nitrates, or Indonesia for rubber. We make our own chemically. If lumber or steel should become scarce, we have glass and plastics.

Agricultural chemicals and plant food, fumigants to protect stored crops, and chemical aids to the preserver and processor have been estimated to increase the quantity of food that reaches the ultimate consumer by as much as one-third. Products of chemical research have saved millions of dollars in growing non-food crops, such as cotton. Let me quote what the President's Materials Policy Commission says on this subject:

"The chemical industry differs from other industries chiefly in the fact that it has tremendous flexibility, both in the raw materials it utilizes and in its processing techniques. It has a unique facility for processing abundant raw materials not only into products suitable as substitutes for other materials, but also into new materials having new properties and superior to anything previously known. . . . The chemical industry in the United States faces no long-term problems of raw material supply."

Chemical Research is Growing

Fourth, the chemical industry is not close to exhausting its research possibilities. The scientists tell us that the number of new chemicals which can be produced is almost infinite, and the research laboratories develop about 10,000 every year. Most of them find no immediate commercial use —but others open up new avenues of industry.

Every part of the industry could furnish examples of this. One which is of particular interest in this climate is refrigeration. Most of us can remember when we had to rely on the uncertainties of the icebox or the spring-house to preserve our food in the summer heat. Less than 25 years ago, the chemical industry brought out a harmless gas refrigerant which was non-toxic, and would neither burn nor explode. Only 25 cents worth of this gas is required for the average cooling unit, but it hastened the development of our flourishing home refrigeration, deep-freeze, air-conditioning, and frozen foods industries — and all the jobs they provide. The same chemical is the propellent for the self-spraying dispensers manufactured by the infant aerosol industry which expects to do a business of $200,000,000 in 1954.

Another outstanding example of an industry created by products of research is the plastics industry—a billion dollar industry. All of you are familiar with the hundreds of uses for plastics. While these uses are important, equally so are the jobs resulting from this discovery. Twenty years ago, the plastics industry was in its infancy. Today 34 chemical companies employing 20,000 workers manufacture plastic materials. Over 4,000 plants with over 60,000 employees use these plastics for molded or extruded products, fabricated articles — laminated or reinforced end products, and plastic film and sheeting.

There is not the slightest doubt that products not yet discovered but which are sure to emerge from research — known products still in the laboratory or semi-works stage — along with those now ready for commercialization, will cause the industry to continue to grow and to contribute even more to the over-all economy.

Chemical Industry Is Not a Monopoly

Fifth, the chemical industry is not a monopoly industry. There are more than 9,000 chemical establishments in this country, most of them small, but including at least 27 with assets of more than one hundred million dollars. The sales of the largest chemical company — du Pont — represents only 8.5% of the industry total.

There are 16 major competitors in plastics, 19 in sulphuric acid, 50 in coated fabrics, four in photo products, 15 in explosives, 117 in anti-freezes, 1,200 in paint—and so forth.

Since most chemical products can be made from alternate raw materials and by several different processes, there is keen competition in every line. The chemical manufacturer never knows when the research of a competitor will turn up a better product, or one that can be sold at less cost. There is competition between products for similar markets, between manufacturing processes, and between raw materials.

There are dozens of fertilizers, pesticides, and fungicides competing for the farmer's business; any number of chemicals competing for a place in textiles and clothing, for moth-proofing, water-proofing, crease resistance, shrink-proofing, and what not. Sythetic fibers compete with each other as well as with natural fibers. Films such as cellophane, "Ply-o-film," "Cry-o-vac," and other chemically produced wrapping materials vie for the same markets as do the older type foils and wax coated coverings. Drugs and antibiotics encounter severe competition between themselves as do countless other products in the industry. The same is true of chemical process raw materials, cotton linters versus wood pulp, coke by-products against oil derivatives, natural solvents compete with chemical solvents—and so on throughout the whole industry.

It is important to remember that in chemicals, an improvement in quality can be as big a competitive advantage as a lower price. While the wholesale price index for March compiled by the Bureau of Labor Statistics was 120.8% above 1939, the prices of chemicals and allied products had only advanced 92.5%—which certainly is sterling evidence of strong competition.

Not a Static Industry

Sixth, the chemical industry is not static. It is of necessity one of the most dynamic of American institutions. Past accomplishments and plans for the future testify to this.

Between 1913 and 1919, for example, investment in chemical manufacturing doubled in the United States. The industry has continued to grow at the rate of 10% a year, compared to a 3% average for all industry, until today chemicals and allied products rank sixth among the manufacturing industries in value of products sold. The chemical industry is exceeded in value of sales only by the food, iron and steel, petroleum and coal, machinery, and automobile industries. While prophecy may be dangerous, the President's Materials Policy Commission expects a five-fold increase during the quarter-century ending in 1975.

The industry cannot stand still, because in some respects it is like a funnel. Research and innovation, which are the industry's outstanding characteristics, pour in new products and new processes at the top, while chemicals and processes rendered obsolete drain out at the bottom.

There is much that remains to be done. Major problems remain unsolved. For example, the national health program—and this includes not only humans, but animals as well. Ways must be found to produce more food for our expanding population, and bring it to the table at less cost. Insects and plant diseases, rust and corrosion drain billions of dollars annually from our economy. These and many other problems obviously will not be solved by the chemical industry alone, but certainly it will make valuable contributions to the over-all industry effort in finding the solutions.

The Expansion of Petrochemical Industry

Another example of the chemical industry's ability to expand is the development of its most recent branch, the petrochemical industry. It is estimated that 85% of the establishments in the fast-growing petrochemical industry are located in the crescent-shaped area between Baton Rouge and Texas City. This is especially important to this Gulf Coast area, and is largely responsible for national recognition of the fact that Louisiana and Texas are outstanding chemical manufacturing centers.

Seventh, the chemical industry is not the chief beneficiary of the new and improved products developed by the research on which the industry spends a quarter of a billion dollars annually. The real gainer is the individual American citizen. Countless lives have been saved and many diseases conquered by products of chemical research. Our chances for recovery from pneumonia are 25 to one today, compared to three to one a generation ago. Compared to 20 years ago, the death rate from scarlet fever has declined 92%; from diphtheria and measles, 73%. Thanks to sulfa drugs and antibiotics, deaths from the more common bacterial infections of the blood are comparatively uncommon today. Yet, according to the American Medical Association, only 17 cents of the medical dollar was spent on drugs in 1950 compared to 21 cents in the period from 1935 to 1939.

Synthetic Textiles

There are the synthetic textiles which have contributed so much to easy living—but cotton remains king of the textiles, partly because of its natural qualities, but also because chemicals fertilize the soil, kill the weeds, size the yarn, bleach the cloth, and give cotton fabrics advantages unknown to our grandmothers.

Chemicals produced the detergents required by the automatic washers and dishwashers which relieve our wives of much of their old household drudgery. Chemicals helped produce the heat-resistant metals for jet airplanes, and the fuel which powers them. Without chemical insulation we couldn't have the widespread advantages of electricity.

The chemical industry, in brief, seeks constantly to create new materials that serve human needs better than existing materials, to improve all materials, and to improve processes so that production cost can be lowered and the savings used for other purposes. All this adds up to greater health, ease, and comfort, and a steadily rising standard of living for the individual American citizen. He is the chief beneficiary of the chemical industry's accomplishments, just as he is the chief beneficiary of all industry's accomplishments—yours as well as ours.

Now, leading into my next point, I first want to say that having reached this high plane of industrial accomplishment industry's responsibility does not end. Our proud boast that we have the highest standard of living in the world is quite meaningless unless we have the security to perpetuate it. The loss of this security is an ever-present threat, and industry has a continuing responsibility to help preserve what it helped create. In direct relation to this thought, I bring up now my next point which is:

Not An Independent Industry

That the chemical industry is not an independent industry—one which can stand alone—but rather one which is an integral part of America's vast industrial picture, a part of a closely integrated group of industries whose activities interlock like a jig saw puzzle, each piece depending upon all the others to accomplish its purpose. Only when the pieces are all in place does the picture emerge. We in industry know that our march of progress will require an environment which encourages us to push forward. The essential ingredients of such an environment are freedom and understanding. Freedom consists of more than the right to vote and own property and engage in commerce. It guarantees the incentives which spur men to their best efforts, the privilege to save and invest in the tools of production, and the independence to run their business without unnecessary interference. Whenever limitations have been imposed upon freedom, the progress of science and industry has faltered. We have seen it happen under fascism in Germany, under communism in Czechoslovakia, and under socialism in Great Britain.

American industry can play a major role in keeping that from happening here. We must be constantly alert to our enemies' efforts to divide us into hostile groups, weakening ourselves by internal strife for their advantage. We in industry form a vital cutting edge in this situation, and must do everything we can to thwart these subversive efforts with all of the strength at our command. Industry united can do it.

More Understanding of Industry By People Needed

My final point also has to do with industry in general rather than with the chemical industry alone. We believe it of the utmost importance that American industry today have the understanding of the people. We believe in industry's responsibility to see that this is accomplished. Therefore, my ninth and final "not" is this:

The chemical industry is not able to carry on the battle for understanding alone, nor does it have any desire to do so. In the world as it is, restless and uneasy, the winning of understanding is a task that challenges the efforts of all industry. Yet it seems to me that the heaviest pressure in this situation rests upon industry. The remarks which I am about to make I have said publicly before, but I believe the problem sufficiently serious to warrant repetition, if by so doing the desired results can be obtained.

Our enemies know well the importance of productive capacity in the world today, and against American industry they have sought to bring two powerful weapons—ignorance and lack of understanding. The American people must recognize the true source of their economic security and the part that industry plays in it. Unless they guide their efforts so that this security can be cultivated and protected, they are in peril of defeating their own ends. If, in their confusion, they unwittingly do things that ham-per and stultify the true source of security, the result could be so disastrous that there would be security for no one.

The economic laws, like the laws of nature, have no regard for motive. They function inexorably to penalize those who violate them, regardless of intention, and regardless of whether the violation comes through wilfulness or ignorance. The tragedy would be no less complete because those who brought it about were seeking the exact opposite result. There is alarming evidence that this is not understood by the rank and file of Americans, and I think that industry can serve a very real purpose here. It has the responsibility to do so because until very recently, industry has been guilty of the sin of omission with respect to acquainting the people with the facts. Some politicians, intellectuals, and labor leaders have been hammering at the rank and file of Americans for decades, pounding home the idea that the two best friends the average man has are the government and the labor unions. At the same time they stigmatized industry as selfish, predatory, and basically antisocial. While this was going on, industry until recent years did little or nothing to meet the attack. The battle was allowed to go by default, even though the facts lay on the side of industry.

Industry recently has made some progress in its effort to reach the minds of the people. The effort up to now, however, has consisted mainly of the long-range mass attack. Most of the approach has been by radio, television, and in the form of speeches like this to groups who for the most part already know the value of industry to the economy and need no convincing at all. It is obvious that these efforts haven't been very fruitful.

"Concentrate on Your Immediate Communities"

I believe that there is a more direct and more effective method. Let's stop trying to influence the nation, and concentrate upon our own immediate communities and publics. Get the understanding of our customers, our suppliers, our stockholders, our neighbors in plant communities, and last but not least, our employees and their families. These are people who know us. They may be more inclined to listen to us and believe us where their minds may be closed to unknown spokesmen from New York or Washington. I feel that we can win their support, once they understand. If we in our company and you in yours—if we in the chemical industry and you in yours—if all of us will create local understanding of what we are doing—how we do it—why we do it—and make clear who profits thereby — the cumulative effort will be irresistible. The situation demands the best efforts of all of us. If we make the effort, and attain at least part of the objective, much will be accomplished.

The chemical industry, with complete confidence in its own future and the future of the nation, is determined to make the effort; and I am happy to tell you the start has been made.

Reynolds Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Robert Wilber has been added to the staff of Reynolds & Co., 425 Montgomery Street. He was formerly with Schwabacher & Co.

Joins Goodbody Co.

(Special to The Financial Chronicle)

CLEARWATER, Fla.—Edgar F. Shilts is now with Goodbody & Co., 605 Court Street.

Continued from first page

As We See It

scribed as a state of maturity. We were by then a "mature" nation, so it was said. The frontiers were gone. Opportunity, so far as growth was concerned had disappeared. Further large accretions to our wealth could not be expected. Production-wise at least we had become fossilized, according to this philosophy.

In some circumstances such notions as these might well have been of no consequence to anyone other than a few philosphers or economic theorists or historians. But such was not to be our fate. The idea was promptly popularized and used to attract a political following among a thoroughly discouraged and discontented populace. The early New Deal was the result—with measure after measure designed to "improve the conditions of the poor" not by adding to production or to the efficiency of distribution, but by robbing Peter to help a Paul who had no hope of better things save by taking a larger share of a fixed production volume. Fantastically progressive tax systems, encouragement of labor organizations which were bent upon taking a part or, perhaps, all of what had been profits, subsidies to farmers, and more of the same order.

And Then, War

Then came war and a revelation of the utter fallacy of the "mature economy" notion as it had been so widely proclaimed. But the politicians of that day were nothing if not flexible and alert to the possibilities of changing whims. "Dynamic" and "expanding" as terms to be used in describing our economy, or at all events the economy to be desired, quickly replaced the word "mature," and so we proceeded in a direction opposite to that in which we had been traveling. But strangely enough, the procedures and the programs which had been developed as suitable means for redistributing wealth in a "mature" economy at once became the best to stimulate growth and to ensure us against another such depression as that which had so seared itself upon the memories of men in this country.

And so it happened that "dynamic" (antonym, originally, for fossilized), "stabilized" (that is, with another depression ruled out) and "expanding" (the opposite, obviously, of the "mature economy" which had been worshipped only a few years earlier) became the watchwords. Evidently such terms as these suggest a situation in which the youth of the country can look to the future with hope and faith. In some senses, they, of course, come very much nearer to describing in a realistic way what we see about us in the business world—and what we should have seen but slightly beneath the surface at the time the New Deal nonsense took fire among the people. Of course, neither we nor our economy has ever been fossilized or incapable of adaptation to changed or changing conditions. It is plain that we have never ceased save for short periods of time the long-term upward sweep of expansion.

Danger in New Slogans

But today we appear to be in danger of a gross overworking and a serious misinterpretation of these new slogans. The results may here too be damaging. We hear almost daily of industries which though not quite as active as they were, say a year ago, are chalking up a record which has been seldom surpassed or even equalled in our whole history. At the same time some commentator comes up with a statement that this, though good, is not nearly good enough for a "dynamic" or an "expanding" economy. It is but one step further to the assertion that some sort of panacea must be sought and adopted in order to keep ourselves moving ahead at the pace implied in the slogans of the day which, of course, have meanwhile acquired a political connotation which drives public officials beyond their will.

Then there is the word "stable"—which is in fact a word to conjure with. It would be a little difficult to say precisely what the popularly assigned meaning of the term is. It often appears to be regarded by the rank and file—and many more, too—much as an engineer thinks of what he terms a non-reverser roller rachet. That is a device which freely permits motion in one direction, but which locks at once when forces undertake to drive in the other direction. Few have any great interest in "stability"—in any real sense of the word—when their affairs are moving upward. It is only when demand, sales, prices, wages, or profits turn downward or threaten to turn downward that we hear about this very desirable characteristic called stability. One wonders if anyone anywhere has ever been really interested in stable conditions. What is usually wanted—although realization of it is often lacking—is one-way dynamics.

But this insistence of motion only in one direction can be quite dangerous. It is truly surprising to hear so many who should be more thoughtful begin to look for all sorts of nostrums to keep this or that activity at peaks just as soon as there is evidence that natural forces are tending or are likely to tend presently to bring some decline. It never seems to occur to such observers that activity may be excessive and that all concerned might be the better served if some readjustment were permitted to take place. It seems to us to be generally if not universally true that if natural forces are not sufficient to keep some economic activity going at rates to which we have become accustomed, then it would be better to accept the verdict than to force artificial activity upon the industry.

Let us not become victims of our own semantics.

Plastic Industry Adopts Statement of Principles

C. B. Branch, of Dow Chemical Co., Chairman of the Plastics Group of the Manufacturing Chemists' Association, Inc., announces approximately 500 companies identified with plastics production have already subscribed to principles which assure public of continued high standards in selection and manufacture of plastics.

It was announced from Washington, D. C. on June 4, that with 486 companies identified with the plastics industry already subscribing to the recently announced Statement of Principles of the Plastics Industry, the public can look forward to continued high standards in the selection and manufacture of plastics for consumer products.

C. B. Branch

C. B. Branch, of the Dow Chemical Co., Chairman of the Plastics Group of Manufacturing Chemists' Association, Inc., issued a statement indicating this prospect is now assured. Mr. Branch not only made public the number of companies which have so far endorsed the Statement of Principles, but also paid tribute to the plastics industry which opened its National Plastics Exposition and Conference in Cleveland, Ohio, on June 7.

"This segment of the chemical industry," said Mr. Branch, "has made a spectacular contribution to American well-being in the course of a very short span of time. The exposition, scheduled to be viewed by many thousands of persons, should do much to show the nation what the plastics industry has done and in what directions it is moving for even greater services."

The Statement of Principles of the Plastics Industry, which is being endorsed by additional companies each day, was prepared by executives of industry companies and was first made public March 8. Four major trade organizations participated in making the announcement on that occasion: The Manufacturing Chemists' Association, Inc.; the Society of the Plastics Industry, Inc.; the Society of Plastics Engineers, Inc.; and the Plastics Coatings and Film Association. Two other groups have been added in the interval: Proprietary Plastics Manufacturers Association; and the Society of the Plastics Industry, Canada, Inc.

The statement has been considered by industry executives to be desirable in view of the phenomenal increase in applications and new uses of plastics materials. These products, they say, present a continuing challenge to manufacturers and processors to apply materials in a manner that will best serve the interests of the public and industry.

The statement is based upon practices and policies of most manufacturers and processors in the industry and puts into words a philosophy by which they have sought to govern themselves. It enumerates four basic concepts which will bring to the industry and public alike all benefits, economies and satisfactions inherent in these versatile engineering and construction materials.

The four basic points are:

(1) To "understand thoroughly the properties and limitations of all plastic materials handled by us."

(2) "Apply the correct plastic materials to all industrial end uses, designing and engineering them for maximum value, performance and safety."

(3) To "use great care to select the correct plastic materials for all consumer items, designing them and engineering them to insure value, satisfaction, safety and pleasure to all users."

(4) To "sell plastic materials, and all industrial and consumer items made therefrom, on the merits of the materials, application and design, and free of extravagant, insupportable claims."

Of the signatories to date, 34 are members of the Manufacturing Chemists' Association, Inc.; and 452 are members of the Society of the Plastics Industry, Inc., and include firms in Canada, England, Germany, France, Brazil and Switzerland.

King Merritt Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Dudley H. Hosera, Jr. is now with King Merritt & Co., Inc., 1151 South Broadway.

Wm. B. Hoskins Opens

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — William B. Hoskins is engaging in a securities business from offices at 458 South Spring Street.

Claude A. Wells Opens

(Special to The Financial Chronicle)

CHICAGO, Ill. — Claude A. Wells is engaging in a securities business from offices at 135 South La Salle Street.

Carr F. Pross

Carr Frederick Pros, manager of the investment advisory department of Shearson, Hammill & Co., passed away June 9, at the age of 54.

Mutual Funds

By ROBERT R. RICH

Wiesenberger Reports on Periodic Plan Survey

"Mutual fund accumulation plans by which investors can purchase fund shares on a regular monthly basis, have increased 300% in the past two years and are likely to show further rapid growth in the years ahead."

That statement was made by Arthur Wiesenberger, senior partner of the New York Stock Exchange firm of the same name, in the 14th edition of "Investment Companies," published yesterday. The book, issued yearly by the Wiesenberger firm, describes the portfolio holdings, earnings, and performance data of 120 Mutual Funds and 53 closed-end investment companies. It contains also basic information on the operation and many uses of investment companies.

"Just three years ago," Mr. Wiesenberger explained, "there were only 28 mutual fund accumulation plans in existence. The 1954 edition of "Investment Companies" lists 92 mutual funds whose shares may be bought in this way. At the end of 1951, there were approximately 50,000 persons purchasing mutual fund shares through accumulation plans. Today, these invest-as-you-go plans have 200,000 investors who are investing $6,000,000 monthly or $72,000,000 yearly. This represents about 10% of 1953's gross mutual fund sales of $672,000,000."

By 1960, Mr. Wiesenberger stated, it is not unlikely that annual mutual fund sales will reach $1,500,000,000 and that by that time accumulation plan purchases will amount to about one-third of total sales.

Describing results of a special survey conducted by the research staff of Arthur Wiesenberger & Co., covering 60,000 accumulation plan fund accounts in 16 mutual funds which have offered such plans for several years, Mr. Wiesenberger said:

(1) "We have found that at the end of 1953, the average new investor in mutual fund accumulation plans began his plan with an investment of about $419 and that the average monthly investment thereafter was $76. The wide choice of programs offered investors through these plans has greatly increased their popularity. Some accumulation plans accept as little as $10 monthly; some have higher minimums; some have no specific requirements at all. With no upper or lower limit on the sums possible to invest monthly, even the smallest investor can begin a plan for systematic investment.

(2) "Inauguration this past winter of the New York Stock Exchange Monthly Investment Plan also has increased interest in acmumulation plans. Basic operation of the Exchange plan has much in common with mutual fund accumulation plans.

(3) "Not only do accumulation plans provide a sizable and growing new source of investment capital, but there are reasons for believing they are contributing an important new factor of support for security prices in declining markets. Investors consider accumulation plans as long-term investment programs. To yield the most satisfactory results shares should be purchased in declining as well as rising markets. Such regular purchases give investors the benefits of "dollar-cost-averaging," an increasingly popular investment technique explained in full in a special chapter of "Investment Companies."

(4) "While existing in one form or another for more than 20 years, it is only in the last few years that accumulation plans have been widely adopted by the great majority of mutual funds. Their growing popularity is due to their wide appeal. For one thing, younger people like them because they provide an incentive to set money aside for the future. With many years to look ahead, these younger investors want the chance for higher income and capital growth inherent in common stock investments. They have also attracted experienced but disillusioned investors who have learned the hard way that trying to buy stocks when they are low in price and to sell when prices are high, is more difficult than it looks. Mutual fund accumulation plans have proved ideal for investors stymied by the question, 'Shall I invest now?'. Since only a small part of the total amount the investor wishes to put into the plan is made at any one time, investors need not concern themselves with whether prices are high or low at any given moment."

COMMONWEALTH STOCK Fund reported total net assets, as of April 30, of $303,407 compared with $230,540 on Oct. 31, 1953. During this period 1,708 shares were sold and 554 shares repurchased. Unrealized appreciation increased from $1,718 to $48,031. Dividend income for the period totaled $5,832 and expenses amounted to $1,296.

THE NET ASSET value of The Stein Roe & Farnham Fund now amounts to $8,532,823.49 equivalent to $25.33 on each of the 336,922 shares presently outstanding. This compares with a net asset value of $6,579,499.84, or $21.63 per share, on June 10, 1953.

SIXTEEN companies represented in the holdings of Bullock Fund are currently engaged in one or more phases of the atomic energy program.

Shares of these companies held by Bullock Fund amount to more than 25% of the entire common stock holdings of this fund. The companies are Allis Chalmers, American Cyanamid, Bendix Aviation, Blaw-Knox, Boeing Airplane, Climax Molybdenum, Diamond Alkali, du Pont, Goodyear, Kennecott Copper, Phillips Petroleum, Radio Corporation, Standard Oil of California, Sylvania Electric, United Aircraft and Westinghouse.

DISTRIBUTORS GROUP, sponsors of Electronic and Electrical Equipment Shares, points out that the stock of companies active in the field of automation constitutes about 60% of the holdings of the fund.

Automation is the process by which materials and parts are handled automatically, with consequent reduction in costs. It is expected to become increasingly significant in industrial development.

The companies in this field whose stock is held by the fund are Allis-Chalmers, Bendix Aviation, Cornell-Dubilier, Cutler-Hammer, Elliott Company, General Electric, Radio Corporation, Sperry, Square D, Westinghouse Electric and Weston Electric.

TOTAL ASSET value of Selected American Shares as announced by Edward P. Rubin, President, now amounts to $31,120,816, equal to $14.69 a share. This compares with total value of $24,956,903 or $12.64 a share on June 15, 1953.

SHARES OF Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund will be split two-for-one on June 30, 1954. By vote of the Trustees, each shareholder will receive a distribution of one additional share for each share held.

Combined assets of the two Eaton & Howard Funds total over $140,000,000, owned by approximately 27,000 shareholders.

STEEL PRODUCTION and miscellaneous and lumber loadings, seasonally adjusted, have advanced during the last three weeks, but electric power and automobile production have declined, so that the Axe-Houghton weekly business index has shown only a moderate increase.

The ratio of manufacturers' new orders to inventories advanced slightly in April, at which point it had recovered three-sevenths of the decline from April 1953 to January.

This ratio showed little change from February to April, and in this respect the movement was similar to the 1949 recovery, when the ratio leveled off for several months following the initial sharp recovery in August and September. With respect to manufacturers' inventories, the principal difference between the present business recovery and the 1949 revival seems to be that today there has been relatively less correction of high nondurable goods inventories.

Manufacturers' inventories of nondurable goods seem indeed to have established themselves on a permanently higher level, since there has been little change in the total, according to the Department of Commerce, for 2½ years, and none whatever, net, since May 31, 1952, notwithstanding the fact that the existence of these high inventories has obviously been an important cause of unfavorable price situations in several leading kinds of nondurable goods such as textiles.

Manufacturers' inventories of durable goods, on the other hand, are now declining rather rapidly but from a relatively higher level than those of nondurable goods.

The general outlook with respect to inventories therefore remains inconclusive Axe states. The continued expansion of inventories of finished goods can hardly be considered a favorable indication, although it is true that finished goods inventories sometimes do not begin to show a substantial decline until recovery in general business activity is well under way.

In 1949, for example, raw material inventories began to decline five months before finished goods inventories, so that the decline in raw material inventories that began last January is quite possibly a forecast of a similar development in finished goods in the second half of 1954.

New car registrations, seasonally adjusted, showed a further increase in April, reaching a level at which 40% of the 1953 second-half decline had been recovered. But production has been topping retail sales slightly, building up dealers' inventories, so that the opinion in the industry seems to be that production will decline at least moderately until 1955 models are ready, beginning in October and Novemeber. Used car prices have declined less this year than last spring, when there was some overproduction of new cars, and the trend this year resembles that of the spring of 1951, when production was curtailed in the second half of the year but only because of shortages of materials and not because of any slackness in demand.

Putnam Fund Insurance Set for Labor Day

A spokesman for Putnam Fund, commenting on reports that other mutual fund sponsors had written their plans for term-insurance coverage of periodic investment plans, said, "A lot of talk is going around that 'everybody' is now abandoning their plans for combining life insurance with periodic investing programs. We aren't.

"We are not shelving our plan as other sponsors appear to be doing. In fact, we hope to have our plan completed within 60 days or less—with the probable announcement date set for right after Labor Day."

The spokesman said that Putnam Fund Distributors, Inc. and the management of The Putnam Fund have been making a comprehensive study of the idea of combining creditor's life insurance with "The Putnam Plan—for investing as you earn."

"We know," he said, "that the operation, clearance and sale of such a plan involves some problems at the beginning, but we do not feel they are unsurmountable.

"Our continuing interest is based upon a strong conviction that the insurance feature has a definite place in periodic investment programs and, when economically operated and prudently sold, will prove to be exceptionally worthwhile to investors."

Mutual Fund of Boston Holders Vote On Merger with New England Fund

Shareholders of Mutual Fund of Boston, at a special meeting on June 23, will vote on a proposal to merge their $2 million fund into Coffin & Burr's $8 million New England Fund.

Chief reason given to shareholders for the merger was the more economical operation of the combined companies. Under Massachusetts law — in this two-step proposal—approval of the holders of two-thirds of the outstanding capital stock is required upon the merger question, and a majority vote is then required to dissolve the corporation.

Shareholders learned that there was still some question with respect to Federal income taxes, if the merger takes place. The Federal Internal Revenue Service has refused to give an advance ruling on whether the transactions involved in the merger will result in a gain or loss to the Fund or the shareholders.

If gain or loss is not recognized, the shareholder's original total cost of his shares of Mutual Fund of Boston will be treated as the cost basis of the New England Fund shares which he receives, and he will not realize gain or loss until he redeems or sells the shares.

Shareholders were also told that Russell, Berg & Company, investment adviser to the Fund, will in the near future make changes in the nature and scope of operation which will result in changes in the personnel of that firm.

In this connection, Kenneth C. Leonard, partner, and Treasurer and director of the Fund, and three employees of Russell, Berg & Company, William DeFord and William H. Gasset, Vice-Presidents of the Fund, and David C. Hoover, Clerk of the Fund, will on July 1 become associated with a Boston investment counsel firm which is now an investment adviser to an investment company of the type as Mutual Fund of Boston. It is expected that this Leonard Group will, for themselves, clients and friends (who now hold 20% of Mutual Fund of Boston), redeem their shares of New England Fund after the merger takes place.

Meanwhile, Mutual Fund of Boston on June 10, cancelled its dividend reinvestment plan.

Continued from page 3

Television and Radio Still Going Great

part of salesmen to demonstrate and establish these values firmly in the mind of the consumer. It demands that we practice, from beginning to end, the basic plain and simple essentials of good business. Today's conditions do not permit inefficiency and non-productiveness at any level of the manufacturing and merchandising scheme of things.

This requirement for realism demands that a businessman maintain his faith in himself, his fellow citizens, his business and his country. It demands that a businessman realize that in America you don't wait for things to wear out before you replace them. You replace them because you want a better or newer product, with greater appeal or more convenience. That is typical of the American way of life and one of the keystones to our economy. The business realist knows that American consumer demands in both durable and consumer goods are always increasing.

Is There a Period of Relaxation Ahead?

The optimist believes that our wants are insatiable and our capacity for absorbing production unlimited. The pessimist feels that we now have "over production" or "market penetration." The realist, on the other hand, knows we have many accumulated wants that are not disclosed in cold statistics. He knows that America must continue to make progress, though not always at top speed. There must be periods of relaxation which call for good planning, hard work and hard selling if we are to keep the graph of progress always on the rise.

As distributors you have a golden opportunity to lift your retailers over this period of relaxation. By personal example you can show your customers the best and more effective methods of moving goods. You can make it a point to push the right brand merchandise, at the right time, at the right place. You are in a position to coordinate current demands of the ultimate consumer with available goods. For instance, this is the season for portable radios. Although millions have been sold for use on vacations, on motor trips and at the beach, the field has scarcely been touched, as you well know.

And only a short time ahead comes fall. The penetration of TV—let's not call it saturation—is substantial but with the gridiron attracting millions of viewers during the last quarter of the year, and with the return of outstanding TV programs and the debuts of new video features, the buying public cannot help but be in a more receptive mood for TV sales.

Second TV Receivers in Each Household

More and more it become evident that the day of the second TV receiver is with us. It will soon be a "must" that in a mixed household of adults and children, one screen will not be enough. The football game will hold the old man's attention for 150 minutes, but most of the youngsters will keep on demanding their Westerns at the same time. With your help and ours, through persistent and productful merchandising and promotion, we can see that peace is maintained in the family circle.

Figures can be twisted to produce the answers desired or at least something approximating the answers. A mathematical wizard could give you statistics to show that television and radio at this very minute are either in a glutted market or in a bonanza boom. We here in this room know that neither condition exists today. But conditions are nowhere near as bad as possibly some of you believe. Lapse of time has an eerie way of scaling down pad periods although we never forget those days when we were knee deep in clover.

As an example of statistical maneuvers, "let's look at the record" for 1953 and 1954, taking radio first and then television. Production of radio sets in March, 1953, totaled 1,550,000 units. Then when in April this production slid off to 1,150,000 units the apostles of annual doom proclaimed that the end was near. This decrease incidentally was approximately 26%. Keep this figure in mind for a moment.

In March, 1954, production totaled 930,000 units; in April, 740,000 units. This works out to a decrease of only 21% compared to the 26% of last year. Admittedly, the 1953 production for this period was higher to start with, but the seasonal fall-off this year gives support to our belief that the radio market will be sustained at a higher percentage level through the summer months than we were able to accomplish in 1953. And with this firmer support to start with, coupled with the added punch that will be given radio set promotion for the rest of this year, it can hardly be said that radios will be a "drug on the market." But to accomplish this we must get out and sell them with all the force we have at our command and all the skill we can display. It won't be easy but radio is far from a lost cause. There will be good money in radio sets for a long time to come. The market is there, but unless our merchandising drive reaches the potential buyer the market will lie dormant. How many of you distributors realize the potentials we did not tap last year? Actually, as published figures show, only about one family in four acquired a new radio in 1953. If through better promotion and harder hitting salesmanship we could have boosted sales to include one family in three, the increased demand for radios would have been equivalent to about four million units. A little extra effort spent here and there could well have made the great difference between a sluggish market and a most productful one.

Phonographs and Records

Although phonographs and records have not been mentioned so far in this talk, they merit attention. The growing field of high-fidelity instruments and their ready acceptance by a public that is becoming good-music conscious hold high hopes for great future development. Advances in the mechanics of recording have resulted in disks that produce high quality reproduction for a greater number of playings. It is not easy to make predictions that will stand up for six months but record manufacturers are looking on 1954 as a year that may set a new high for disk sales.

RCA is well aware of this trend in good music. Within a short time we will launch a carefully planned and vigorous campaign designed to promote our "Listener's Digest," a small library of top recordings. We have been working on this campaign for many months and believe that the final plan will maintain its drive from the pressing plant straight through to the purchaser. No level will be missed. Sales and display aids for distributor and dealer will be provided in number, and the usual variety of newspaper and publicity material will be included. We have high faith in the effectiveness of this particular campaign.

Color Television

I have purposely left the subject of Color Television to the last on the basis that the final words of a talk are those most likely to be longest remembered.

RCA recently completed its initial production run of color TV receivers embodying the RCA Tri-Color picture tube. These sets were well accepted by the trade.

The RCA Victor color television receivers to be introduced this fall will employ the new and very latest RCA shadow-mask 19-inch tube.

The continued efforts of our research men and engineers to improve color tubes are producing results and creating new opportunities to advance color television. RCA's tri-color tube will be larger and brighter. Its stem will be even shorter than the tube we planned to use only two months ago. The new tube utilizes the full face plate of the 19-inch bulb, thereby affording color pictures of approximately 205 square inches in area.

The major feature of this new tube is a new gun. RCA recently developed a shorter, high efficiency, three-gun assembly which produces outstanding brilliance and picture quality with increased stability. The tube does not require any change whatsoever in the circuitry of the color television receiver.

We are convinced that with this brighter, larger, more stable and more economical new tube, RCA Victor color television receivers will not only maintain, but enhance our present television receiver position.

The year 1954 will be remembered as the year that color television made its start as a regular service; 1955 will be known as the year of transition from black and white to color with increasing interest and effort on color. After that, the curve of color growth should turn sharply upward. The acceptance of color and color sets already has convinced us that the American television audience will absorb as many units as the industry can produce.

During this year and next, RCA believes the demand for color sets will exceed the supply. According to our estimates, the industry should be able to sell about 50,000 sets in 1954, and several hundred thousand in 1955. During 1956, we believe sales of color sets will reach about 1,750,000; in 1957, about 3,000,000 and in 1958, 5,000,000.

Today, color TV reception is possible in 35 cities coast to coast and by the year's end, 125 TV stations should be equipped for color broadcasts. This service will then be within reach of 75% of American homes.

Our first 5,000 sets were sold despite the fact that color programs were being broadcast only a few hours a week in only a few markets. But when NBC in October inaugurates its series of 90-minute shows, conceived as "spectaculars," their appeal will give color TV that "shot-in-the-arm" which all of us have been waiting for. These shows, ranging across the vast panorama of show business and embracing the most celebrated of producers and directors and stars, will bring present black-and-white TV set owners into retail stores for demonstrations and sales of the new color models. Truly, 1954 and 1955 should go down in history as the years that launched color television on a national scale.

Taking all of these signs and portents together there would seem to be only one conclusion to draw. We—manufacturers, distributors and dealers, all of us—must cooperate as a team to insure that the goods we have to sell are brought to the attention of those who are prospects for our product and then to clinch the sales by available effective means. It was an American philosopher who said: "The hearing ear is always found close to the speaking tongue." Our story, if it is told properly to the buying public, will find the hearing ear, and we will profit materially from the experience.

Railroad Securities

New York Central

The third of the major 1954 railroad proxy fights has now gone down in history and in each instance the insurgent group has come out ahead. Management slates were defeated by independent stockholders of Minneapolis & St. Louis; New York, New Haven & Hartford and New York Central. Only in the case of New York Central, however, is the management change complete. In the Minneapolis & St. Louis case the former President was continued in office and a number of the former directors carried on as the opposition had not presented a full slate. In the case of New Haven the fight was close and as the company has cumulative voting the opposition elected only a bare majority of 11 out of a 21-man Board of Directors.

New York Central does not have cumulative voting and as the insurgent group polled the majority of the votes cast an entirely new Board of Directors has taken over. Also, a new President has been elected and presumably there will be other important management changes in the near future, if they have not already been announced by the time this column is in print. This is the first time in many, many years that there has been such visible evidence of unrest and dissatisfaction on the part of stockholders. As a result of the success that has attended all three attempts to overthrow incumbent management there has been considerable speculation among railroad analysts as to the likelihood that the trend may spread next year to other railroads whose stocks sell at low levels and where post-war earnings and dividends have been disappointing.

The new Board of Directors have elected Mr. Alfred Perlman, formerly Executive Vice-President of the Denver & Rio Grande Western, as President of New York Central. Mr. Perlman, on the basis of what he and his associates have accomplished on the Rio Grande since that company emerged from bankruptcy, is generally acknowledged to be one of the top railroad men in the country. New York Central is a different proposition, however, without the dynamic territorial growth characteristics that have been such a boon to Rio Grande, and with many specific operating problems inherent in the territory and the type of business conducted. In assuming his new role as President and chief executive officer of New York Central, Mr. Perlman expressed considerable confidence in the future of the property, while admitting that any successful program would take an extended period to complete.

There has been considerable improvement in Central's operating status in the past year or so even though no really substantial earning power has been developed. There are, as stated above, many basic difficulties inherent in the operation. One of these is the particularly large passenger business—there are few railroads in the country that derive so large a proportion of gross from passenger revenues as Central. This is traditionally an unprofitable phase of railroading, and is compounded in the case of Central by the large ratio of commuter traffic.

Also, because of the nature of the territory and the relatively short distances between main traffic centers, the company handles a large amount of short haul freight tonnage where terminal and yard costs are disproportionately high. These are weaknesses that can not be entirely eliminated, although their effect may be modified, by management. In the meantime, and regardless of what the long term developments under new management may be, there can be little question but that 1954 earnings will fall considerably short of the $5.27 a share earned last year. For the four months through April the company just about broke even ($1.59 a share earned a year earlier) but this interim 1954 showing was made possible only by a sharp increase in non-operating income which can hardly be continued throughout the year.

Halsey, Stuart Group Offer Jersey Central Power & Light Bonds

Halsey, Stuart & Co. Inc. and associates offered yesterday (June 16) $6,000,000 of Jersey Central Power & Light Co. first mortgage bonds, 3¼% series due June 1, 1984, at 102⅛% and accrued interest, to yield 3.14%. The group won award of the issue at competitive sale on June 15 on a bid of 101.54991%.

Net proceeds from the sale of the bonds and the approximately $5,500,000 to be received from the sale of additional common stock to General Public Utilities Co. will be applied to the company's construction program and to the repayment of bank loans incurred in connection with the construction program.

The new bonds will be subject to redemption at regular redemption prices ranging from 105.33% to par, and at special redemption prices receding from 102.13% to par, plus accrued interest in each case.

Jersey Central Power & Light Co. provides electric service within an area of approximately 1,528 square miles, or about 20.3% of the total area of the State of New Jersey. Territory served at retail includes all or portions of 131 municipalities in the north central and east central parts of New Jersey with a population of about 530,000. The company also supplies electric service at wholesale to the boroughs of Lavallette, Seaside Heights, Madison and Butler, which have a combined population of approximately 16,000 and to a small Rural Electrification Administration Cooperative.

For the 12 months ended March 31, 1954, the company had total operating revenues of $27,982,767 and net income of $4,090,885. For the year 1953, operating revenues amounted to $27,320,005 and net income was $3,754,460.

Associated with Halsey, Stuart in the offering are: The Milwaukee Co.; Thomas & Co.; Mullaney, Wells & Co.

Continued from page 5

The Challenge of Atomic Energy

the many economic studies on reactor systems which have been carried out by the Commission, its contractors, and independent industrial study groups. All groups agree that power from nuclear reactors will probably be competitive with conventional systems in the near future.

These studies have been extremely valuable in focusing attention on areas where substantial cost reductions can be realized. Some of the enthusiasts for economic analysis have even gone so far as to state privately that the major source of our increased confidence stems from economic studies rather than technical advances. In attempting to guard against overemphasis on economic studies, Dr. Henry Smyth recently remarked, "I have occasionally been so blunt as to suggest that if the price of power from coal-burning plants was 1 mill per kilowatt hour, our enthusiastic advocates of nuclear power would produce a fully documented analysis showing that nuclear power prices could reasonably be expected to get down to the 1 to 1.5 mill range."

While I am sure that all of us realize that economic studies are necessary if the program is to make sense, most chemical companies are also familiar with plants or processes that are extremely attractive from the standpoint of economic analysis but are lacking in one vital requirement—namely, they don't work. This brings us to the third point I wish to discuss; that is, the present position of our technology and its relation to economical nuclear power.

"Technological Breakthrough"

All of you have probably heard reference to the term, "technological breakthrough," as applied to nuclear power reactors.

Much of our recent confidence in nuclear power stems from solid technical achievements in the reactor field in the past few years. It may be of interest to summarize some of these events. The generation of power by three different types of reactors has been demonstrated. The experimental breeder reactor was the first to demonstrate the substantial generation of electric power. This was followed by a similar demonstration in the aqueous homogeneous reactor and most recently power generation was demonstrated by the Submarine Thermal Reactor.

The principle of breeding has been demonstrated in the Experimental Breeder Reactor which converts non-fissionable U^{238} to fissionable plutonium at a rate faster than its U^{235} fuel is consumed. This is one type of breeding that is possible. Another type, the conversion of non-fissionable thorium to fissionable U^{233}, is now under active investigation, with good prospects for success. The establishment of the feasibility of breeding is an important technological advance in that it vastly increases our potential supply of nuclear fuels.

Chemical processing methods have been greatly improved, with respect to economy, efficiency and simplicity of operations and equipment. This is an especially significant advance toward the production of economical electric power from nuclear fuels, because if one can "breed" new fuel in his reactor, the major item of cost associated with new fuel is the cost of chemical processing to separate and purify it.

Recent reactor experiments contributing to our greatly increased confidence in the safety of nuclear reactors are particularly important because at one time reactors were considered to be sensitive and inherently dangerous installations which should not be located near population centers or other important areas. The demonstration that reactors may be constructed to be inherently safe rather than inherently dangerous makes it feasible to locate reactor installations near raw materials, manpower or marketing centers, which, in turn, makes nuclear energy much more attractive.

Out of these developments, coupled with others which I will mention later, a five-year power reactor development program has been formulated. Under this program, major emphasis is to be placed upon the advanced development and construction of five reactors of varying size and cost. These are the pressurized water reactor that is to be constructed and operated by the Duquesne Light Company of Pittsburgh, Pa., an intermediate-sized breeder reactor, a reactor using boiling water as a method of heat extraction, a larger version of the liquid fuel homogeneous reactor and a liquid-metal-cooled reactor.

If the five-year power reactor development program is successful in every phase, we should by 1960 have seen a demonstration of the performance of each of the five reactors mentioned earlier. This does not necessarily mean that by 1960 all of these reactors will be producing economically competitive electric power. Rather it means that by 1960 we should have much better information on the basis of which to select the most promising reactors for further development.

It is especially appropriate that I speak of the challenge and the opportunities of nuclear power to a group representing Chemical Industry because our conceptions of central station power plants using nuclear fuel to produce economical electric power are coming to look more and more like chemical plants.

For this reason, it is in the fields of chemistry and chemical technology that greatest scientific effort of the atomic energy program is concentrated. To illustrate: among the nearly 14,000 scientists and engineers directly employed by the Atomic Energy Commission and its contractors, there are approximately 2,500 chemists and 1,700 chemical engineers—30% of the scientific effort devoted to chemistry and chemical technology. This is more than twice the scientific effort in any other single field.

Radioisotopes

As important and interesting as the nuclear power field is, it is not the only challenge of atomic energy. The Oak Ridge National Laboratory, as the Atomic Energy Commission's center for radioisotope production and distribution, does over a million dollars of business a year in radioisotopes alone. And we feel that we have only scratched the surface. Plans are being made to construct in the near future a chemical plant that will separate from irradiated reactor fuels quantities or radioactive fission products that are equivalent to pound quantities of radium.

New uses for radioisotopes are well reported, and I will not dwell on them except to point out that the increasing demand for large quantities of radioisotopes for radiation sources in teletherapy units and in industrial radiography is a major factor in our need for the fission product chemical separations plant.

Other radioisotopes that are not found among the by-products of nuclear fission are also increasing in demand. An interesting new radioisotope, thulium 170, has recently attracted some attention. It has the property of emitting very pure, soft gamma radiation that is promising for certain uses as a radiation source. Thulium is one of the fission products elements, but it is formed with such small yields that other methods must be used for radioisotope production purposes.

To me, the major challenge of the radioisotopes field of atomic energy lies in discovering new applications for these unique energy sources. Surveys already made under the auspicies of the AEC have suggested several rather interesting opportunities for industrial participation in the production and processing of radioisotopes as well as for possible new applications of radioisotope energy sources in industry.

Summary

To summarize and complete my comments on the present situation, I would like to emphasize the following points:

(1) There are available now the fundamental physical data and technological information needed to form the basis for a large-scale program of power reactor development aimed at accomplishing specific objectives within five years. The major problems are now fairly clearly recognized. Most of them are chemical in nature.

(2) An advanced reactor development program is now being initiated, and by 1960 the most promising approach to the production of economical electrical power from nuclear fuels may be clearly indicated.

(3) The need for nuclear fuels as a source of energy has been evaluated, and it seems most likely that if large quantities of energy cannot be provided by nuclear fuels in 1975 at costs competitive with today's costs, the real cost of energy in the United States may start increasing.

(4) The magnitude of the nuclear power industry that can be foreseen now on the basis of the best available estimates is such that extensive participation by industry will surely be required, if indeed private industry does not ultimately carry the entire load.

(5) Important steps have already been taken both by industry and by the AEC to increase industrial participation; and amendment of the Atomic Energy Act to permit still greater industrial participations is under consideration.

I should like to turn our attention now to some problems that face us.

Sufficient information is now available for the conceptual design of many types of reactors that may be of interest. It is increasingly evident that a substantial burden of detailed design, construction and operation must rest on the shoulders of the chemists and chemical engineers. I would like at this time to outline the types of problems which will become increasingly important with elapsing time.

In the field of power reactor development, it now seems important to find economical solutions to the following problems:

Raw Materials

Since to our present knowledge the United States is not blessed with large deposits of rich uranium and thorium ores, we must assure ourselves of adequate raw material supplies by developing low-cost methods of recovering uranium and thorium from low-grade ores in large quantities. There are numerous types of ores, each presenting a different set of processing problems.

As we move toward higher performance in our reactors of advanced design, the requirements placed upon materials of construction become more severe. Desirable properties for materials of construction include low neutron absorption characteristics, high strength at elevated temperatures, corrosion resistance and as much immunity as possible to the damaging effects of intense radiation.

As an example of the development of new materials, I should like to mention the development of zirconium technology. From theoretical considerations, zirconium should have the low neutron absorption characteristics necessary for reactors. The fact that all commercial varieties of zirconium did not have this valuable property was found to be due to the hafnium impurities. As soon as the Oak Ridge scientists determined that pure zirconium was a valuable structural material, a method for the successful large scale separation from hafnium was developed in a few months—a problem which had baffled chemists for decades when the motivation was lacking.

A more recent ORNL contribution has been the discovery that the presence of small quantities of the radioactive fission product, technecium, which is not found in nature but must be separated from irradiated reactor fuel, will inhibit corrosion—under certain conditions at least—making materials that ordinarily corrode easily corrosion resistant.

Another fairly recent development is the finding that titanium has corrosion resistant properties that make it attractive for use as a reactor structural material.

The problems in structural materials are typified by our experiences with zirconium and titanium. First, we had to discover that they were good materials. Now, it is necessary to obtain adequate supplies of these formerly exotic materials and to reduce their costs. Techniques for fabrication and welding of zirconium and titanium pose new problems.

In connection with materials of construction for reactors, I want to emphasize one very important point. At the Oak Ridge National Laboratory we have the oldest reactor in the world. It has been operating for about 12 years. It has practically no structural metal in it, being made up mostly of concrete and graphite. So we have no experience to tell us how long structural materials will last in an operating reactor. For power reactors in particular, the integrity of structural materials—their ability to stand up under severe conditions for long periods with little or no maintenance—is important. Perhaps structural materials will lose their desirable characteristics — they may even crumble—after long exposure to reactor operating conditions. Some materials certainly do. It is a problem.

Fuels, Moderators and Coolants

It is in the choice of fuel, moderator and coolant that the greatest degree of flexibility in reactor technology exists. The decision that is made here can create or eliminate many problems affecting every other aspect of the reactor business from raw materials to waste disposal.

For fuel one can have natural uranium, enriched uranium U^{233}, plutonium or perhaps some synthetic mixture of these with each other or with thorium. He can have metal, alloy, oxide, salt, solution or slurry, to name some of the possibilities.

At the Oak Ridge National Laboratory, we are emphasizing the development of fluid fuel technology that seems to us to have some very attractive advantages. It eliminates the expensive steps of metallurgical preparation of fuel elements. It reduces radiation damage problems. Fluid fuels are easier to handle; they can be processed continuously while the reactor is in operation. But they have problems, too. Corrosion is a bad one. Also, the chemistry of solutions at elevated temperatures is little known. Radiation decomposition of the liquid is a problem with which the reactor designer and operator must cope.

Other types of fuels have their advantages and disadvantages; choosing the right combination is important.

Many different moderators are available to choose from, too. Graphite, water and heavy water are the ones that have been most frequently used. Heavy water is probably the best moderator of all, but it requires an insotope separation. Problems of availability and cost are strong factors affecting its use. The moderator, whether it is heavy water or something else, must be compatible with the fuel under reactor operating conditions; and this introduces a new set of problems.

For coolants, the possibilities are almost unlimited, ranging from air or other gases to liquid metals. Major factors affecting the choice of coolant are neutron absorption characteristics, heat transfer properties and compatibility with the fuel and moderator. Here, I might point out that heat removal presents a great challenge because in every reactor operated to date the limiting factor on reactor power has always been the rate at which heat can be carried out of the region in which it is produced. A very small reactor could produce amazing quantities of power if one could keep it from overheating.

At the high temperatures that are desired for power reactors, corrosion by the coolant is frequently a severe problem. Methods of preventing, or at least minimizing, corrosion under severe conditions must be found.

Chemical Processing

If one can overcome the problems mentioned up to now and can get his reactor designed, constructed and into operation, then he must face the problems of chemical processing to remove the fission products from his nuclear fuel and, if he has a breeder or converter reactor, to recover the new fuel he has manufactured. Because of radiation hazards he must perform all processing operations by remote control and must even be prepared to maintain his operating plant equipment be remote control. He must avoid getting enough fuel in one place under the right conditions to set up a nuclear chain reaction in his chemical processing plant. He must remove the undesirable products of fission and corrosion without losing any of the fuel.

For a liquid-fueled reactor, the ideal chemical process would yield a "cleaned up" fuel in the same chemical form, in the same solution and at the same concentration as required for recharging into the reactor. For reactors using solid fuels, the most desirable process would avoid, or at least simplify, dissolving the fuel and would yield a product in proper form for reprocessing into new reactor fuel.

In any case, to achieve economically competitive power costs, it is necessary that chemical processing costs be kept low.

Radioactive Waste Disposal

Safe and economical disposal of radioactive wastes is a problem of increasing importance as reactor technology advances toward more widespread applications. The handling, storage and disposal of solid, liquid and gaseous wastes from reactor and chemical processing operations are problems affecting public health and safety. They must be correctly solved.

To illustrate the progress that has been made: in 1948 the situation was such that Dr. Conant, a well-informed and far-sighted scientist, expressed grave doubts that economical nuclear power would ever be possible because of the complexity of problems associated with waste disposal. Today, this no longer seems to be an insurmountable problem.

By-Product Utilization

One may consider nearly all radioisotopes as by-products of reactor operation. It may be that the success with which the problems of production, separation and utilization of the fission products and other radioisotopes are solved will strongly influence the costs of electric power or the profit from power reactor operation.

These are not all the problems in atomic energy development and exploitation, or even all the types of problems. But they will serve, perhaps, to justify my saying earlier that a substantial burden of atomic energy development at this stage rests upon the shoulders of the chemists and chemical engineers—and therefore ultimately on chemical industry.

Solutions to the problems I have mentioned are known now, as is amply demonstrated by the success of the Atomic Energy Commission's production operations. But these are not necessarily the best solutions; they are only the best that could be provided under the circumstances.

Under the Atomic Energy Commission's present program, better solutions are being sought out and developed. But we who are working within the Commission's vast organization certainly have no monopoly on ingenuity, talent or experience. We regularly turn to industry for help in fields where they are recognized to be more expert than we can be. And I should like to point out that chemical industry has more scientists and technical personnel working on research alone than the Atomic Energy Commission has within its entire organization, for all types of work.

Increasing Industrial Participation Needed

We all recognize now that increasing industrial participation is required to assure adequate progress toward the goal of economical electric power produced from nuclear fuels. The AEC has established an Office of Industrial Development to serve as a contact point between the AEC and industrial firms desiring to explore with their own funds the commercial applications of atomic energy. A policy of permitting industry to utilize the unique facilities of the Commission for atomic energy work has been adopted; and plans are being made to broaden the program, permitting the use of AEC-owned facilities for tests that industry may wish to perform. It was recently announced that irradiation facilities in the Materials Testing Reactor will be made available to industry for their own use. The Atomic Industrial Forum has been established and is being encouraged by the AEC by providing them with a Depository Library for the government-published information on atomic energy so that they can be well informed on the program and thus serve industry in a more competent and valuable way. Numerous advisory committees have been established to explore various aspects of cooperative teamwork between the AEC and industry.

In short, there exists a framework within which industrial participation in the atomic energy program is possible and is encouraged. I do not say that the present provisions for industrial participation leave nothing to be desired or that they give industry complete freedom to follow any course of its own choosing. But certainly a start can be made by any industry; and more than that, it can be a well informed start that will result in significant progress. The opportunity is available now.

It is unquestioned that the day will arrive when our supplies of low-cost coal, oil and other fuels will not meet the demand, and at that time it will be necessary to use more expensive fuels with a resultant higher cost of the energy produced. The question is, when? And can we be ready at that time to produce from nuclear fuels large quantities of electric power that will cost no more than electricity costs today?

In the United States nuclear energy would be in great demand now only if its cost were lower than that of energy from conventional sources. And there are already situations where that is the case. Just such a situation led the Army to explore the possibility of utilizing nuclear energy to supply power for its remote bases where fuel and power costs are very high indeed.

As an illustration of how industry gets into the atomic energy business, I would like to comment on the Army power reactor program. To provide a reactor of known reliability, simplicity and reasonable cost, the Oak Ridge National Laboratory worked with Army representatives in determining requirements, specifications and other necessary criteria for design. They utilized in their basic design improvements that were suggested by experience with the submarine reactor and the MTR. This experience has made it possible for simplifications in design to be made and for industry to submit, with confidence, lump sum bids for construction of the reactor.

The pattern of progress in this case may turn out to be typical. Basic development and design work was carried out by the AEC's installations. The need for a reactor for a specific purpose was recognized, and the AEC installation collaborated with the interested party in reaching a suitable final design. Industry is called upon to build the reactor. Further responsibility of the Commission installations is limited to acting in a consulting capacity when called upon.

The Duquesne power reactor plan follows a similar pattern. These are significant and substantial steps toward greater exploitation of atomic energy.

A major challenge to the Atomic Energy Commission and its installations today is to demonstrate that economical production of electric power from nuclear fuel is a goal that can be attained. In my opinion it must be American industry that ultimately meets the challenges of attaining the goal and exploiting the attainment. I do not see how the Atomic Energy Commission, within itself, can meet the estimated energy requirements from nuclear fuels in the year 2000, or even in 1975, to mention two dates that I have commented upon. Nor do I think that anyone seriously entertains the notion that it should be done by the Atomic Energy Commission alone.

I would urge all of you to assess your own position and interests in atomic energy in the light of how it might affect your energy costs and how it might offer you opportunities for increasing profits or services. Determine the extent to which you can afford to participate in the atomic energy program now and later. Develop a planned program of participation and make your proposal to the Atomic Energy Commission. Take advantage of the opportunities to obtain atomic information and informed guidance in making your plans. Participate now and start building an experienced staff for increased participation in the future. Seek out and develop the opportunities for atomic energy utilization in your own industry.

The challenge which faces us is a formidable one, but the stakes are too high to think of failure. It is not only that the economic well-being of the country is at stake, but industry's performance in this field may well determine our national prestige and ultimately our chances for a peaceful world.

Forms H. R. Hudsen Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—H. R. Hudsen is engaging in a securities business from offices at 210 West Seventh Street under the firm name of H. R. Hudsen Co.

J. P. Clay Opens

ARLINGTON, Va.—J. P. Clay is engaging in a securities business from offices at 3709 Wilson Boulevard.

Gilbert Howell Co. Formed

LITTLE ROCK, Ark.—Gilbert Howell is engaging in a securities business from offices in the Exchange Building, under the firm name of Gilbert Howell Company.

With Pflueger & Baerwald

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Shelley Chastain is with Pflueger & Baerwald, Mills Building, members of the San Francisco Stock Exchange. Mr. Chastain in the past was with the Anglo-California National Bank of San Francisco.

Rejoins Hornblower Weeks

(Special to The Financial Chronicle)

CHICAGO, Ill. — Donald E. Levinson has rejoined the staff of Hornblower & Weeks, 134 South La Salle Street. He has recently been with Thomson & McKinnon in their Ft. Lauderdale, Florida, office.

With McCarley & Co.

(Special to The Financial Chronicle)

ASHEVILLE, N. C.—M. H. Cox has been added to the staff of McCarley & Company, Inc., Jackson Building.

Joins Central Republic

(Special to The Financial Chronicle)

LINCOLN, Neb.—John E. Huston has become associated with Central Republic Company. Mr. Huston for many years was with Waddell & Reed, Inc.

Public Utility Securities

By OWEN ELY

Southern California Edison Company

Southern California Edison serves a population of 3,400,000 in central and southern California, including the cities of Long Beach, Santa Monica, San Bernardino (served jointly with another utility), Alhambra, South Gate, etc. As agent for the United States, it operates some of the generating units at Hoover Dam on the Colorado River, transmitting a considerable amount of power for its own use. About 29% of generated power last year was hydro (plus 10% purchased from Hoover Dam), while steam units provided 55% and another 6% was purchased. However, hydro power was below normal last year—in 1952 hydro power considerably exceeded steam.

Revenues in 1953 were 37% residential, 8% farm, 21% commercial, 25% industrial, and 9% wholesale and miscellaneous. The territory served by the company includes large areas devoted to farming, truck farming, and fruit growing, much of which is made possible by irrigation. Industrial activity is well diversified between oil, iron and steel, aircraft, cement, tires, chemicals, electronics, automobiles and food products. During 1953 the largest single industrial consumer of power accounted for only 1.3% of revenues, and the ten largest industrial customers together accounted for only 6%.

Harold Quinton recently became President of the company and also President of the Edison Electric Institute. In a recent talk before the New York Society of Security Analysts, he remarked, "The recent growth of the area we serve in Southern California has repeatedly been characterized in superlatives. The record of the company's growth serves to justify their use. We discovered at the end of 1953, for example, that Southern California Edison had added 319,000 customers over the preceding five years, more than any other electric company in the country. That growth is continuing. In 1953 we installed nearly 75,000 new meters which was more than we had added in any previous year, and thus far this year they are coming on our lines at an even greater rate. The population of our territory has increased some 80% since the end of World War II. Peak demand and killowatt-hours transmitted have increased at about the same rate. Investment in electric plant has increased $418 million, or 113%."

Despite this rapid growth, share earnings have been handicapped by the company's substantial write-offs. In the last 25 years these have exceeded $100 million consisting of some $52 million of prior securities retired, $33 million of stock and bond discount and expense, and the write-off of about $17 million of plant, principally intangibles. These figures do not include the postwar frequency change program, involving charges to income over the three years 1946 to 1948 of about $34,500,000, nor the more recent extraordinary plant subsidence costs totalling over $6 million. Despite these write-offs, book value on a corporate basis increased from $25 a share in 1945 to $33 as of March 31, 1954.

In its residential business the company is handicapped by very severe competition from low-cost natural gas, which partially explains the relatively low kwh consumption of 1,829 kwh—a figure well below the national average. President Quinton feels, however, that the company has a future opportunity to build up its residential load through greater use of appliances — in the past they have been too busy providing new plants to undertake promotional work.

Southern California Edison in the postwar period has more than doubled its effective steam capacity but earnings still vary as much as 60¢ a share due to changing hydro conditions. There has been some improvement this year over the bad 1953 conditions, but hydro is still well below normal.

The company this year is spending about $73 million for plant, compared with a five-year average of $67 million. It has sold common stock in each of the past three years and has now attained its objective of a 40% junior equity (common equity and preference). New money requirements for the balance of the year of about $25 million will probably be raised through sale of bonds or preferred stock.

The company's request for increased rates is expected to be decided by the California Commission with a few weeks. President Quinton estimated that "if we were to receive the rate increase in full and it were in effect for a full 12 months, our earnings per share on the number of shares we have assumed to be outstanding at the end of 1954 would be in the neighborhood of $3.75." This estimate is understood to be based on average water power conditions, normal growth, etc. For the 12 months ended March 31, earnings were only $2.42 a share, due largely to adverse hydro conditions.

The stock is currently selling around 43 to yield 4.65%.

Two With California Fund

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Ronald V. Dunbar and Jacqueline Schreiner have become affiliated with California Fund Management Company, 606 South Hill Street.

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The State of Trade and Industry

"results largely from a higher level of new home building than was expected."

Steel Output Scheduled to Show Fractional Rise in Latest Week

Steel ingot production reached its highest level since February, touching 73% of capacity in the past week after climbing two points over the preceding week, says "Steel," the weekly magazine of metalworking. The 73% level is only 2.5 points below the year's high mark recorded in January.

The increase in the national rate resulted from gains in Wheeling, St. Louis, Birmingham, the Far West, Detroit, Cincinnati and, from revised rates for the preceding week, in Cleveland and Pittsburgh. Operations declined 1 point to 82.5% in Chicago and to 57% in the Mid-Atlantic district, while holding unchanged at 69% in Youngstown, 52% in New England and 67.5% in Buffalo, it states.

Some people, "Steel" notes, think the ingot rate is about as high as it will go for a while. They think it will turn down during the summer vacation and then recover, perhaps, in the fall. On the other hand, some people who have been rather pessimistic about the steel business are exhibiting some optimism and think there'll be a gradual upswing in the second half. The second half starts only two and one-half weeks from now, it adds.

Expectations of a strengthening in the steel business aren't predicated on protective buying against a steelworkers' strike, since it's too late to hedge against a strike. A strike can come at the end of the next two weeks. However, most of the bets are still against a strike.

Steel users, it states, haven't even shown an interest in trying to beat a price rise that might stem from a new wage contract for the steelworkers. Users look at it this way: A small increase in steel prices won't matter much. Effects of such an increase might be counteracted by price concessions the steel producers are making, such as waiving of extras and absorbing of freight charges, it declares.

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 73.5% of capacity for the week beginning June 14, 1954, equivalent to 1,752,000 tons of ingots and steel for castings, as against 1,746,000 tons and 73.2% (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 71.8% and production 1,712,000 tons. A year ago the actual weekly production was placed at 2,183,000 tons or 96.8%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Electric Output Advances in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, June 12, 1954, was estimated at 8,658,000,000 kwh., according to the Edison Electric Institute.

The current figure represents an increase of 412,000,000 kwh. above the preceding week, and an increase of 413,000,000 kwh., or 5.0% over the comparable 1953 week and 1,532,000,000 kwh. over the like week in 1952.

Car Loadings Decline 11.2% in Memorial Day Week

Loadings of revenue freight for the week ended June 5, 1954, which included the Memorial Day holiday, decreased 76,977 cars or 11.2% below the preceding week, according to the Association of American Railroads.

Loadings totaled 612,315 cars, a decrease of 163,174 cars or 21% below the corresponding 1953 week, which did not include the holiday, and a decrease of 71,932 cars or 10.5% below the corresponding week in 1952, which did not include the Memorial Day holiday, but was affected by a strike in the steel industry.

U. S. Auto Output Shows Gain Of 21% Above Week Ago

The automotive industry for the latest week, ended June 11, according to "Ward's Automotive Reports," assembled an estimated 114,533 cars, compared with 95,015 (revised) in the previous week. The past week's production total of cars and trucks amounted to 134,595 units, advancing 21% above last week's output of 111,314 units.

Last week, the agency reported there were 20,042 trucks made in this country, as against 16,299 (revised) in the previous week and 17,742 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 4,790 cars and 1,019 trucks last week, against 7,062 cars and 1,312 trucks in the preceding week and 8,093 cars and 2,945 trucks in the comparable 1953 week.

Business Failures Edge Lower

Commercial and industrial failures dipped to 206 in the week ended June 10 from 218 in the preceding week, Dun & Bradstreet, Inc., reports. However, casualties were notably higher than last year when 167 occurred or in 1952 when there were 175. Mortality remained below the prewar level; the toll was down 26% from the 279 in the comparable week of 1939.

Failures with liabilities of $5,000 or more declined a little to 182 from 193 in the previous week, but exceeded considerably the 146 of this size recorded in the similar week a year ago. Small casualties, involving liabilities under $5,000, dipped to 24 from 25 last week and compared with 21 in 1953. Liabilities in excess of $100,000 were incurred by 21 of the failing businesses, as against 16 a week ago.

All industry and trade groups except retailing had slightly lower failures during the week. A somewhat sharper decline brought construction casualties down to 29 from 37. Contrary to this downturn, retail failures rose slightly to 105 from 99. Mortality equalled or exceeded last year's level in all lines except wholesaling; the sharpest increases from 1953 appeared in manufacturing and construction.

Most geographic regions reported mild declines, including the Pacific States. The toll in the East North Central Region fell more sharply, to 17 from 32. Only two areas had heavier mortality during the week; Middle Atlantic failures climbed to 79 from 59 and South Atlantic to 21 from 14. More concerns failed than last year in six of the nine geographic regions. Casualties were twice as numerous as a year ago in the South Atlantic and West South Central States. In contrast to this general rise from 1953, three regions showed declines: the New England, East North Central and East South Central States.

Wholesale Food Price Index Shows Further Mild Drop

The wholesale food price index, compiled by Dun & Bradstreet, Inc., showed a further mild dip last week, following the sharp drop of a week ago. The index fell to $7.36 on June 8, from $7.38 a week earlier, and the all-time high of $7.46 registered two weeks ago. The current figure compares with $6.54 last year, or a rise of 12.5%.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Shows More Firmness in Latest Week

A somewhat firmer trend was visible in some of the major commodity markets last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., closed at 274.30 on June 8, up slightly from 274.00 a week earlier, comparing with 276.32 a year ago.

Irregular movements featured grain markets the past week. Although wheat was moderately lower for the week, the market displayed a firm tone at times, as new crop grain started to move to terminals with most of it scheduled for storage, presumably for impounding under the government loan.

Depressing influences in wheat included the improvement in crop prospects as the result of good rains and limited domestic and export demand.

Oats and rye were fairly steady throughout the week. Volume of trading in grain and soybean futures on the Chicago Board of Trade declined sharply in the holiday week, but daily average purchases at 43,900,000 bushels, compared favorably with the 42,400,000 for the previous week.

Domestic flour business continued at a disappointing rate. Buyers were inclined to hold aloof until the Winter wheat movement is in full swing in the Southwest and bookings of both hard and soft wheat flours were restricted to small lots for immediate and nearby. Cocoa values continued to move sharply lower.

The easier tone reflected indications of a substantial movement of the Brazilian midcrop and expectations of active selling of the Dominican crop during the next few months.

Warehouse stocks of cocoa declined slightly to 103,438 bags, from 108,268 a week earlier, and compared with 159,543 bags at this time last year.

Raw sugar prices advanced moderately in active trading, stimulated by the expectation of a broader demand for the refined product with the advent of warmer weather. Following the preceding week's dip, coffee prices moved sharply higher last week. Demand was stimulated by the announcement that Brazil had boosted its government-guaranteed price for coffee, and reports of increasing damage to the Brazilian crop because of rains. Loose lard in the cash market was selling at the lowest price since early February. In the Chicago livestock market, steers and hogs were slightly higher for the week, while lambs declined moderately.

Spot cotton prices were mostly steady and continued to hold in a narrow trading range. Supporting factors included fairly active price-fixing and moderate purchases by domestic mills of new crop cotton.

Foreign demand for both old and new crop cotton was quite active.

Tending to hold advances in check were reports of some curtailment by sheeting mills and further heavy loan repossessions. Reported sales in the 10 spot markets were smaller and totalled 47,100 bales, against 68,800 the previous week, and 35,000 in the like week last year. CCC loans entries reported in the week ended May 28 totalled about 400 bales, while loan repayments in the same week were 107,500 bales. CCC stocks of 1953 loan cotton as of May 28 were reported at 5,505,900 bales.

Trade Volume Dips Below Previous Week and Year Ago

Retail sales in the period ended on Wednesday of last week decreased from the previous week and were below the year-ago volume for the similar period.

Installment buying was much less than that of a year ago, and retailers' collections were less prompt.

Consumers continued to spend proportionally larger amounts on soft than hard goods.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be 4% to 8% below the level of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: South 0 to —4; New England —5 to —9; Midwest and Southwest —6 to —10; Northwest —7 to —11; East and Pacific Coast —8 to —12.

Apparel sales declined noticeably last week in women's and children's lines. The most highly promoted women's items included beach wear, handbags, jewelry, blouses, stoles and lingerie. Increases were registered in men's suits and haberdashery in most parts of the country and sales topped those of the past several weeks. Dress shirts, ties and robes were in improved demand as some Father's Day gift buying occurred.

Food purchases continued heavy last week with housewives giving more attention to meat and dairy items.

Instant coffee continued to gain at the expense of ground types and tea sales climbed higher. Margarine was consistently popular.

Total retail household sales the past week were markedly below last year's level. Cooling devices, hardware and metal furniture led sales, and barbecue and picnic items sold well.

Throughout the country an increasingly large proportion of major appliance sales were reported made by discount houses direct to consumers.

Showrooms and car lots were generally crowded with cars rather than customers.

Wholesale activity in the period ended on Wednesday of last week improved substantially as compared with the preceding week but continued below the level of 1953.

Apparel buyers thronged to market centers in many parts of the country and were expected to place most of their Fall orders in the next few weeks. Buying was reported cautious so far, slightly below levels of last year, in spite of widespread agreement that values were generally improved.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended *June 5, 1954 declined 18% below the level for the preceding week. In the previous week *May 29, 1954, an increase of 8% was reported from that of the similar week in 1953. For the four weeks ended June 5, 1954, a decrease of 6% was reported. For the period Jan. 1 to June 5, 1954 department store sales registered a decrease of 3% below the corresponding period of 1953.

Retail trade in New York City the past week, according to trade observers, was expected to approximate the sales volume of the like week a year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended *June 5, 1954, registered a drop of 14% below the like period of last year. In the preceding week, *May 29, 1954, an increase of 15% was reported from that of the similar week in 1953, while for the four weeks ended June 5, 1954, a drop of 3% was reported. For the period Jan. 1 to June 5, 1954, a decrease of 1% was registered from that of the 1954 period.

***In using year ago comparisons, allowance should be made for the fact that this year stores were open six days whereas in the corresponding week last year stores in most districts were closed on Saturday in observance of the Memorial Day holiday.**

American Exchange Nominating Comm.

Edward T. McCormick, American Stock Exchange President, has announced the election of Edward J. Bowler, Thomas J. Heffernan, William H. Riess, Jr., and James T. Tobin, as Class A members of the Exchange's Nominating Committee for the ensuing year. All are regular members of the Exchange.

Edward J. Cohan, Pershing & Co.; Rudolph Deetjen of Emanuel, Deetjen & Co., and Charles E. Stoltz of Charles E. Stoltz & Co., were elected Class B members of the Nominating Committee, according to the announcement.

Joins H. L. Robbins & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — William H. Brazil has become connected with H. L. Robbins & Co., Inc., 40 Pearl Street. He was previously with Townsend, Dabney & Tyson.

Three With Slayton Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Charles E. Brown, Roy O. Foss, and Reva A. Jennings have become connected with Slayton & Company, Inc., 408 Olive Street.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Gilbert H. Schubert has been added to the staff of Dean Witter, 632 South Spring Street.

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 20	§73.5	*73.2	71.8	96.8
Equivalent to—					
Steel ingots and castings (net tons)	June 20	§1,752,000	*1,746,000	1,712,000	2,183,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	June 5	6,466,350	6,431,350	6,422,400	6,408,700
Crude runs to stills—daily average (bbls.)	June 5	¶7,144,000	7,020,000	6,764,000	7,168,000
Gasoline output (bbls.)	June 5	24,160,000	*22,914,000	22,660,000	24,330,000
Kerosene output (bbls.)	June 5	1,933,000	2,336,000	1,872,000	1,971,000
Distillate fuel oil output (bbls.)	June 5	9,625,000	9,459,000	9,557,000	10,983,000
Residual fuel oil output (bbls.)	June 5	8,128,000	8,293,000	8,015,000	8,312,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 5	173,704,000	172,855,000	175,874,000	151,045,000
Kerosene (bbls.) at	June 5	24,559,000	23,416,000	20,210,000	23,676,000
Distillate fuel oil (bbls.) at	June 5	74,757,000	71,224,000	63,939,000	76,467,000
Residual fuel oil (bbls.) at	June 5	46,502,000	46,433,000	44,668,000	42,453,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 5	612,315	689,292	647,954	775,489
Revenue freight received from connections (no. of cars)	June 5	543,399	592,719	588,414	643,410
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 10	$325,516,000	$204,387,000	$344,045,000	$368,684,000
Private construction	June 10	160,009,000	107,377,000	200,358,000	214,580,000
Public construction	June 10	165,507,000	97,010,000	143,687,000	154,104,000
State and municipal	June 10	124,153,000	66,724,000	109,021,000	121,863,000
Federal	June 10	41,354,000	30,286,000	34,666,000	32,241,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 5	6,450,000	*7,235,000	6,775,000	9,014,000
Pennsylvania anthracite (tons)	June 5	469,000	567,000	426,000	676,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	June 5	97	105	123	118
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 12	8,658,000	8,246,000	8,438,000	8,245,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 10	206	218	248	167
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 8	4.634c	4.634c	4.634c	4.417c
Pig iron (per gross ton)	June 8	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	June 8	$28.25	$28.58	$27.58	$39.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 9	29.700c	29.700c	29.700c	29.675c
Export refinery at	June 9	29.700c	27.625c	29.575c	29.800c
Straits tin (New York) at	June 9	93.750c	94.500c	93.500c	91.750c
Lead (New York) at	June 9	14.250c	14.250c	14.000c	13.250c
Lead (St. Louis) at	June 9	14.050c	14.050c	13.800c	13.050c
Zinc (East St. Louis) at	June 9	11.000c	10.500c	10.250c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 15	99.70	99.25	99.91	91.58
Average corporate	June 15	110.34	109.97	110.88	102.13
Aaa	June 15	115.04	114.66	115.82	105.69
Aa	June 15	112.19	112.00	112.75	103.80
A	June 15	199.97	109.79	110.52	101.14
Baa	June 15	104.31	104.14	104.66	97.94
Railroad Group	June 15	108.88	108.70	109.42	100.16
Public Utilities Group	June 15	110.52	110.34	110.88	101.97
Industrials Group	June 15	111.25	111.07	112.37	104.14
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 15	2.52	2.55	2.51	3.12
Average corporate	June 15	3.15	3.17	3.12	3.62
Aaa	June 15	2.90	2.92	2.86	3.41
Aa	June 15	3.05	3.06	3.02	3.52
A	June 15	3.17	3.18	3.14	3.68
Baa	June 15	3.49	3.50	3.47	3.88
Railroad Group	June 15	3.23	3.24	3.20	3.74
Public Utilities Group	June 15	3.14	3.15	3.12	3.63
Industrials Group	June 15	3.10	3.11	3.04	3.50
MOODY'S COMMODITY INDEX	June 15	430.2	439.0	438.5	410.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 5	289,462	239,769	298,213	382,192
Production (tons)	June 5	223,307	241,709	237,514	233,423
Percentage of activity	June 5	81	91	87	87
Unfilled orders (tons) at end of period	June 5	427,655	364,150	429,184	596,571
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	June 11	106.76	107.24	108.34	106.17
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 29	958,824	1,014,227	1,090,970	684,124
Dollar value	May 29	$43,646,639	$45,526,035	$52,036,873	$32,335,081
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	May 29	985,582	1,002,577	1,110,720	553,347
Customers' short sales	May 29	5,667	4,685	8,162	7,483
Customers' other sales	May 29	979,915	997,892	1,102,558	545,864
Dollar value	May 29	$41,910,730	$43,666,483	$50,707,069	$21,828,731
Round-lot sales by dealers—					
Number of shares—Total sales	May 29	325,430	298,180	358,470	178,030
Short sales	May 29	------	------	------	------
Other sales	May 29	325,430	298,180	358,470	178,030
Round-lot purchases by dealers—					
Number of shares	May 29	290,460	319,420	355,060	280,580
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 22	415,970	354,430	388,830	248,470
Other sales	May 22	11,291,000	9,978,370	10,184,860	7,084,890
Total sales	May 22	11,706,970	10,332,800	10,573,690	7,333,360
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	May 22	1,234,440	1,100,400	1,138,740	773,080
Short sales	May 22	246,080	224,130	227,530	109,920
Other sales	May 22	996,130	934,070	890,610	625,720
Total sales	May 22	1,242,210	1,158,200	1,118,140	735,640
Other transactions initiated on the floor—					
Total purchases	May 22	405,630	312,200	319,800	209,250
Short sales	May 22	19,400	14,400	24,600	14,500
Other sales	May 22	414,830	283,330	310,310	224,860
Total sales	May 22	434,230	297,730	334,910	239,360
Other transactions initiated off the floor—					
Total purchases	May 22	425,460	358,742	348,860	295,650
Short sales	May 22	57,780	40,390	41,750	57,760
Other sales	May 22	398,970	384,047	381,365	326,435
Total sales	May 22	456,750	424,437	423,115	384,195
Total round-lot transactions for account of members—					
Total purchases	May 22	2,065,530	1,771,342	1,807,400	1,277,800
Short sales	May 22	323,260	278,920	293,880	182,180
Other sales	May 22	1,809,930	1,601,447	1,582,285	1,177,015
Total sales	May 22	2,133,190	1,880,367	1,876,165	1,359,195
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	June 8	110.5	*110.7	111.0	109.6
Farm products	June 8	96.5	*97.8	99.0	96.6
Processed foods	June 8	105.8	*106.2	106.9	104.2
Meats	June 8	96.4	97.7	99.1	93.9
All commodities other than farm and foods	June 8	114.4	*114.4	114.4	113.5

*Revised figure. ¶Includes 726,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of April	120,434	122,339	102,071
Stocks of aluminum (short tons) end of April	63,246	58,494	15,257
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of May	7,467,000	6,970,937	9,997,080
AMERICAN ZINC INSTITUTE, INC.—Month of May			
Slab zinc smelter output all grades (tons of 2,000 pounds)	73,654	*70,258	82,422
Shipments (tons of 2,000 pounds)	64,566	*70,618	84,250
Stocks at end of period (tons)	209,828	*200,740	92,452
Unfilled orders at end of period (tons)	38,624	31,702	43,271
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. (U. S. DEPT. OF LABOR)—Month of Mar. (000's omitted):			
All building construction	$882,861	$637,444	$941,960
New residential	487,238	*335,113	570,623
New non-residential	294,416	*220,516	267,693
Additions, alterations, etc.	101,207	*81,814	103,644
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of May (in millions):			
Total new construction	$3,082	$2,808	$2,960
Private construction	2,090	1,930	2,013
Residential building (nonfarm)	1,064	972	1,012
New dwelling units	935	855	885
Additions and alterations	103	93	105
Nonhousekeeping	26	24	22
Nonresidential building (nonfarm)	493	465	451
Industrial	165	169	191
Commercial	170	152	129
Warehouses, office and loft buildings	71	69	53
Stores, restaurants, and garages	99	83	76
Other nonresidential building	158	144	131
Religious	42	40	35
Educational	43	39	32
Social and recreational	18	16	13
Hospital and institutional	28	27	26
Miscellaneous	27	22	25
Farm construction	145	127	161
Public utilities	379	358	377
Railroad	34	36	36
Telephone and telegraph	54	50	53
Other public utilities	291	272	288
All other private	9	8	12
Public construction	992	878	947
Residential building	31	32	50
Nonresidential building	399	383	371
Industrial	149	146	158
Educational	171	165	140
Hospital and institutional	32	29	33
Other nonresidential building	47	43	40
Military facilities	74	67	113
Highways	310	230	243
Sewer and water	83	79	71
Miscellaneous public service enterprises	17	15	15
Conservation and development	63	59	75
All other public	15	13	9
COAL OUTPUT (BUREAU OF MINES)—Month of April:			
Bituminous coal and lignite (net tons)	28,050,000	30,940,000	Not Available
Pennsylvania anthracite (net tons)	1,952,000	*2,204,000	1,987,000
COKE (BUREAU OF MINES)—Month of April:			
Production (net tons)	4,693,562	*5,146,189	6,543,601
Oven coke (net tons)	4,658,394	5,109,543	6,031,684
Beehive coke (net tons)	35,168	*36,646	511,737
Oven coke stock at end of month (net tons)	2,860,189	2,718,856	2,008,587
CONSUMER PRICE INDEX — 1947-49 = 100 — Month of April:			
All items	114.6	114.8	113.7
Food	112.4	112.1	111.5
Food at home	111.8	111.4	111.1
Cereals and bakery products	121.1	121.2	118.0
Meats, poultry and fish	110.5	109.5	106.8
Dairy products	104.6	108.0	109.0
Fruits and vegetables	110.0	107.8	115.0
Other foods at home	113.6	112.3	110.4
Housing	118.5	119.0	117.0
Rent	128.2	128.0	122.1
Gas and electricity	107.6	107.6	106.5
Solid fuels and fuel oil	123.9	125.8	123.6
Housefurnishings	106.1	107.2	107.8
Household operation	116.9	117.5	114.3
Apparel	104.1	104.3	104.6
Women's and girls	98.4	99.0	99.4
Men's and boys	107.1	107.2	107.3
Footwear	116.1	116.1	114.8
Other apparel	90.4	90.0	92.1
Transportation	129.1	129.0	129.4
Medical care	124.9	124.4	120.2
Personal care	112.9	114.1	112.5
Reading and recreation	106.5	108.2	107.9
Other goods and services	120.2	120.1	117.9
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of March (000's omitted)	33,031,911	33,112,429	31,804,817
Revenue from ultimate customers—month of March	589,223,000	596,954,000	558,999,000
Number of ultimate customers at Mar. 31	50,078,218	50,033,503	48,641,921
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of May (1935-39 average=100)	104.5	104.6	119.8
PORTLAND CEMENT (BUREAU OF MINES)— Month of April:			
Production (barrels)	21,709,000	20,084,000	21,802,000
Shipments from mills (barrels)	23,567,000	18,740,000	20,891,000
Stocks (at end of month—barrels)	27,045,000	28,906,000	4,773,000
Capacity used	93%	83%	93%
U. S. GOVT. STATUTORY DEBT LIMITATION—As of May 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	273,484,781	271,046,794	266,519,913
Guaranteed obligations not owned by the Treasury	80,453	79,825	52,310
Total gross public debt and guaranteed obligations	$273,555,234	$271,126,620	$266,572,224
Deduct—other outstanding public debt obligation not subject to debt limitation	562,754	554,613	603,064
Grand total outstanding	$273,002,479	$270,572,006	$265,969,159
Balance face amount of obligations, issuable under above authority	1,997,520	4,427,993	9,030,840
ZINC OXIDE (BUREAU OF MINES)—Month of April:			
Production (short tons)	10,074	11,172	17,563
Shipments (short tons)	12,827	11,167	17,246
Stocks at end of month (short tons)	17,109	19,862	28,551

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Financing American Exports Under Increasing Competition

ance in their present predicaments.

The views of the management of the Export-Import Bank are not universally shared in this country. A memorandum submitted by the Citizens' Advisory Committee appointed by Senator Capehart, states in part:

"Already we find that the foreign competition built by American dollars has led to the dumping of foreign products in the United States. The result is that the taxpayer in the United States first pays to build up the competition and then as a competitor must meet the cutrate price."

Secretary of the Treasury Humphrey said:

"I do want to make clear to everyone that the government must question both its right and its financial ability to use taxpayers' money to finance investments abroad on a large scale in the development of competitive enterprises."

Many of our business leaders feel that the Export-Import Bank should offer its services to American manufacturers and commercial houses to enable them to meet foreign competition and prevent the recurrence of conditions which existed in the early '30s when cheap labor, depreciation of foreign currencies and the sale of credit rather than merchandise enabled the European nations and Japan to almost force the United States out of the Latin American markets.

The Board of Directors of the Illinois Manufacturers' Association issued the following statement on Oct. 1, 1953:

"The Illinois Manufacturers' Association is cognizant of the fact that United States manufacturers and exporters are now facing intense competition in world markets from other industrial countries; that European and Japanese exporters, through the assistance of their governments, are able to extend longer credit terms than United States manufacturers; that United States manufacturers stand to lose some of their foreign markets unless they meet this growing competition. The resolution of the Board included the following recommendations:

"That the activities of the Export-Import Bank be concentrated on the financing of exports from the United States and imports into the United States through loans and guarantees to United States companies and individuals who cannot obtain credit facilities in adequate amounts from commercial banks because of the terms and duration of the credits;

"That the primary consideration for the financing should be direct assistance to American manufacturers and exporters without regard to the size of the enterprise or of the particular transaction; and

"That loans or guarantees should not be extended for the development in other countries of enterprises competitive to United States industries."

You may ask why is this need for intermediate- and long-term credit facilities not met by American banks? Why is it necessary to have a government agency in this business?

Commercial Banks Can Furnish Only Short-Term Credits

As you know, the funds lent by American commercial banks are primarily deposits of their customers, which can be withdrawn on demand, and it has been the policy of prudent bank management to protect its depositors by liquidity of its funds. This policy is also expressed in banking legislation. The major share of bank loans and investments have therefore relatively short maturities. It is for this reason that American banks are not interested in the extension of long-term foreign credit.

American manufacturers seeking the financing of their foreign bills without recourse find no response from their bankers. A commercial bank waiving recourse would be financing the buyer in the foreign land rather than its customer. The bank would forego the security of the dollar and the protection of American laws. It would be subject to the hazards of exchange fluctuations and changing exchange regulations and the uncertainty of foreign laws. It is of course impossible for an American bank to evaluate future conditions, foreign exchange rates and regulations of any given country.

You may ask why should the Export-Import Bank or any other government agency assume such hazards and risks at the taxpayers' expense. The answer is quite simple: government agencies do not lend funds which can be withdrawn on demand and are therefore not faced with the problem of liquidity. They can impose conditions on the foreign borrowers and obtain guarantees of their governments which eliminate most of the hazards of exchange fluctuation and repayment restrictions. The history of the Export-Import Bank operations for the past 20 years fully confirms these advantages. The loss of the bank since it has been in existence has been negligible and fully covered by earnings. From Feb. 2, 1934 to June 30, 1953 the Export-Import Bank authorized loans in a total of $6,307,186,251. This business has been transacted at a net profit of about $407 million, $83.4 million of which has been paid to the United States Treasury in dividends. The remainder is carried in reserves for losses and contingencies. Losses written off totaled $279,562. Loans in default on June 30, 1953 amounted to $219,076. The loss ratio is less than one-hundredth of 1%.

Extended Credit Insurance in Foreign Countries

Our competitors do not lack financial facilities for the extension of long credit terms. Government export credit insurance is maintained by major countries including Belgium, Canada, France, Germany, Great Britain, Japan, Italy, Holland, Sweden and Switzerland.

The risks covered, with some slight variations, are political—war, revolution, etc.; commercial—insolvency of buyer or failure to pay economic—exchange restrictions and embargoes, cancellation of export or import licenses, or imposition of export restrictions. All of these countries have facilities for long-term credit financing whether through special government institutions or private institutions under government guarantee.

Canada's Export Credit Insurance Corporation this year increased its capital to $15 million and the limit of its liability to $200 million as compared with $100 million previously in effect. The object of the increased capital, according to the annual report of the Corporation, is to lengthen the credit terms brought about by competition from other countries.

The competition in credit terms brought about a change in the attitude of American exporters. While the majority of exporters were against government insurance 10 years ago, most exporters now favor such insurance. Credit insurance on foreign transactions, however, is not written in the United States either privately or by the government. Private insurance companies are exposed to the same hazards of exchange restrictions, changing regulations and transfer problems as the banks.

It is apparent that American exporters are now faced with competition of foreign governments rather than ordinary trade competition. The long credit terms extended do not cover normal trade requirements but are used as a subsidy in exports and an incentive to foreign buyers. This competition cannot be met through commercial channels. It can only be met by government action and is a matter of diplomatic negotiation. In view of our sacrifices and the assistance we are rendering to friendly nations, our allies should do everything possible to avoid a trade war.

Until corrective remedies are devised our exporters must be assisted to meet the intensifying credit competition. This can be accomplished by allocating a special fund at the Export-Import Bank for credit insurance or guarantees to be extended to American exporters. This fund should be clearly earmarked for the specific purpose of helping American exporters and no one else so that it could not be used for development projects or other projects in foreign countries.

As an alternative, and in view of the opposition by the management of the Export-Import Bank to export credit insurance, a government export credit insurance agency should be established to cover political, economic and commercial risks. Such an agency could be self-sustaining and if operated on a sound business basis would not impose any burdens on the American taxpayer.

I believe that the creation of such facilities would serve notice on the rest of the world that we will not tolerate indiscriminate credit competition; that we will not relinquish our foreign markets. Such a notice will have a sobering effect upon our friends and enemies.

Whether a special fund is established at the Export-Import Bank or a government export credit insurance agency is created, we must act now, before we are driven out of certain markets, rather than try to dislodge our competitors after they have entrenched themselves.

With First Cleveland

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Clarence W. Scott is now affiliated with The First Cleveland Corporation, National City East Sixth Building, members of the Midwest Stock Exchange.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Raymond E. Ashley has become associated with Goodbody & Co., 140 Federal St. Mr. Ashley for many years was with Goodbody & Co.

Joins Lamont Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Paul W. Hatch has become associated with Lamont & Company, 89 State Street. He was formerly with King Merritt & Co. and Edward E. Mathews Co.

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The Paper Industry Commands Financial Respectability

dustry's raw material was being dumped here at low prices it encouraged companies to lower their paper prices, particularly the non-integrated mill which is wholly dependent on market pulp and which, because of the low Scandinavian prices had a distinct advantage over the integrated mill. Today that situation has changed radically and Scandinavia now supplies less than 2½% of this country's total wood pulp requirements and less than 13% of this country's market plup requirements. Therefore the effect of the price of Scandinavian pulp has been minimized.

To revert now to the operating ratios, I know that you are interested in what to expect for the year 1954 and future years. First, let us look at 1953. In that year the paper industry operated at 95% and the board industry at 91%. Planned increases in capacity from Jan. 1, 1954 to Jan. 1, 1955 are 302,000 tons in paper and 458,000 tons in board. Percentage-wise these amount to a total of 2.7% for the combined industry as against a long-term average growth trend of 4.7%, certainly nothing to cause concern. Operating ratios for the first four months of this year averaged 93.8% for paper and 89% for board. Predictions are that production for the paper industry for the years 1954 and 1955 will come very close to that of 1953, plus or minus 1 or 2%. To all intents and purposes the paper industry should remain stable. Not being as familiar with the paperboard field as I would like to be, I hesitate to do anything more than average out the forecasters and say that operating ratios should be between 85% and 90%.

You will note that I have avoided mentioning any figures on earnings. I have done so for two reasons. First, because you have the earnings of the various companies in the industry to date. In fact when I want to find out anything about earnings trends in the industry, I invariably turn to one of your associates as you are better posted than any other source I know. Secondly, and more important, forecasting earnings is nothing but an invitation to go way out on a limb. I am attempting to give you the basic facts as I see them but I will leave it to you who are more experienced in the crystal-ball-gazing field than I am, to transpose those facts into earnings. However, I can't help but point out this one fact, that in 1946, when mills operated at about 95% capacity, profits on sales after taxes were 8.5% while in 1949, when operating ratios were down to 84%, profits as a percent of sales were 8.6%.

No Pulpwood Drain in U. S.

At this point I would like to digress for a moment to a field that is the backbone of our industry and about which many questions are asked. Remember, I do not pretend to be an expert but what I offer you is a brief resume of those who are. The field is the basic raw material of the industry, namely, pulpwood. Before I go any further I would like to point out that the pulpwood drain of the United States forest resources iis comparatively small. Unfortunately, the 1944-45 Forest Survey is the latest official set of figures available, but even though the pulpwood drain may have increased since that time, it would not change the relative positions to any great extent. In that period lumber used 49.1%, firewood and fence posts 16.1% and pulpwood 9.6%. It is interesting to note that losses from fire, insects and disease amounted to 10.8%. Today the estimated figures put pulpwood even with firewood and fence posts at approximately 25,000,000 cords annually. Long range forecasts, however, put domestic pulpwood requirements as high as 39,000,000 cords in 1975 or a 56% increase providing the same ratio of pulpwood importations from Canada, presently estimated at 8% of total requirements, remains. Is such an increase possible? Again for an answer I refer to the ingenuity of the industry and the answer is "yes," although certain factors today could easily make you skeptical.

At the present time the drain and new growth is close to being in balance, though this will vary depending on geographic location. In the Northwest, for instance, drain exceeds growth because there still remains virgin timber that has not been touched and until it is cut, new growth will not take place. However, in every area, the problem is recognized and the industry is taking steps to assure themselves of future wood supplies whether they expect to own the wood or not. What is being done?

First, everything possible is being done through science and education to minimize the loss by fire and disease.

Secondly, modern forest practices of selective cutting, planting and farming are being carried out on privately owned lands and through education on the farmers' lands.

Thirdly, wherever possible the industry is using high-yield pulping processes to increase the amount of pulp acquired from the wood.

Fourthly, they are increasing the use of hardwood which, at the moment, is plentiful.

Fifthly, they are making more and more use of so-called waste wood from logging and industrial wastes.

It is also interesting to note that pulp and paper companies in the United States own approximately 26,000,000 acres of forest lands and employ 1,133 technical foresters. With these activities already under way and with industry scientists working on the problem daily, whatever problems may arise will be overcome.

A Long Range View of the Industry

Now for a look at the long range picture of the industry, for to me that is the important one. I have already pointed out to you the steady growth trend that has existed for many years and I also explained that the two factors that were most influential were the increase in population and the continual development of new uses for paper. Today the population of the United States is 158,000,000, in 1960 it is expected to be 180,000,000 and in 1975 it will probably be between 220 and 225,000,000. Just this increase in population alone would call for a substantial increase in paper and board production, but couple this with the growth trend of per capita consumption brought on by the inventiveness of the industry and you can see why some people are predicting a doubling of present production by 1975.

I have one last point I would like to make and that is if the projected increased capacity is justified and if the industry is to keep just a shade ahead of it, as it should, then we are going to require your help. There are very, very few companies who can hope to finance a doubling of capacity in the next 20 years out of earnings. That is, not if the stockholder is to receive his just dividends, not if Uncle Sam continues to take his 52% and not if depreciation is maintained on the present unrealistic basis. I do not have to tell you that our industry requires heavy capital investment. It appears to me, therefore, that here is an opportunity for you to further your partnership with us, a relationship that should be beneficial to both.

Let me conclude by quoting Dr. Louis T. Stevenson, formerly economist for the American Paper and Pulp Association and presently economist for Tucker, Anthony and Company: "Observation for over fifty years shows clearly that the consumption of paper in the United States because of the constant development of new uses, grows faster than the population, faster than the Gross National Product and that while this growth in consumption slows down with general business activity, it is a well established fact that in the past, the bottom of each such slowdown has been higher than the next previous one. The industry is undoubtedly a growth industry and this factor continues to operate." To this, may I add the words "stability" and "financial respectability."

slower rate of gain than in some recent years.

In general, we face the future with great confidence in our industry and in our own company, for we know we have the flexibility and vitality to meet the changing conditions in our market and economy today.

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Transformations in The Tobacco Industry

to pay for them. As dollars have become more available, import restrictions and controls have increased. We have exported leaf tobacco from this country for over 300 years and that export is a prime concern of the Commodity Credit Corporation and the Department of Agriculture.

Unfortunately, no similar concern is felt about exporting that tobacco in its manufactured form as cigarettes. I wonder about the disinterest of the Departments of Commerce, Labor and State in the export of a product with a fundamental worldwide demand. It would surely be more in the national interest to export the manufactured cigarette, rather than the raw leaf. Last year the United States exported 516,000,000 pounds of raw leaf. Had the government encouraged **only half** that export in the form of cigarettes and the other half in raw leaf, it would have meant 7,600,000 additional man hours of work for Americans and the same amount of leaf would still have been exported.

We are interested in this market, not only because of the balance it gives us in relation to the complex domestic market situation, but also because we agree with President Eisenhower that the United States should at this stage of our economic history, endeavor to obtain the soundest possible level of international trade and the most efficient use of our capital and resources. We further believe in the achievement of **world peace through world trade,** and that it is the direct responsibility of business, rather than government, to carry on this trade. We seriously urge, therefore, the government to examine its policies in regard to our industry and to examine whether it could not take steps to mutually benefit our overseas friends and our own citizens.

At present, export sales represent about 10% of our total Philip Morris business. As dollar availability increases, but tariff and other restrictions continue, we are studying the possibility of manufacturing abroad. We intend to increase the activity of our London subsidiary, especially now that freer tobacco imports are allowed in England. We are forming an Australian company which will have about 30% Australian capital. According to present plans this company will be in production by the end of this year. And in line with our purpose to use every sound means to increase our export position, we are studying other foreign markets where we can either grant licenses or manufacture ourselves.

A third element of our corporate policy today is our approach to the health factor which I mentioned previously. One must carefully evaluate the effects of this problem on our industry public relations as well as on the consumer market.

Therefore, Philip Morris has joined with practically all elements of the industry, manufacturers, warehousemen and growers, (I say practically all—since one major manufacturer is not in) to form the Tobacco Industry Research Committee. The Committee has appointed a Scientific Advisory Board of eminently qualified scientists, which Board will be enlarged from time to time. A Scientific Director will be appointed shortly. No one can question the integrity and impartiality of these scientists. More than adequate funds for research will be disbursed under their supervision and we hope the work of TIRC will open new vistas, not only in research, but in liaison between industry and the scientific world.

You are undoubtedly aware of the fact that this Committee is operating under handicaps not imposed on other industry groupings such as the American Meat Institute, American Petroleum Institute, American Iron and Steel Institute, Aircraft Industries Association, Licensed Beverage Industries, Automobile Manufacturers Association, and the Association of American Railroads, etc. This stems back to the court decree of 1911 dissolving the original American Tobacco Co. and, in general, forbidding the component results from meeting for any purpose whatsoever. Unfortunately, in our present *pro bono publico* activities, we have received very little cooperation from the government. As in our industry situation with taxes, exports and other regulatory matters, we seem to derive our least support from the one party—the Federal Government—that has the greatest financial interest of all in this industry.

At this point you may recall the figures I presented earlier—Federal tobacco excise taxes of approximately $1,600,000,000 on the entire industry; and Federal income taxes on the five major reporting companies of around $170,000,000—as against the net income of those five companies of only $118,000,000, a ratio of about 15 to 1.

A fourth element of our current program is devoted to the Philip Morris product picture. We are advancing our research and development work in the belief that product and packaging are always subject to review and improvement. An example of this was the recent introduction of the Snap Open Pack, the first improvement in cigarette packaging in 20 years. This move, I am happy to say, has had a most salutary effect on our sales curve.

The acquisition of the Parliament brand of cigarette placed us in the filter cigarette business immediately with an established brand name. Despite the fact that Parliaments are having more competition now than at any time in its history, they are still moving ahead, although naturally at a

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No Serious Economic Recession in Prospect

be put to work lend greater stability in today's market.

I have been recently informed by one of our larger members of the New York Stock Exchange that not more than 20% of today's transactions in stocks represent speculative ventures.

We have a population of around 162,000,000 people—good American people accustomed to having more goods and services than any other people in the world. That is about 40,000,000 people more than we had in 1929. In thinking about the future, we must take cognizance of the fact that approximately 4,000,000 babies are born each year in the United States and only about 1,200,000 persons die.

Approximately 300,000 immigrants come into our country each year. Thus we are having a population increase on a graduated basis, and by 1965 we should have a population of 200,000,000 people who must be clothed and fed—40,000,000 more opportunities for salesmanship.

Consumer Buying Power

Buying power in consumer hands is tremendous. During the first quarter of this year, disposable personal income was at the rate of $249 billion, actually ahead of a year ago. What a challenge to salesmanship!

In addition to the flow of current income, there is a net backlog of liquid assets at the disposal of our people in the amount of not less than $300 billion. This is in the form of bank deposits, U. S. Savings Bonds, savings and loan shares, and insurance reserves.

For approximately a decade and a half, the United States has not maintained her public works standards. Because war and defense had to take top priority, we fell behind to such an extent that we must now spend billions of dollars on schools, hospitals, highways, streets, sanitary sewers, and police and fire protection in order to catch up.

Although dwelling construction has boomed for several years, authoritative estimates indicate that a minimum of more than a million units a year will have to be built between now and 1960 to maintain our present housing supply, to provide standard housing for our growing population, and to eliminate at least half of our present substandard housing.

Ahead of us are vast possibilities for better living. Scientists say that in the fields of elctronics and atomic energy alone are countless new things for peacetime use—some already for production, others on the drawing board.

A wholesome balance between supply and demand has been developing since the end of the Korean war. It is wholesome because it means the return of competition—and competition is good for us all.

The lush years of war-generated prosperity tended to spoil us in many ways. We enjoyed an easy sellers' market. Many of our salesmen became order-takers. Some of them lost the art of true salesmanship.

When demand exceeded supply—when the market would take almost any amount offered and clamored for more, our attention was directed mostly toward producing and getting things to sell. The hustle and bustle was in the production line—and there we were spoiled too, because in an inflation-market our managerial mistakes were covered up by rising prices. The profit and loss sheet looked good despite loose spending habits that steadily crept into industry as it rushed to catch up with demand. We now recognize that under present conditions it is necessary to accentuate salesmanship rather than buymanship.

Such abnormal economic conditions as we have experienced for more than a decade now are not the kind that made America great. It was the powerful drive of competition in a free enterprise environment which brought economic progress — brought newer and better things for more people; stimulated efficiency; reduced costs of production and brought lower prices to the consumer; raised our standard of living to the highest the world has ever known.

Peace and real prosperity are not only compatible, but peace is absolutely necessary to genuine prosperity. We should have no patience with those who have so little faith in America as to believe that we cannot be prosperous except in war. Our country is blessed with abundant natural wealth; the best labor force in the world; the most advanced technology; unequalled managerial ability; and a financial structure capable of providing any conceivable amount of business capital needed for economic progress.

I see no reason for a serious economic recession in the immediate future, and I am convinced that we can depend upon our sales executives and their traveling staffs to direct us to the economic heights that America is destined to scale.

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Rise in Family Income

cant results. Dr. Fabricant has recently succeeded Dr. Burns, whom President Eisenhower appointed Chairman of his Council of Economic Advisers.

Real Income Increased at Uneven Rate

The rate of increase in real income per capita has, of course, been far from even, since it has been influenced by recurrent booms and depressions. The expansions have shown average annual increases of about 6.5% in per capita income; the contractions have been marked by decreases of about 4.5% a year. The 1.9% average annual increase in the eight decades is the net difference between these figures. The National Bureau has found some indications that economic growth in this country has been characterized not only by the short swings of the business cycle but by longer swings of about 20 years' duration in each of which there was a shift from less rapid to more rapid growth and back again.

Sources of Increase in Income

The increase in income has resulted in part from the growth of the capital and the labor put into production, and in part from the gains in efficiency with which capital and labor are employed.

The nation's tangible wealth or capital has risen during the past eight decades several times more rapidly than the population, and this has been a significant factor in increasing the national income. It is noteworthy, however, that most of the gain in tangible capital per person occurred before the Great Depression of the 1930s. During the depression and again during World War II the total of capital declined while population kept on growing. Rapid increase in the postwar years has largely gone into offsetting the previous decline. Capital is measured in all years according to its purchasing power in 1929. If the people had had to depend solely on increase in the quantity of productive capital for growth in income, the national income per capita would now be little higher than in 1929. In fact it is much larger.

Little of the gain in income can be attributed to more man-hours of work per head of the population. A growing proportion of the population has entered the labor force, particularly in the earlier part of the 80-year period, but hours of work per man have declined, and markedly so in the more recent years. Apparently the total of hours of work put in by the labor force as a whole has not changed much in relation to the population.

Striking gains, however, have been registered in productive efficiency, that is, in the output obtained from a given volume of resources. Indeed, Dr. Fabricant states, "the major source of our economic advance has been a vastly improved efficiency." Combining labor and capital on the basis of their relative real cost, the National Bureau arrives at a "unit of total input" which can be compared with output. "With a given dose of labor and tangible capital," writes Dr. Fabricant, "we have learned to produce a larger and larger volume of goods for consumption and investment; output per unit of input has risen somewhat under fourfold, or about 1.7% a year on the average" during the past 80 years.

This improvement in national productivity, though it has varied from time to time, shows no tendency to slow down. Moreover, it has been found in virtually every industry or industrial group studied. This fact reveals how widespread is the spirit of enterprise fundamental to the increase in productivity.

Dr. Fabricant notes, further, that in many industries increase in productivity was accompanied by rising rather than falling employment. The National Bureau studies show that increased productivity frequently leads to lower prices and greater volume of output, and thus to greater employment.

The report comments also on how the gains from productivity have been distributed. Apparently labor — in the broad sense of all those who are paid for work—has gained more from the rise in national productivity than have the recipients of property incomes—rent, interest, and profits. Workers "have enjoyed an increase in rate of return—real income per hour—greater even than the increase in total productivity. For workers have gained in two ways: they have gained because the fruits of the increased efficiency of the economy have reached them (as they have other agents of production); and they have gained, further, because the price of their work relative to the price of capital has turned in their favor with the increase in amount of capital per worker."

New Studies Are Announced

Dr. Fabricant reported that the National Bureau has undertaken a new major investigation of the structure of world trade and payments. Another new study is a review of the economic growth of Soviet Russia. At the suggestion of the Council of Economic Advisers, the National Bureau has also begun new studies in the application of its research findings to the problem of forecasting changes in the business cycle. Still another is concerned with trends in wages and productivity.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

American-Canadian Oil & Drilling Corp.
May 12 filed 1,500,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For drilling expenses and acquisition of additional properties for development and exploration, and related activities. **Office**—Dallas, Tex. **Underwriter**—None.

★ American Electronics, Inc., Los Angeles, Calif. (7/6-7)
June 11 filed 160,000 shares of common stock (par $1), of which 100,000 shares are to be sold for account of the company and 60,000 shares for certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriters** — Van Alstyne, Noel & Co., New York, and Crowell, Weedon & Co., Los Angeles, Calif.

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.

★ Arden Farms Co., Los Angeles, Calif.
June 11 filed 32,669 shares of $3 cumulative and participating preferred stock (no par value) and 52,876 shares of common stock (par $1), the preferred shares to be offered for subscription to holders of presently outstanding preferred stock on 1-for-10 basis, and the common stockholders to have right to subscribe for the new common stock on a 1-for-10 basis. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriter**—None.

Artesian Water Co., Newport, Del.
May 12 (letter of notification) 5,467 shares of class A non-voting common stock (no par) being offered first to stockholders of record June 1 on basis of one share for each two shares held; rights to expire on June 30. **Price**—To stockholders, $18 per share; and to public, $20 per share. **Proceeds**—To improve and expand water distribution system. **Office**—501 Newport & Gap Pike, Newport, Del. **Underwriter** — Laird, Bissell & Meeds, Wilmington, Del.

Basin Natural Gas Corp., Santa Fe, N. Mex.
Dec. 23 (letter of notification) 748,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—To acquire properties and leases. **Office** — Blatt Bldg., Santa Fe, N. M. **Underwriter**—Hunter Securities Corp., New York.

★ Brager-Eisenberg, Inc., Baltimore, Md.
June 3 (letter of notification) $281,430 of 15-year 5% cumulative subordinated notes dated July 15, 1954 and due July 15, 1969, to be offered in exchange for outstanding common stock at the rate of one $30 note for each share. **Office**—Eutaw and Saratoga Sts., Baltimore, Md. **Underwriter**—None.

★ Bullard Co., Bridgeport, Conn. (7/7)
June 15 filed 121,440 shares of common stock (par $10) to be offered for subscription by common stockholders of record July 7 on the basis of one new share for each five shares held; rights to expire on July 21. **Price**—To be supplied by amendment. **Proceeds** — From sale of stock, together with funds from private sale of $2,000,000 of 15-year notes, to be used mainly to finance the building of a new foundry. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane, Hornblower & Weeks and White, Weld & Co., all of New York.

★ Byrd Oil Corp., Dallas, Texas
June 15 filed 260,000 shares of 6% cumulative convertible class A common stock (par $7.50) to be offered for subscription by common stockholders at rate of one new share for each 2.5 shares held. **Price**—To be supplied by amendment. **Proceeds**—For payment of notes and accounts payable and for working capital. **Underwriters**—Dallas Rupe & Son, Dallas, Tex., and Straus, Blosser & McDowell, Chicago, Ill. (latter handling books).

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.

Carman & Co., Inc.
June 8 (letter of notification) 7,500 shares of common stock (par $2.50). **Price**—$7.25 per share. **Proceeds**—To a selling stockholder. **Office**—70 Summit St., Brooklyn 31, N. Y. **Underwriter**—Gammack & Co., New York.

● Central Soya Co., Inc., Ft. Wayne, Ind.
May 27 filed 99,000 shares of common stock (no par) being offered for subscription by common stockholders of record June 11 on the basis of one new share for each 10 shares held; rights to expire on June 29. **Price** — $29.50 per share. **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. (6/21)
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, Williams & Co. **Bids**—To be received up to 11 a.m. (EDT) on June 21 at company's office in Boston, Mass.

Century Acceptance Corp.
May 27 (letter of notification) 58,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds** —For working capital. **Office**—1334 Oak Street, Kansas City 6, Mo. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

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.

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.

Colotah Uranium Co., Inc., Hobbs, N. M.
May 27 (letter of notification) 3,030,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—107 N. Turner, Hobbs, N. Mex. **Underwriter**—J. W. Hicks & Co., Inc., Denver, Colo.

Columbia Gas System, Inc. (6/28)
June 7 filed $40,000,000 of sinking fund debentures, series D, due 1979. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on June 28.

● Connecticut Light & Power Co.
May 25 filed 590,290 shares of common stock (no par—stated value $10.0625 per share), being offered for subscription by commoin stockholders of record at 3 p.m. on June 1, 1954, in the ratio of one new share for each 10 shares held; rights will expire on June 29. **Price**—$14 per share. **Proceeds** — For construction program. **Underwriter**—None.

Consol. Edison Co. of New York, Inc.
April 7 filed $50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds**—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Offering**—Originally set for May 11, but has been postponed because of market conditions. No new date set.

NEW ISSUE CALENDAR

June 17 (Thursday)
Chicago, Burlington & Quincy RR.——Equip. Tr. Ctfs.
(Bids noon CDT) $7,350,000

June 18 (Friday)
United States Sulphur & Chemical Corp.——Common
(Vickers Brothers) $760,000

June 21 (Monday)
Central Vermont Public Service Corp.——Bonds
(Bids 11 a.m. EDT) $4,000,000
Continental Commercial Corp.——Preferred
(Van Alstyne, Noel & Co.) $800,000
Inter-Canadian Corp.——Common
(White, Weld & Co.) $2,500,000
Tennessee Gas Transmission Co.——Bonds
(Bids 11 a.m. EDT) $25,000,000

June 22 (Tuesday)
Gulf Power Co.——Bonds
(Bids 11 a.m. EDT) $10,000,000
King Copper Mining Corp.——Common
(D. Gleich Co.) $147,500
Pacific Gas & Electric Co.——Preferred
(Blyth & Co., Inc.) $25,000,000
Washington Gas Light Co.——Bonds
(Bids 11:30 a.m. EDT) $5,000,000

June 23 (Wednesday)
Duquesne Light Co.——Preferred
(Bids 11 a.m. EDT) $6,000,000
Panhandle Eastern Pipe Line Co.——Debentures
(Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; and Carl M. Loeb, Rhoades & Co.) $35,000,000
Transportation Development Corp.——Common
(L. H. Rothchild & Co.) $600,000

June 24 (Thursday)
Maine Public Service Co.——Preferred
(Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.) $2,000,000

June 25 (Friday)
Merritt-Chapman & Scott Corp.——Common
(Offering to stockholders—no underwriting) about 286,027 shs.

June 28 (Monday)
Columbia Gas System, Inc.——Debentures
(Bids 11:30 a.m. EDT) $40,000,000
Telecomputing Corp.——Common
(Hill Richards & Co. and William R. Staats & Co.) 95,000 shs.
Western Plains Oil & Gas Co.——Common
(Irving J. Rice & Co.) $475,000

June 29 (Tuesday)
Duquesne Light Co.——Bonds
(Bids 11 a.m. EDT) $16,000,000
Eastern Utilities Asssociates——Common
(Offering to stockholders—Kidder, Peabody & Co. will be dealer-manager) 82,451 shares
Public Service Co. of Indiana, Inc.——Preferred
(Blyth & Co., Inc.) $15,000,000

June 30 (Wednesday)
Fairchild Engine & Airplane Corp.——Common
(Merrill Lynch, Pierce, Fenner & Beane) 577,551 shares
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
Sutton (O. A.) Corp., Inc.——Common
(F. Eberstadt & Co. and Shillinglaw, Bolger & Co.) 400,000 shares

July 1 (Thursday)
Williston Basin Oil Ventures, Inc.——Common
(Tellier & Co.) $50,000

July 6 (Tuesday)
American Electronics, Inc.——Common
(Van Alstyne, Noel & Co. and Crowell, Weedon & Co.) 160,000 shares
Byrd Oil Corp.——Class A
(Dallas Rupe & Sons and Straus, Blosser & McDowell) 260,000 shares

July 7 (Wednesday)
Bullard Co.——Common
(Offering to stockholders—to be underwritten by Merrill Lynch, Pierce, Fenner & Beane; Hornblower & Weeks; and White, Weld & Co.) 121,440 shares
Long Island Lighting Co.——Common
(Offering to stockholders—to be underwritten by Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co.) 690,062 shares
Minneapolis, St. Paul & Sault Ste. Marie RR.——Equip. Trust Ctfs.
(Bids noon CST) $1,950,000

July 13 (Tuesday)
Missouri Power & Light Co.——Bonds
(Bids to be invited) $7,500,000
United Gas Improvement Co.——Bonds
(Bids noon EDT) $10,000,000

July 21 (Wednesday)
Colorado Interstate Gas Co.——Bonds
(Probably Dillon, Read & Co. Inc.) $30,000,000
Colorado Interstate Gas Co.——Preferred
(Probably Dillon, Read & Co. Inc.) $11,000,000

July 26 (Monday)
Boston Edison Co.——Bonds
(Bids to be invited) $18,000,000

August 9 (Monday)
Pacific Power & Light Co.——Bonds
(Bids to be invited) $30,000,000

August 24 (Tuesday)
Arkansas Power & Light Co.——Bonds
(Bids to be invited) $7,500,000

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. (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. **Office** — Pittsburgh, Pa. **Underwriter** — Van Alstyne, Noel & Co., New York.

★ **Cordillera Corp., Seattle, Wash.**
June 9 (letter of notification) 300,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For mining expenses. **Office** — 902 Seaboard Bldg., Seattle, Wash. **Underwriter**—None.

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.

★ **Danaho Refining Co., Houston, Texas**
June 14 filed $625,000 of 6% debentures and 375,000 shares of common stock (par 10 cents) to be offered in units of $50 of debentures and 30 shares of stock. **Price**—$100 per unit. **Proceeds**—For additions and improvements. **Underwriter**—None.

★ **Danaho Refining Co., Houston, Texas**
June 14 filed 110,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For additions and improvements. **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**—To be received up to 11 a.m. (EDT) on June 23 at 15 Broad St., New York 5, N. Y.

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**—To be received up to 11 a.m. (EDT) on June 29 at 15 Broad St., New York 5, N. Y.

★ **Duro-Test Corp.**
June 9 (letter of notification) not exceeding 6,500 shares of common stock (par $1) to be offered to employees. **Price**—$6.50 per share. **Proceeds**—For working capital. **Office**—120 Broadway, New York, N. Y. **Underwriter**—None.

★ **Eastern Utilities Associates (6/29)**
June 9 filed 82,451 shares of common stock (par $10) to be offered for subscription by common stockholders of record June 29 on the basis of one new share for each 12 shares held (with an oversubscription privilege); rights to expire on July 15. **Price** — To be supplied by amendment. **Proceeds**—To pay off $2,000,000 bank loans. **Dealer-Manager**—Kidder, Peabody & Co., New York.

★ **Empire Exploration Ltd., Inc., Gooding, Idaho**
June 2 (letter of notification) 200,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For equipment and working capital. **Address**—P. O. Box 117, Gooding, Idaho. **Underwriter**—None, shares to be offered through officers and directors and through Jennie L. Taylor, 635 N. W. Second St., Ontario, Ore.

★ **Essex Universal Corp., Boston, Mass.**
June 4 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—60 cents per share. **Proceeds**—To produce and market fluffed topping known as "Sta-Wip." **Office**—10 High St., Boston, Mass. **Underwriter**—Hunter Securities Corp., New York.

● **Fairchild Engine & Airplane Corp. (6/30)**
June 8 filed 577,551 shares of common stock (par $1) to be offered for subscription by common stockholders of record about June 29 on basis of one new share for each four shares held; rights to expire about July 14. **Price**—To be supplied by amendment. **Proceeds**—For additional facilities, machinery and equipment and general corporate purposes. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

Family Digest, Inc.
April 9 (letter of notification) 142,875 shares of class A stock. **Price**—At par ($1 per share). **Proceeds**—For operating capital and operating expenses. **Office**—421 Hudson St., New York 14, N. Y. **Underwriter**—Carl J. Bliedung, Washington, D. C.

★ **Federated Fund of New England, Worcester, Mass.**
June 9 filed 100,000 shares of beneficial interest in the Fund. **Proceeds**—For investment.

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.

Florida Power & Light Co. (6/30)
June 8 filed 50,000 shares of cumulative preferred stock, series D (par $100). **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; and Union Securities Corp. **Bids**—To be received up to 11 a.m. (EDT) on June 30.

Florida Power & Light Co. (6/30)
June 8 filed 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: Lehman Brothers and Blyth & Co., Inc. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Carl M. Loeb, Rhoades & Co.; Union Securities Corp. **Bids**—To be received up to 11a.m. (EDT) on June 30.

Gamma Corp., Wilmington, Del.
Feb. 2 (letter of notification) 140,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For inventory, capital expenditures and working capital. **Office**—100 West 10th Street, Wilmington, Del. **Underwriter**—Sheehan & Co., Boston, Mass.

General Credit Corp., Miami, Fla.
March 25 (letter of notification) 74,990 shares of capital stock (par $1). **Price**—$4 per share. **Proceeds**—For working capital. **Office**—799 N. W. 62nd Street, Miami, Fla. **Underwriter**—Murphy & Co., Miami, Fla.

★ **General Electric Co.**
June 10 filed a maximum of 4,200,000 shares of common stock (par $5) to be offered to key employees of the company and its affiliates. **Price**—To be the fair market value on the day the option therefor is granted. **Underwriter**—None.

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 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.

● **Grant Building, Inc., Pittsburgh, Pa.**
May 21 filed 22,069 shares of common stock (par $1) being 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 on June 10; rights to expire June 30. **Price**—$17 per share. **Proceeds**—From sale of stock, together with other funds, to be used to retire $403,100 of collateral trust bonds due 1957 at 100% and accrued interest. **Underwriter**—None.

★ **Gray Manufacturing Co., Hartford, Conn.**
June 10 filed 58,119 shares of common stock (par $5) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **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. Statement being withdrawn.

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**—To be received up to 11 a.m. (EST) on June 22 at 20 Pine St., New York, N. Y.

Gulf States Utilities Co.
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**—Had tentatively been expected to be received up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

Gulf States Utilities Co.
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**—Had tentatively been expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

● **Hilo Electric Light Co., Ltd., Hilo Hawaii (6/21)**
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; rights to expire on July 19. **Price**—At par ($20 per share). **Proceeds**—To repay bank loans and for additions and improvements. **Underwriter**—May be named by amendment.

★ **Hollywood Angels, Inc.**
June 10 (letter of notification) 500,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For working capital. **Office**—29 West 65th St., New York 23, N. Y. **Underwriter**—None. Statement will be withdrawn and refiled.

★ **Industrial Hardware Mfg. Co., N. Y.**
June 14 filed 185,000 shares of common stock (par 50 cents), of which 106,602 shares are to be offered for account of company and 78,398 shares for account of Louis Offerman, Vice-President. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and pay taxes, and for working capital. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

★ **Industrial Research, Inc., Miami, Fla.**
June 9 (letter of notification) 67,757 shares of common stock (par 10 cents). **Price**—30 cents per share. **Proceeds**—To pay obligations. **Office**—4016 N. W. 29th St., Miami, Fla. **Underwriter**—None.

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. (6/21-24)**
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.

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.

★ **King Copper Mining Corp. (6/22)**
June 2 (filed under Regulation "D") 295,000 shares of capital stock (par $1). **Price**—50 cents per share. **Proceeds**—For expansion, diamond drilling, working capital and general corporate purposes. **Office**—1519 Pine Ave., West, Montreal, Canada. **Underwriter**—D. Gleich Co., New York.

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.**
May 25 filed 88,000 shares of common stock (no par) being offered for subscription by stockholders of record June 15 on the basis of one new common share for each eight shares held; rights to expire June 29. **Price**—$65 per share. **Proceeds** — For general corporate purposes. **Underwriter**—Blyth & Co., Inc., New York.

Maine Public Service Co. (6/24)
June 1 filed 40,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To redeem $1,175,140 of 5½% preferred stock (par $20) and to reduce bank loans. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., both of New York.

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Mediterranean Petroleum Corp., Inc., Republic of Panama
March 30 filed American voting trust certificates for 1,000,000 shares of common stock (par one cent). **Price**—To be supplied by amendment. **Proceeds**—For exploratory drilling and development, in State of Israel, and for operations and expenses. **Underwriter**—To be named by amendment.

Merritt-Chapman & Scott Corp. (6/25)
June 4 filed 286,027 shares of common stock (par $12.50) to be offered for subscription by common stockholders of record June 25 on the basis of one new share for each five shares held (with an oversubscription privilege). Rights will expire on July 19. **Price**—To be supplied by amendment. **Proceeds** — To retire $4,050,000 of 4½% notes held by an insurance company and for further expansion. **Underwriter**—None.

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 Power & Light Co. (7/13)**
June 10 filed $7,500,000 of first mortgage bonds due 1984. **Proceeds**—To redeem outstanding $4,000,000 3⅝% bonds on Aug. 19, 1954, to repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co., Kidder, Peabody & Co., Shields & Co. and Auchincloss, Parker & Redpath (jointly); Equitable Securities Corp.; Salomon Bros. & Hutzler; The First Boston Corp.; Carl M. Loeb, Rhoades & Co. and American Securities Corp. (jointly). **Bids**—Tentatively expected to be received on July 13.

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.

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 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.

★ **Nation-Wide Securities Co., Inc., New York**
June 15 filed 100,000 shares of capital stock. **Proceeds**—For investment.

★ **National Union Life Insurance Co.**
June 9 (letter of notification) 10,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—For expansion. **Office**—424 Brown-Marx Bldg., Birmingham, Ala. **Underwriter**—None.

New Mexico Copper Corp.
April 4 (letter of notification) 600,000 shares of common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—Carrizozo, N. M., and 1211 E. Capital St., Washington, D. C. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

New Orleans Public Service Inc.
May 19 (letter of notification) 7,127 shares of common stock (no par) being 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.

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.

● **Pacific Gas & Electric Co. (6/22)**
June 2 filed 1,000,000 shares of redeemable first preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Pacific Telephone & Telegraph Co.
May 7 filed 1,004,603 shares of common stock to be offered for subscription by common and preferred stockholders in the ratio of one share for each seven shares of common and/or preferred stock held. **Price**—At par ($100 per share). **Proceeds**—To reduce bank borrowings.. **Underwriter**—None.

Pan-Israel Oil Co., Inc. of Republic of Panama
March 30 filed American voting trust certificates for 1,000,000 shares of common stock (par one cent). **Price**—To be supplied by amendment. **Proceeds**—For exploratory drilling and development in State of Israel, and for operations and expenses. **Underwriter**—To be named by amendment.

● **Panhandle Eastern Pipe Line Co. (6/23)**
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.

★ **Peoples Gas Light & Coke Co.**
June 14 filed $39,950,000 first and refunding mortgage bonds, series I, due July 1, 1979. **Proceeds**—To redeem $15,000,000 series F bonds and $24,950,000 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. **Bids**—Tentatively expected to be received in July.

Petala Mining Corp., Santa Fe, N. M.
June 9 filed 600,000 shares of cumulative sinking fund preference stock and 300,000 shares of 10-cent par common stock to be offered in units of two preference shares and one common share. **Price**—$3 per unit. **Proceeds**—To retire 40,526 shares of outstanding preferred stock, for power line extensions and electric transformers, equipment and machinery, exploration and working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

● **Philadelphia Electric Co.**
May 19 filed 906,917 shares of common stock (no par) being 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**—$34 per share. **Proceeds** — For construction program. **Underwriter**—None. Drexel & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York, will act as Dealer-Managers.

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.

★ **Pubco Development, Inc., Albuquerque, N. M.**
June 16 filed 908,967 shares of common stock (par $1) to be issued and sold at $1 per share upon exercise of outstanding subscription warrants (dates advanced to period July 15 through Oct. 15). **Proceeds**—For general corporate purposes. **Underwriter**—None.

● **Public Service Co. of Indiana, Inc. (6/29)**
June 9 filed 600,000 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds** — To redeem presently outstanding 600,000 shares of 4.90% cumulative preferred stock. **Underwriter** Blyth & Co., Inc., San Francisco and New York.

Pumice, Inc., Idaho Falls, Idaho
March 29 (letter of notification) 1,170,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—To complete plant, repay obligations and for working capital. **Office** — 1820 N. Yellowstone, Idaho Falls, Idaho. **Underwriter** — Coombs & Co., Salt Lake City, Utah.

★ **Ranches (J. D.), Inc., Las Vegas, Nev.**
May 28 (letter of notification) a maximum of 4,226 shares of class A common stock (par $10) and a maximum of 4,226 shares of 7% cumulative preferred stock (par $10). **Price**—At par. **Proceeds**—For development of land for agriculture, live stock feeding and tourist activities. **Address**—Box 1387, Las Vegas, Nev. **Underwriter**—None.

Rio Grande Investment Co., Longmont, Colo.
April 19 (letter of notification) 1,150 shares of common stock (no par) and 1,150 shares of 6% cumulative participating preferred stock (par $100) to be offered in units of one share of each class of stock. **Price**—$100 per unit. **Proceeds** — For operating expenses and to make loans. **Business**—Finance company. **Address**—P. O. Box 194, Longmont, Colo. **Underwriter**—William E. Conly, Jr., Longmont, Colo.

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.

Smith Investment Co., Milwaukee, Wis.
May 26 (letter of notification) 15 shares of common stock (par $10). **Price**—$6,500 per share. **Proceeds**—To Estate of Lloyd R. Smith, deceased. **Underwriter**—Gardner F. Dalton & Co., Milwaukee, Wis.

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.

Southern Utah Power Co.
May 26 (letter of notification) 13,135 shares of common stock (par $10) to be offered to common stockholders of record about June 11 at rate of one new share for each six shares held. **Price**—$13 per share. **Proceeds**—To repay bank loans. **Underwriters**—Lester, Ryons & Co., Los Angeles, Calif., and Smith, Polian & Co., Omaha, Nebraska.

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.

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.

★ **Sunburst Madison Oil Co., Dover, Del.**
June 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development of oil and gas properties. **Office**—129 S. State St., Dover, Del. **Underwriters**—R. V. Klein Co. and Lawrence & Murray Co., Inc., both of New York.

★ **Sutton (O. A.) Corp., Inc., Wichita, Kan. (6/30)**
June 10 filed 400,000 shares of common stock (par $1), of which 200,000 shares are to be sold by company and 200,000 shares for account of O. A. Sutton, President. **Price**—To be supplied by amendment. **Proceeds**—From sale of common stock, together with proceeds from private sale of 15,000 shares of 6% cumulative preferred stock at $100 per share, to retire preferred stock and debt. **Underwriter**—F. Eberstadt & Co., New York, and Shillinglaw, Bolger & Co., Chicago, Ill.

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.

Telecomputing Corp., Burbank, Calif. (6/28)
June 7 filed 95,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For manufacture of "Point O'Sale Recorders" and for further development and production of other units in company's automatic business controls program. **Underwriters**—Hill Richards & Co. and William R. Staats & Co., both of Los Angeles, Calif.

Tennessee Gas Transmission Co. (6/21)
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**—To be received up to 11 a.m. (EDT) on June 21 at office of Cahill, Gordon, Reindel & Ohl, 63 Wall St., New York 5, N. Y.

Texas Instruments, Inc., Dallas, Tex.
May 28 (letter of notification) 30,000 shares of common stock (par $1). **Price**—At market (aggregate not to total over $300,000). **Proceeds**—To four selling stock-

holders. **Office**—6000 Lemmon Avenue, Dallas, Texas. **Underwriter**—Schneider, Bernet & Hickman, Dallas. Texas.

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. (6/23)**
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.

Twentieth Century Foods Corp., Springfield, Mo.
June 2 (letter of notification) 120,000 shares of class A common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To retire RFC loan and for working capital. **Office**—303 East Olive St., Springfield, Mo. **Underwriter**—White & Co., St. Louis, Mo.

★ **United Gas Improvement Co. (7/13)**
June 11 filed $10,000,000 of first mortgage bonds due 1979. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—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. **Bids**—Tentatively set to be received up to noon (EDT) on July 13.

United States Sulphur & Chemical Corp., Carson City, Nev. (6/18)
April 30 filed 380,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For acquisitions, exploration and development expenses, and for working capital. **Underwriter**—Vickers Brothers, New York.

United Utilities, Inc.
May 19 filed 213,261 shares of common stock (par $10) being offered for subscription by common stockholders of record June 8 on the basis of one new share for each six shares held; rights to expire on June 22. **Price**—$17.50 per share. **Proceeds**—To repay bank loans incurred for construction requirements of subsidiaries and remainder to be advanced or invested in subsidiaries. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Uranium Exploration Co.**
June 10 (letter of notification) 25,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—528 East 21st South St., Salt Lake City, Utah. **Underwriter**—None.

Utah National Uranium Mining Corp.
May 27 (letter of notification) 1,199,600 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds** — For mining expenses. **Office** — 402 Boston Building, Salt Lake City, Utah. **Underwriters** — Carroll, Kirchner & Jaquith, Inc., Denver, Colo., and Cromer Brokerage Co., Salt Lake City, Utah.

● **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**—To be received up to 11:30 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 was declared effective on June 7, has been extended to expire on June 18. **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. (6/28)
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.

● **Wisconsin Southern Gas Co., Inc.**
May 27 (letter of notification) 12,618 shares of common stock (par $10) being offered to common stockholders of record June 1, 1954, on the basis of one new share for each five shares held (with an oversubscription privilege); rights to expire on July 1. **Price**—$11 per share. **Proceeds**—To redeem collateral trust bonds. **Office**—235 Broad Street, Lake Geneva, Wis. **Underwriter**—None.

★ **WLKP Realty Corp and 60 East 42nd Street Associates, New York**
June 11 filed "participations" in a $7,000,000 10-year 12% convertible second mortgage on the "Lincoln Bldg." to be sold in multiples of $10,000. **Underwriter**—None.

Wyoming Oil & Exploration Co., Las Vegas, Nev.
April 29 filed 500,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development of oil and gas properties. **Underwriter**—None.

Wyton Oil & Gas Corp., Newcastle, Wyo.
April 20 filed 1,000,000 shares of common stock (par $1). **Price**—$1.12½ per share. **Proceeds**—For general corporate purposes. **Underwriter** — National Securities Corp., Seattle, Wash., on a "best efforts basis."

Prospective Offerings

American Natural Gas Co.
April 28 stockholders approved a proposal to increase the authorized common stock from 4,000,000 to 5,000,000 shares to enable the company to sell additional shares when necessary. Offering will probably be made to present stockholders. **Proceeds**—To subsidiaries for their construction programs. **Underwriter**—None.

Arkansas Louisiana Gas Co.
Feb. 22 it was reported Cities Service Co. may sell its holdings of 1,900,000 shares of this company's stock. If sold at competitive bidding, bidders may include Smith, Barney & Co. and Blyth & Co., Inc. (jointly).

Arkansas Power & Light Co. (8/24)
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). **Bids**—Expected about Aug. 24.

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.

Byrd Oil Corp., Dallas, Tex. (7/6-9)
June 3 it was reported company expects to offer to its common stockholders an issue of 260,000 shares of 6% convertible class A stock (par $7.50) on a basis of one class A share for each two common shares held. **Price**—$8.10 per share to stockholders; $9 per share to public. **Proceeds**—To drill about 21 new wells, to pay indebtedness and for working capital. **Underwriters** — Dallas Rupe & Son, Dallas, Texas; and Straus, Blosser & McDowell, Chicago, Ill. (latter handling books). See under 'Securities Now in Registration' on page 42.

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).

● **Chicago, Burlington & Quincy RR. (6/17)**
Bids will be received by the company up to noon (CDT) on June 17 for the purchase from it of $7,350,000 equipment trust certificates to be dated July 1, 1954, and mature semi-annually to and including July 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

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 Interstate Gas Co. (7/21)**
June 8 it was announced stockholders will vote July 8 on increasing the authorized preferred stock from 200,000 shares to 500,000 shares (par $100). It is reported that company has announced plans to market some $11,000,000 of preferred stock and $30,000,000 of new bonds, which are likely to go into registration within the next fortnight. **Underwriter**—If through negotiation, may be Dillon, Read & Co., New York.

Colorado-Western Pipeline Co.
March 5 it was announced company has applied to Colorado P. U. Commission for authority to build a $21,500,000 natural gas pipe line, in Colorado, to be financed through sale of about 70% of bonds and 30% of equity capital. John R. Fell, a partner of Lehman Brothers, is a Vice-President.

Columbia Gas System, Inc.
March 5 it was announced company plans to issue and sell later this year $40,000,000 additional senior debentures (in addition to $40,000,000 debentures due 1979 for which bids are expected to be received on June 28—see a preceding column under "Securities Now in Registration"). **Proceeds**—To repay bank loans and for new construction. **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.

★ **Daystrom, Inc.**
June 14 it was announced stockholders will vote June 28 on approving a proposal to permit the issuance of convertible debentures at the discretion of the board of directors, and on authorizing an issue of 200,000 shares of cumulative preferred stock (no par) and on increasing the authorized common stock (par $10) from 1,250,000 shares to 2,000,000 shares.

First National Bank of Toms River, N. J.
May 14 stockholders of record May 1, 1954 were given the right to subscribe for an additional 3,000 shares of capital stock (par $10) on the basis of one new share for each 26 shares held; rights to expire on June 16. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

First Trust & Deposit Co., Syracuse, N. Y.
June 2 it was announced company is offering to its common and class B preferred stockholders of record June 1 the right to subscribe on or before June 22 for 254,316 shares of new 5% convertible preferred stock on the basis of one share for each 10 shares of common or class B preferred stock held. **Price**—At par ($20 per share). **Proceeds**—From this sale, together with proceeds from private sale of $5,000,000 5% debentures, to retire $8,996,400 of class A preferred stock held by Reconstruction Finance Corporation. **Underwriter**—William N. Pope, Inc., Syracuse, N. Y.

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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.

★ Green River Steel Corp.
June 9 it was reported company is planning to issue and sell $2,000,000 of 15-year first mortgage convertible bonds. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

● Hercules Cement Corp.
May 20 it was announced company plans early registration of 40,000 shares of common stock to be offered for subscription by common stockholders about July 9 on the basis of one new share for each four shares held, with a 14-day standby. **Proceeds**—For expansion and modernization. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

Indiana & Michigan Electric Co.
Jan. 27 it was announced company plans to sell around November, 1954, an issue of about $16,500,000 first mortgage bonds due 1984 and 40,000 shares of cumulative preferred stock (par $100). **Underwriter** — To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Union Securities Corp., Goldman, Sachs & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; (2) for preferred—The First Boston Corp.; Smith, Barney & Co.; Lehman Brothers; Union Securities Corp.

Kansas City Power & Light Co.
March 8 it was announced that company may sell in the latter part of 1954 $16,000,000 first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc., Equitable Securities Corp. **Meeting**—Stockholders on April 27 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. (7/7)
May 21 company announced plans to offer rights to common stockholders about July 7 to subscribe to 690,062 new common shares on a one-for-eight basis; rights to expire on or about July 22. **Proceeds**—For new construction. **Underwriters**—Blyth & Co. Inc., The First Boston Corp. and W. C. Langley & Co. (jointly). **Registration**—Expected about June 17.

Louisville & Nashville RR.
Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

● Minneapolis, St. Paul & Sault Ste. Marie RR. (7/7)
Bids will be received by the company up to noon (CST) on July 7 at First National-Soo Line Bldg., Minneapolis 2, Minn., for the purchase from it of $1,950,000 equipment trust certificates, series B, to be dated Aug. 1, 1954, and to mature in 30 equal semi-annual installments to and including Aug. 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Montana-Dakota Utilities Co.
March 17 it was reported that company plans to issue and sell late this year some additional first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair, Rollins & Co. Inc.

National Fuel Gas Co.
April 1 it was reported company plans to offer about 400,000 shares of capital stock (no par) for subscription by stockholders later this year or early next year. Stockholders on April 29 approved a proposal to increase the authorized capital stock from 4,000,000 to 6,000,000 shares. **Proceeds**—For new construction. **Underwriter**—Dillon, Read & Co., New York, handled secondary offering in 1943.

New England Electric System
April 29 it was announced company plans to offer to its common stockholders next Fall additional common stock on a 1-for-10 basis. There are outstanding 9,108,824 common shares. **Proceeds** — For construction program of subsidiaries. **Underwriters** — To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

New Jersey Power & Light Co.
Dec. 16 it was reported this company tentatively plans issue and sale in 1954 of about $3,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Equitable Securities Corp.; Union Securities Corp. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

New Orleans Public Service Inc.
Feb. 8 it was reported company plans to offer for sale $6,000,000 of first mortgage bonds due 1984 late this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.

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 Pacific Ry.
June 14 it was reported that company may consider a refunding program in September. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & 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).

● Pacific Power & Light Co. (8/9)
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). **Bids**—Expected to be received on Aug. 9.

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.

★ Pioneer Natural Gas Co.
June 14 it was reported holdings of about 770,000 shares of this company's capital stock (par $7.50) will soon be sold by Sinclair Oil Corp. **Bids**—Expected to be invited on or about July 1. The issue will not be sold publicly but will be offered to a limited number of prospective purchasers.

Public Service Co. of Colorado
April 12 it was reported company plans to finance its 1954 construction program through temporary bank loans, with permanent financing delayed until later in the year. Previously, the company had planned to float an issue of $15,000,000 first mortgage bonds, due 1984, early in 1954. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

Public Service Co. of New Hampshire
May 7 preferred stockholders approved a proposal to increase the authorized preferred stock from 160,000 shares to 300,000 shares, of which it is planned to issue not in excess of 75,000 shares. **Proceeds**—To refund outstanding 50,000 shares of 5.40% preferred stock and for new construction. **Underwriter**—If through competitive bidding, bidders may include Kidder, Peabody & Co. and Blyth & Co., Inc. (who made the only bid in June, 1952, for the 5.40% issue, which was rejected); R. W. Pressprich & Co. and Spencer Trask & Co. (who were awarded that issue in July, 1952, on a negotiated basis.

Puget Sound Power & Light Co.
April 5 the directors approved a program designed to refund the company's long-term debt. Bidders may include Halsey, Stuart & Co. Inc.; Lehman Brothers; Stone & Webster Securities Corp.

Resources of Canada Investment Fund, Ltd.
April 27 the SEC authorized the company to register as an investment concern and to make a public offering of securities in the United States.

★ Ritter Finance Co.
June 8 it was announced stockholders will on Aug. 17 vote on increasing the authorized preferred stock (par $50) from 14,000 shares to 50,000 shares, and the authorized class B common (par $1) from 950,000 shares to 2,000,000 shares. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa.

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.

San Diego Gas & Electric Co.
April 28 it was reported company plans to offer late in 1954 (probably first to stockholders) 800,000 shares of additional common stock. **Underwriter** — Blyth & Co., Inc., San Francisco and New York.

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 California Edison Co.
June 4, Harold Quentin, President, may sell later this year $2[illegible],000,000 of bonds or preferred stock. **Proceeds**—For construction program. **Underwriters** — (1) For bonds, to be determined by competitive bidding. Prob-

able bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The First Boston Corp. and Dean Witter & Co. (jointly). (2) For preferred stock, previous financing was handled by The First Boston Corp. and Dean Witter & Co. (jointly).

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. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

● Texas International Sulphur Co.

June 8 it was announced company plans soon to file a registration statement with the SEC to cover an offering of common stock to finance a sulphur exploration and development program on the Isthmus of Tehuantepec in Mexico. **Underwriter**—Vickers Brothers, New York City. **Offering**—Expected in August.

Trans-Canada Pipe Lines, Ltd.

March 26 it was annouced that the cost of the building of the proposed cross-Canada gas pipeline would be approximately $292,000,000, which would be financed through the issuance of about $36,500,000 each of common stock and debentures and $219,000,000 of first mortgage bonds. **Underwriters**—Lehman Brothers and Wood, Gundy & Co., Inc., both of New York.

Transcontinental Gas Pipe Line Corp.

March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Tri-Continental Corp.

March 30 stockholders voted to reclassify 500,000 shares of presently authorized but unissued $6 cumulative preferred stock, without par value, into 1,000,000 shares of a new class of preferred stock, $50 par value, making possible a refunding of the outstanding $6 preferred stock at an appropriate time, when conditions warrant. **Underwriter**—Union Securities Corp., New York.

Ultrasonic Corp.

May 17 it was reported company plans to offer some new securities to provide working capital. Details not yet available.

★ Welex Jet Services, Inc.

June 14 it was reported company may in September announce plans to issue and sell additional common stock to stockholders. **Underwriter**—If underwritten, it may be Laird & Co., Wilmington, Del. Two previous offerings to stockholders were not underwritten.

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.

June 4 it was announced stockholders will vote June 30 on approving a proposal to allow company to sell first and refunding bonds without obtaining approval of preferred stockholders. It is planned to issue and sell $6,500,000 of these bonds. **Proceeds**—To reimburse company for capital expenditures already made and for future improvements. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly).

Our Reporter's Report

Relieved of its recent rather acute attack of indigestion, the new issue market appears to have fallen into something of a deep slumber for the present. That is, of course, as far as new corporate offerings are concerned.

Such is not the case where tax-exempt and revenue bonds are concerned. In the latter division this week's whopping $300,000,000 New York State Thruway Authority offering, placed on the market yesterday, was sufficient to keep the totals respectable.

But from a corporate standpoint the calendar of prospects is thin to say the least, and it appears that potential issuers, some of whom have pulled back on operations already in the works, are standing by to give the market an opportunity to show its real mettle.

There is no gainsaying the fact that conditions are much more to the liking of underwriters than they were a fortnight ago from the standpoint of inventories. But then, like everybody else, the bankers like to keep busy.

It should be noted, however, that while the recent glut has been relieved the market does not yet reflect anything approaching a stampede on the part of institutional buyers.

They are still inclined to the choosy side. After all it was the buying power of the New York City pension funds which really turned the tide when the Comptroller, as trustee, exercised his recently endowed powers to venture into the corporate market.

Small Issues Slow

The two small utility issues brought to market earlier this week reportedly found the going still a bit on the slow side despite yields of approximately 3.14% in both cases.

Both Jersey Central Power & Light's new 3¼s and Central Illinois Public Service Co.'s issue carrying the same coupon rate, were not reflecting any rush of buyers.

Meantime, the Pacific Gas & Electric 3⅛s brought out several weeks ago finally were released from syndicate and settled back to around 100¼ on the bid side from the initial offering price of 100.875.

A Really Fast One

Connecticut Light & Power Co., who's excellent credit rating makes its securities especially attractive to investors, was able to turn in something of a record performance for this type of market.

Through a negotiated deal bankers are offering today 200,000 shares of $50 par value preferred of this company priced to afford a yield of 4.12% to the purchaser.

Preliminary inquiries, it was said, made it apparent that a quick sell-out was due on this one. The company also has an offering of 590,290 shares of common stock underway to holders of record June 1, in the ratio of one new share for each 10 held at 14.

New Issues Ahead

Several sizable new issues are shaping up for near-term public offering provided market conditions are propitious. Peoples Gas Light & Coke Co. has $39,950,000 of new first and refunding mortgage bonds, 25-year maturity in registration for early offering.

Colorado Interstate Gas Co., is setting up plans to sell $30,000,000 of bonds and $11,000,000 of new preferred stock and expects to register within a fortnight.

Meantime, Tennessee Gas Transmission Co. has called for bids to be opened June 21 on $25,000,000 of new first mortgage bonds and Panhandle Eastern Pipe Lines will market next midweek $35,000,000 of debentures.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—President Eisenhower's radio address last week is regarded on Capitol Hill as providing what is a complete inventory of the White House mistakes in framing and proposing a domestic legislative program.

Mr. Eisenhower says that this program is aimed to provide a "strong America." "The legislative program that you and I support is a broad, straight highway to that kind of America," the President stated.

One of the first reactions on Capitol Hill, even if it is a private one, is that there is no such thing as a "broad, straight legislative highway."

Parliaments are not meant for the age of super-highways, without curves, twists and turns. Parliaments do not eliminate access roads.

It is only in the Reichstag under Hitler or in the convocation of the Supreme Soviet in Moscow that there are broad super-highways to rapid achievement of the legislative goals of the Supreme Executive. It takes an automaton "Ja" legislature and an invariable pattern of like shirts or like thinking to bring about unanimity—and prompt unanimity — to curve and travel fast down a broad legislative super-highway to enactment of the results desired by the Strong Executive.

Eisenhower Misunderstands

In Congress, full credit is given President Eisenhower for meaning to accord the legislative bodies full recognition of their constitutional prerogatives. Few suspect that the implications of the President's implied criticisms of Congress' failure to give him all he wants, is that this could only be done with a "Ja" Congress.

Nevertheless, the President, in the opinion of Capitol Hill, has acted as if he failed to grasp that Congress is a deliberative body; that regardless of the most brilliant (or otherwise) studies by the White House Staff, special advisory committees, and so on, that the ultimate responsibility rests with Congress to write the laws as carefully as it may know how.

For instance, the White House has been privately irritated with the failure of Congress to quiz the President what he wants in a housing program. The White House gave scant consideration to Congressional advice about what should be in a housing program. Then, after that program had reached a tentative stalemate, the White House ordered a public exposure of the very evils (of the past)—soft mortgage credit policies—the White House was again advocating.

Try Liaison

When the word had been confirmed in November 1952 that while the President had achieved a large electoral voting majority his victory in Congress, by contrast, was slender, this correspondent wrote:

(1) That the paradox of the 1952 election was that while President Eisenhower had achieved a large personal election mandate, his victory in Congress was slim.

(2) That as a consequence the greatest single problem before the President was to establish an effective and positive liaison with Congress, thus taking Congress into partnership **before** framing a legislative program.

Congress So Thinks

At the very time this report was being written, the leading elements of Congress were planning a meeting in Washington to determine if a continuing liaison could not be set up whereby the President would consult Congress **before** framing a legislative program.

Congressional leaders — by background and tradition conservative—had no idea that by such a liaison they could foist their relatively conservative ideas upon the palace crowd that was assembling around Mr. Eisenhower. They had no illusion that Mr. Eisenhower's close advisers were "isolationist" or right wing. Rather, they were realistically aware of the prospective bias of the then-forming White House palace crowd.

Their idea instead was to work out not merely a compromise and accommodation of the two conflicting wings of the Republican party. They further sought to set up a channel for regular and continuing consultation between the White House and the responsible elements in Congress.

Realistically the conservative GOP Committee Chairman frankly recognized as early as January 1953 that the Republican party could continue to draw water only if the legislative product of the Eisenhower Administration were an honest adjustment between "internationalists" and "isolationists," between conservative and "forward looking" elements of the team.

In other words, the conservatives were fully prepared to make long compromises with what they regarded as their principles to make the GOP a going concern.

Make Approach

Having discussed this strategy, the Republican leaders approached the White House to seek to put the arrangement into effect.

President Eisenhower apparently concluded that such an arrangement could not be handled adequately by himself, but delegated his "Chief of Staff," Sherman Adams, to undertake the responsibility. Mr. Adams did not seem to grasp that what the Congressional leaders wanted was continued "give and take" in framing legislative programs. Instead, Mr. Adams seemed to figure that what was called for was a sort of "be kind to Congress" gesture.

So. Mr. Adams set up the system of picnic luncheons at the White House. This schematic design provided for luncheons in relays of 25 MC's at a time at the White House, complete with pictures of each relay of 25 MC's together with "The Grin" and an official statement. It had all the spontaneity of a weekly schedule for the county school buses of one county to see the new City Hall Building on Monday, the school children of another county on Tuesday, and so on throughout the month.

In any case any personal, cordial, and practical private give and take between MC's and the President, on the practical, legislative problems of the day, was entirely precluded. Mr. Eisenhower brought Democrats into these eating sessions in relays also, thereby including political children from the conformist and non-conformist schools.

Disregards Advice

The climax of this total failure to genuinely consult Congress in advance came during the meetings of the legislative leaders at the White House last December. These were billed as the President's sincere framing of his 1954 annual message in consultation with Congress. What actually happened was that the President presented the various leaders with a tentative draft of his proposed "Annual Message."

Where taxes and foreign trade were involved the President called in the Chairmen of the Senate Finance and House Ways and Means Committees. Where housing and monetary policy were involved, he called in the Chairmen of the Banking Committee, and so on.

To the MC's, they got the impression that the Commanding General, having framed the theatre campaign, called in the commanding general and staff of the First Legislative Army Corps and explained the battle plan. On Tuesday he called in and explained the battle plan to the Commander and staff of the Second Legislative Army Corps, and so on until all the commanders had been given their assignments.

In all, Congress changed a word here and there. Some of the Corps commanders dared to offer major alterations in the great plan of political battle. Their advice was ignored.

[*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

"Frankly, Peterson, I don't think this would be the exact psychological moment to ask for that contract!"

Douglass Adds To Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Walter B. Lower is now connected with Douglass & Co., 464 North Bedford Drive.

Two With Walker & Lee

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Arthur L. Steffen, Jr. and Everett L. Walker have joined the staff of Walker & Lee, Inc., 4100 Bellflower Boulevard.

Now With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James A. Terrell has become associated with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

Business Man's Bookshelf

Facts About Oil—Reference booklet on the petroleum industry—American Petroleum Institute, 50 West 50th Street, New York 20, N. Y. (paper), single copies on request; bulk copies, $20 per hundred.

Federal Credit and Creditors: Who Holds the National Debt?—Professor Marshall A. Robinson—Amos Tuck School of Business Administration, Dartmouth College, Hanover, N. Y. (paper).

Foreign Exchange Regulations in Great Britain, Supplement 9—Bank for International Settlements, Basle, Switzerland, (paper).

Investment Companies 1954 Edition—Arthur Wiesenberger—Arthur Wiesenberger & Co., 61 Broadway, New York 6, N. Y. (cloth), $20.