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**EDITORIAL**

## As We See It

Events of the past year or two have supplied some wholesome food for thought about the nature of the operations of a "managed economy" even where the degree of "management" falls far short of the state socialism which has been made so conspicuous by the so-called Communist countries of the world, and even short of what many of our advocates of "creeping socialism" would like to have in this country. If only the more thoughtful elements of the general public can be led to read the signs of the day carefully and realistically, a great deal will have been done to turn the nation back towards the true and tried path of economic soundness and sanity which our forefathers trod while bringing this nation to a point where it is the envy of the world.

A system of "managed economy" always becomes doubly dangerous when it is married to the political fortunes of those who make politics a profession—and such marriages are so common as to warrant an assumption that they will occur whenever a nation undertakes to introduce and continue a system of "managed economy." Possibly the most conspicuous instance in this country of an impasse traceable to the follies of political management of things economic is today found in agriculture. A long history of agricultural subsidies was brought to a climax by the late Franklin D. Roosevelt and his coterie of New Dealers. At least the system was brought to a point of unsurpassed barefacedness in its fawning to farmers and in its demand upon the rest of us

*Continued on page 18*

## The Protection of Freedom

By HERBERT HOOVER\*  
Former President of the United States

Ex-President Hoover, reviewing problems of freedom and progress over last 80 years, points out the forces which either make or destroy our national welfare. Asserts the progress of freedom is a never ending struggle to prevent abuse of power, and lays cause of our huge centralized Federal bureaucracy in large part to be-guilement by pressure groups and local governments for Federal subsidies. Sees special encroachment of the Executive in our foreign relations upon the Legislative Branch and calls cult of the "Welfare State," poison gas. Concludes American people still possess dynamic creative facilities, and "we are not at the bedside of a nation in death agony."

Eighty years is a long time for a man to live. Mine has been a life of work in many lands under many kinds of governments, both good and bad. I have been honored by my countrymen in many public offices and with many opportunities to serve outside the government. I have watched the two great world wars with their holocausts of death, destruction and famine. I have taken some part in remedy of their terrible aftermaths. I have participated in the search for a healing peace.

I have witnessed the legacy of war in doubting minds, brutality, crime and debased morals. Moreover, I have witnessed on the ground in 20 nations the workings of the philosophy of that anti-Christ, Karl Marx.

### The Problems of Freedom and Progress

After these long years and from all these experiences, there rises constantly in my mind the forces which make for progress and those which may corrode away the safeguards of freedom in America. I want to say something about these forces but I shall en-

*Continued on page 18*

\*An address by Mr. Hoover at the State of Iowa's celebration of his 80th birthday at his Birth Place, West Branch, Iowa, Aug. 10, 1954.



Herbert Hoover

## Funds Prefer Oils, Rails and Steels

By HENRY ANSBACHER LONG

U. S. Steel was top choice during last quarter. Non-ferrous metals, natural gas, electrical equipment, machinery and paper and pulp issues also favored. Less enthusiasm shown for the more stable groups as opinion divides on the foods and utilities while merchandising shares are sold on balance. Profit taking is noted in the aviation group. Selling picks up in the tobacco stocks.

Investment companies in general evidently see fair weather ahead on the business horizon, as most portfolio preferences during the June quarter were for industry groups considered fairly vulnerable to cyclical economic fluctuations. Thus, the oils and rails were top favorites along with the steels and metals, superceding the long favored utilities in which there was profit taking, especially among such funds as Fundamental Investors and Affiliated Funds. U. S. Steel, scarcely noted for absence of price volatility, was more heavily bought during the quarter than any individual issue in some time. Natural gas stocks continued their popularity and buyers also favored machinery and paper and pulp shares. While electrical equipment and radio and electronic shares were in general well bought, profit taking continued in General Electric and was also apparent in McGraw. The extreme run-ups in the aviation issues also prompted selling in this group, while pessimism over the future of the cigarette industry caused sales of tobacco shares to double those of the previous quarter. Retail issues were also sold on balance, while opinion was divided on the foods, chemicals, and metal and glass containers.

Although total selling increased about 12% over the March quarter—with purchases continuing at about the same pace—there was no noticeable addition to defen-

*Continued on page 22*



Henry A. Long

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(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.)

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#### Harshaw Chemical

Harshaw Chemical Co. is a widely diversified, rapidly growing concern with an excellent outlook and an assured participation in the coming atomic era.

The common stock of Harshaw is currently traded on the over-the-counter market. Largely because of this fact the company is relatively unknown to the public. However a careful study and analysis of the company, its management, finances, area of operation and other relevant factors will disclose that Harshaw is a real "sleeping" and is destined not to remain in that category for too long a period.

Let us take a close look at Harshaw and see what we can find out.

#### History

Incorporated in 1897 as the C. H. Price Co., and in 1898 succeeded to the business of the Cleveland Commercial Co. formed in 1892. Name was changed to the Harshaw Fuller and Goodwin Co. in 1899 and to the present name in 1929. In 1941 purchased Cincinnati Scientific Co. and Menard Metals Co., also the N. Y. and Ohio Chemical Co. was formed on a 50-50 basis with Stauffer Chemical. In 1942 Harshaw, together with Stauffer and Consolidated Chemical Industries, formed the Nyotex Chemical Co. In 1945 Lake Chemical was formed under equal ownership with the Calumet & Hecla Copper Co. 1953 Harshaw absorbed the assets of Rufert Chemical Co. and Laurel Products was formed as a 100% subsidiary.

#### Management

Among the directors are: W. J. Harshaw, President; J. H. Coolidge, Vice-President and Treasurer of Thompson Products Corp.; E. B. Green, Honorary Chairman of Cleveland Cliffs Iron Co.; E. R. Lovell, President Calumet & Hecla Copper; H. Stauffer, Executive Vice-President, Stauffer Chemical Co.

#### Fields of Operation

**Electroplating Anodes, Chemicals and Processes:** A product line of primary importance in Harshaw's manufacturing program includes chemicals and anodes for the electroplating of zinc, nickel, cadmium and lead. These products, as well as Harshaw's Bright Nickel and Perflow processes, are used in the electroplating of bumpers, grills, trim and accessories for automobiles. They find additional outlets in the manufacture of plumbing fixtures, electric appliances, tools, tubular furniture, kitchen utensils, and a host of other objects.

**Fluorides:** Harshaw has been a manufacturer of hydrofluoric acid for over 40 years. This product has a variety of uses, a few of which are the pickling of stainless steel and malleable castings, the concentration of minerals, for frosting electric light bulbs, for etching and polishing glass, and in some processes for the manufacture of high octane gasoline. A

further use for this product is in the manufacture of freon, which is used as a refrigerant in refrigerators and as a propellant in aerosol bombs. This and other fluorine compounds constitute an important and expanding group of commodities manufactured by Harshaw. Fluorine compounds find outlets in the manufacture of synthetic floor tile, in the cleaning of boiler tubes, and even in the revitalizing of oil wells. This diversity of use is expanding continuously and offers a bright future for these products.

**Preformed Catalysts and Catalytic Chemicals:** Catalysts are chemical compounds or special mixtures which promote or accelerate desirable chemical reactions. Harshaw produces these materials for a large and growing group of industries. The company produces such products for the manufacture of edible oils and shortenings and for the production of synthetic detergents in common use in practically every household today. Other catalysts are used in the preparation of gasoline, permanent antifreeze, and synthetic rubber intermediates. The newly developed petrochemical industry is particularly dependent on catalysts in their highly complex reactions. The variety of industries in which these materials are necessary make this one of the important commodity groups in Harshaw's production program.

**Ceramic Colors and Chemicals:** Another important product line is that of ceramic colors and chemicals. Harshaw produces a wide variety of colors for the decoration of wall tile, floor tile, and sanitary ware, as well as for the decoration of all types of dinnerware and pottery. In addition, the company supplies colors for the decoration of glassware. These glass enamels are used for labeling returnable bottles, for glass signs, for the decoration of household glassware, and for coloring electric light bulbs. Harshaw also produces colors and opacifiers used in the enamelling of such items as kitchenware, stoves, refrigerators and bathtubs.

**Driers:** These commodities, as the name implies, are chemical substances which when added to paints and varnishes materially shorten the time of drying. As a group they are known as metallic soaps and have a large number of industrial uses. To meet the varying demands of industry, Harshaw manufactures many types of driers in both liquid and solid form. Besides their uses in paints and varnishes, they find extensive use in printing inks when rapid drying is essential. Driers are also used in the manufacture of linoleum floor coverings and other coated fabrics such as oilcloth.

**Cadmium Pigments:** In conjunction with the manufacture of driers, Harshaw produces a complete line of cadmium pigments in both the lithopone and C. P. grades. These colors range from maroon through the reds and oranges to the very light primrose yellows. These pigments are characterized by extreme stability, brilliance, and strength. Their acceptance by industry for use in automotive enamels and lacquers and in high grade industrial paints is due to these desirable properties. They have also found extensive use in latex water emulsion paints. Harshaw cadmium pigments are used in artists' oils

### This Week's Forum Participants and Their Selections

Harshaw Chemical Company —  
Merton S. Allen, Francis I.  
duPont & Co., New York City.  
(Page 2)

Sanborn Map Company—G. Fred-  
eric Helbig, Baron G. Helbig &  
Co., Hudson, N. Y. (Page 12)

and water colors and are employed in printing inks because of their color strength and alkali resistance. Other major outlets for cadmium pigments are the plastics industry and manufacture of artificial leather and coated fabrics.

**Synthetic Optical Crystals:** The Optical Crystal Division, started in 1936, boasts some of Harshaw's newest products. These synthetic crystals are used for infra-red and ultraviolet optics, and short wave radiation detection. The first large crystals were used for ultraviolet spectrometer applications, but soon the company developed others that today find use in infra-red spectrometers. Synthetic calcium fluoride crystals are used in microscope objectives and are incorporated in the lens systems of practically all of the better microscopes manufactured today. Other synthetic crystals, known as scintillation crystals, are being manufactured by Harshaw for radiation detection. The properties of these scintillation crystals account for their widespread use in the Atomic Energy field, the medical field, and for the accurate location of oil bearing strata in oil well logging.

**Chemical Commodities Merchandised by Harshaw:** In addition to chemicals of Harshaw's own manufacture, Harshaw has been distributing products of other chemical manufacturers for more than 50 years. These materials are supplied to industries such as photographic, pyrotechnic, leather, pharmaceutical, textile, insecticides and many others. The materials which are available from other well known chemical manufacturers supplement the list of manufactured items so that Harshaw can supply chemicals for practically every phase of modern industry.

**Laboratory Apparatus, Instruments and Chemicals:** The expansion of industry during the last two or three decades has been accompanied by a tremendous growth of research and testing laboratories. These laboratories have very large requirements for reagent chemicals and scientific equipment of all types. To serve the demands of this phase of industry, Harshaw established the Scientific Division, which now occupies a leading position in this field with Scientific sales offices in major cities throughout the country.

**Defense Effort:** Harshaw is justly proud of its position as a supplier of products necessary to national defense. The company's electroplating chemicals are in demand for the protection of parts for airplanes and warships. The Atomic Energy field is extremely dependent on hydrofluoric acid and its compounds, and production of aviation gasoline often requires the use of hydrofluoric acid. Glycerine is used in the production of synthetic resins and in the manufacture of dynamite, both of which have military outlets. Antimony oxide is the basis of flameproofing compositions used in military fabrics and for fire resistant paints. Copper me-

Continued on page 12

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# Workingmen-Capitalists of Cuba

By S. RAYMOND DUNN

Mr. Dunn describes a new look in Cuba's economic history represented by the construction of the Habana-Hilton Hotel in Havana, having stockholders comprising, through their unions, the whole force of the hotel workers. The investment is made by the Hotel Workers' Retirement Fund. Says Cuban Government is helping project in many ways, and the new hotel when completed will attract a great number of tourists.

The Havana skyline will have a "new look" next year. There will also be a "new look" in Pan-American relations... and in economic history as well.



S. Raymond Dunn

The new look in the skyline of Havana will be the Habana-Hilton Hotel, with its 28 stories and its 630 rooms, representing an investment of over \$10 million. The Habana-Hilton will occupy an entire block at the corner of L and 23rd Streets, two of Havana's busiest.

The new look in economic history will be supplied by the hotel's stockholders. These stockholders are the waiters, the cooks, the hotel clerks, the soda-fountain employees and the bartenders of Cuba. For the Habana-Hilton will be built by the Food and Hotel Workers' Retirement Fund (*Caja del Retiro Gastronomico*, for readers who like to brush up on their Spanish.)

This Fund handles the retirement and widows' pensions of the hotel and restaurant employees. Even the *croupiers* and dealers, whom you will watch with eager interest when you come to La Tropicana, Montmartre and Sans Souci, are covered. So are the coffee salesmen and the charming salesgirls at Havana's fascinating coffee-bars—one of the world's most picturesque institutions. (One of the best possible contributions to international friendship would be the sending of a typical group—say, two or three—of Havana's coffee salesgirls to New York as good will ambassadors from Latin America. Developments of this nature are quite likely to start taking place within the near future. Cubans are becoming increasingly aware of the fact that unwise practices regarding tourists have been harmful to the country and that a dynamic, constructive program is needed. For example, "Carteles," one of the leading magazines, has devoted considerable space to this subject. As this gathers momentum, the results are going to be very considerable.) And the bathing attendants at Varadero, La Concha, Guanabo and all the other beaches are also covered by the Fund.

Each of these major groups of employees has its own union, and each union in turn has its delegate on the Board of Directors of the Retirement Fund.

Under Cuban law, every employee pays 3% of his wages to

the Fund. Likewise, every employer pays 3%. And the Cuban Government has placed a 5% tax on all alcoholic beverages, specially allocated to this Fund.

The decision to go into the hotel business was made by the Board of Directors. The Board consists of six members representing the employees, six representing the employers and the President, who is employed by the President of the Republic. The delegates are elected through general elections conducted by the workers and by the employers respectively.

Why did the hotel and restaurant employees decide to go into the hotel business? The President of the Fund, Francisco Aguirre, tells us the story behind the news: For many years, both employers and employees have been requesting more attention to the development of the tourist business. Havana needs more modern hotels. The rest of the country (down here they call it "the interior" instead of "the rest") has similar needs.

Therefore, instead of investing in bonds, the workingmen of Cuba went into business, because they know that good profits are available. (As has been indicated, there are things "cooking" down here in the tourist line that are going to make the whole world sit up and take notice!) They decided to put their money in stocks instead of bonds.

All of the unions involved discussed the project in general assemblies, and it was approved by large majorities. It was also approved by the large majority of the employers, acting through their respective associations.

And so, in November, 1952, the decision was made unanimously by the Board of Directors. President Aguirre stated that the project had been in the hands of Cuban and American interests for three years, but they had been unable to raise sufficient money. So now the workingmen are doing it.

The Retirement Fund will own both the lot and the hotel. The actual operation of the business will be in the hands of the Hilton Hotels International. The Fund and this operating company will share the profits. The Fund has an assured income of \$250,000 per year, even if there should be no profits, this is underwritten by the operating company.

The National Federation of Food and Hotel Workers' Unions has already signed a collective bargaining agreement with the operating company—just as with any other hotel.

President Aguirre stated: "The workers in Latin America are democratic workers. They are trying to show their confidence in

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## Trust in the West

By IRA U. COBLEIGH  
Enterprise Economist

A swift survey of the underlying elements giving strength and substance to the shares of Transamerica Corporation.

In the search for equity values not carried to the roof of the eager markets of the last few months, special attention has been



Ira U. Cobleigh

given recently to the closed end trusts. These are generally of two orders, the diversified, or general market ones, such as Adams Express, Lehman Corp. or Tri-Continental, and the special situation ones such as Atlas Corporation and the topic for today, Transamerica Corporation. Further, since the biggest holding of Transamerica is in a life insurance company, a number of security savants, impressed with the dazzling upswings in Aetna, Connecticut General, Continental Casualty, and the 100%+ gains, in the past 12 months, of Travelers and Lincoln, have been busy reappraising TA as a major life stock. This may prove a rewarding pastime.

Transamerica, an investment holding company with book value above a quarter billion, and valued in the market at around \$350 million, has its major stake in the Occidental Life Insurance Co. of California. It owns all the stock. While Occidental is not well known on the East Coast, it's going great guns west of the Rockies, and probably ranks among the fastest growing life companies in America. For example, at the end of 1949, it had but \$2.168 billion of insurance in force. Only four years later, however (Dec. 31, 1953) this figure had grown to \$4,582,000,000 (up 16% in 1953 alone). Occidental is now the 13th life insurance company in size in the U. S., and it is rapidly expanding in accident and health coverage, as well as in standard life insurance underwriting.

In appraising the worth of Occidental to Transamerica, it is carried on the books at \$6,507,600 and yet is given an equity value in the financial statements of Dec. 31, 1953 of \$47.6 million. A number of analysts think that, judging by current market prices of other life companies, this \$47 million figure is low. Some value Occidental as equal to at least \$20 per share of Transamerica. Of the \$2.82 TA earned last year, Occidental alone contributed \$1.06.

Other insurance subsidiaries include Pacific National Fire Insurance Co., Manufacturers Casualty Insurance Co., Paramount Fire

Insurance Co. and the Automotive Insurance Co. These important holdings, plus Occidental, provided 45% of Transamerica's 1953 net profit. TA is big in insurance, and getting bigger.

Second in magnitude in its control and ownership of financial corporations, is a chain of banks on the West Coast having currently 158 offices in the most important areas of Washington, Oregon, California, Nevada, and Arizona. Total deposits in these controlled banks are now almost \$1.6 billion. Of these, the biggest single one is the First National Bank of Portland which, in February of this year, acquired by merger 15 other banks (heretofore majority controlled by TA) and now offers in Oregon a complete banking service with 67 branches, and total assets of above \$800 million. First of Portland is, today, the largest bank in the Pacific Northwest, and 25th in size in the U. S.

Other large affiliated banks include the Central Bank of Oakland, The First Trust and Savings Bank of Pasadena, The First National Bank of Arizona, The First National Bank of Nevada, and The National Bank of Washington. If you want to borrow money on the West Coast, or salt away a few million in deposits, Transamerica has a bank or a branch just waiting to serve you. They're very well managed banks too and probably worth considerably more if sold, than their values as carried on TA balance sheets.

Well, we've catalogued the banks and insurance companies. What else have they got? Well, they've got General Metals Corp. which turns out iron and steel castings and diesel engines. This company netted over a million last year.

Maybe you never heard of Columbia River Packers Association Inc. Well, they own that too; and even though you don't know the company, you've surely had a salad or a sandwich made from the "Bumble Bee" brand of canned tuna and salmon. That's a Columbia River Packers product, although I confess the connection between a bumble bee and a salmon seems pretty remote!

TA also has a real estate company called Capital Company. It develops and improves a lot of property and also boasts 113 producing oil wells and a sizable hunk of hopeful oil acreage. Related to real estate also is Allied Building Credits Inc., a \$56 million company, which loans money to builders and then sells the loans it creates to banks.

Finally, TA has a cozy list of high grade marketable securities which it keeps in a \$25 million portfolio. Plushest of these is a paltry 252,692 shares of National

City Bank of N. Y., followed in order of magnitude by 65,594 shares of Firemen's Fund Insurance Co. and 25,000 shares in Citizens National Trust of Los Angeles. TA seems always to be attracted by banks.

We've tried not to bore you too much with the details of Transamerica's holdings, but it was necessary to jot them down to present the range and direction of the company's asset and earning power.

Three things rather stand out in review. First, Occidental Life, the major holding, has a value today and a potential for growth not extravagantly valued today either on the Transamerica report or in the market price of its shares. Life insurance stocks have only quite recently become popular with the general run of investors and Occidental, by any standard is a very good life stock with a demonstrably rapid expansion curve in the stockholder's equity.

Second, the string of banks is situated in one of the fastest growing population areas in the U. S. TA was, a while back, charged with being a banking monopoly by the Federal Reserve Board. These charges have since been withdrawn and, of course, TA did divest itself of its Bank of America holdings back in 1952. Should further holding company legislation be enacted, requiring sale of certain presently held bank shares, TA would undoubtedly realize a handsome capital gain for its shareholders. Assuming, however, continuance of the bank share portfolio intact, the growth in earnings and equity flowing to TA is still another reason to envision higher prices for TA over the years.

Thirdly, there's a tax gimmick. In addition to capital gains in portfolio, which most investment trusts will realize from time to time, up to \$10 a share, spread over a number of years ahead, may be classified as tax exempt as "a return of capital." This feature is of importance to large investors.

The present yield on Transamerica at 36 is 3.6% assuming the current \$1.30 dividend. This return is a bit low for good bank stocks which average today from 4 to 4.15%, but it's high for a life insurance company. In addition, TA enjoys listing and active trading on the New York Stock Exchange, a feature not found in other life insurance companies, and rarely in bank stocks.

So there you have it—Transamerica, a magnificent package of bank and insurance interest, a diversified investment portfolio and many facets leading to larger dividends and increasing book value. (Book value has grown from \$9.43 in 1941 to \$26.71 at the 1953 year-end.) 9,853,200 capital shares, sole capitalization, give you an actively traded and highly marketable equity in a uniquely prosperous enterprise. It's a big trust in the West.

### Tower, Starbuck Formed

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif. — Tower, Starbuck & Zozzora is engaging in a securities business from offices at 4 East Carrillo Street. Partners are Richard L. Tower, Edward B. Starbuck, Jr., and Anthony Zozzora.

### Kenneth D. Sarles

Kenneth D. Sarles passed away in a local hospital Thursday, July 26, after a short illness. He had been a resident of Tampa, Florida, for the past two years. Mr. Sarles had been affiliated with several of the large investment houses, specializing in municipal bonds, for many years and at the time of his death was Executive Vice-President of Louis C. McClure & Co. of Tampa. He is survived by his widow, Mrs. Florence H. Sarles.

## The State of Trade and Industry

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

Despite appreciable gains in construction activity, total industrial output for the nation-at-large for the period ended on Wednesday of last week held at the previous week's level and was about 8% below the level of last year at this time.

Continued claims for unemployment insurance benefits in the week ended July 17 were unchanged from that of the previous period, while new claims in the week ended July 24 dropped 5%. Many of the new claims, it was reported, were due to unpaid vacation layoffs.

In the steel industry, steel producers are encouraged by grass roots reports from their salesmen that promise a pickup in orders, states "The Iron Age," national metalworking weekly, this week.

So far the promises outweigh the orders, as the summer lull hangs on, but salesmen who have been beating the bushes for business all summer are receiving more encouragement than they have for months, it adds.

While steel people are noted for their caution, here are some positive reasons they believe their business will improve; declares this trade authority.

The number of customers who expect to order more steel soon is increasing. This includes automotive industry, steel's biggest customer, which takes about a fifth of all steel produced. However, the pickup in automotive orders probably won't come so soon as had been expected. Word from Detroit is that model changeovers may take longer than anticipated.

A majority of steel users have virtually completed inventory reduction. This means they will have to increase their steel buying merely to support production at the present rate. Any improvement in their business will raise steel buying at least that much more. Some manufacturers who have cut steel inventories to the bone may actually find it necessary to rebuild inventories a bit to support expanded production schedules.

The steel market has been getting unexpected support in the form of miscellaneous orders from a variety of small manufacturing plants and parts makers, in addition to construction and oil industries. If this support can be held, foreseeable gains from other big users should give the market a lift and finally, this trade weekly concludes, the overall economy has absorbed the shock of readjustment plus the summer slump and the climate seems favorable for general business improvement. Government defense and "nudge" programs will furnish an assist.

Domestic car and truck production dropped 2.5% last week for the lowest five-day volume of the year. The previous low was set July 19-24, at 122,789 units.

"Ward's Automotive Reports" counted 120,392 completions in United States plants against 123,482 the preceding week. In the same 1953 week volume was 135,482.

Resumption of operations at Hudson and Studebaker last week offset a dip at Plymouth (prior to its mid-August shutdown) to hold United States passenger car assembly to a 104,000-unit level.

However, a month-end production respite at Chevrolet plus start of a 14-day vacation shutdown at Willys pulled truck building down last week to 15,672 from 18,878 the week before.

The statistical agency, meantime, totaled domestic July output to 441,607 cars and 76,502 trucks, with 431,000 and 74,000, respectively, being lined up for completion in August.

Thus, it said, August truck output will represent the industry's fifth straight monthly decline and dip to the lowest level since November of 1949.

"Ward's" added that the late July Dodge Main Plant strike has evidently extended 1954 model output at the various Chrysler Corp. car lines by several days to nearly a week.

The reporting service commented, however, that Plymouth should end its run this week, with Dodge-DeSoto-Chrysler following a week to 10 days later.

"Ward's" said Aug. 16, will mark resumption of car output at Kaiser, Nash and Willys after two-to-six week vacation and inventory shutdowns.

### Steel Output Scheduled to Ease a Trifle in Latest Week

Don't let today's easy steel procurement lull you into a squeeze this coming fall, says "Steel," the weekly magazine of metalworking. Right now you can get all the steel you want, but deliveries could be less prompt in October.

The largest single user of steel, the automobile industry, is poised for heavy production starting in November after model changeovers, it states. This would mean that steel would have to start flowing into the auto producers and their suppliers in October. Orders for October deliveries would start coming out next month. A substantial increase in steel buying by the auto industry might easily lengthen delivery times on some forms of finished steel several weeks, declares this trade weekly.

For December, auto production is being geared for near-capacity rates. This would mean an all-time peak for that period. Heretofore, December has been marred by model changeovers and factory shutdowns.

Right now, this trade magazine continues, the booming construction industry is a big support to steel demand. By late this year it may have some company. In addition to projected strengthening of demand from the automobile industry there may be substantial orders from railroad carbuilders and shipbuilders. Ordering of railroad cars has picked up. Notable is one order for 1,000 box cars. Several ships for the Navy have been ordered, and part of the hull steel for them will be bought in the fourth quarter.

While the current demand for steel remains slow in the United States, demand is rising in foreign countries, notably

Continued on page 28

## Announcing

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## Electric Consumption At Peak; New Homes Termed Major Factor

Use of electric energy in homes on the American Gas and Electric System is at its highest peak in the history of the system.



Paul D. Brooks

According to Paul D. Brooks, commercial Vice-President of American Gas and Electric, the "boom" in home usage of electricity is being caused by increased sales of residential air conditioning, resistance home heating, heat pumps

and the record sale of home appliances set in 1953.

Mr. Brooks stated that for the first time in the history of the AGE System, average residential usage in June went over the 200 kilowatt-hour mark. The 217 kwh. June average for homes represents an increase of 9% over the same month a year ago. Figures for the first six months this year show an average gain of 122 kwh. per home or a 9.3% increase over the same period last year.

From the end of 1946, when a \$694-million postwar expansion program was begun on the AGE System, through December last year, average residential usage rose 92% and number of customers increased 53%. Cost to the residential customer has dropped 28%.

During this period annual usage increased from 1,308 to 2,516 kwh., number of residential customers went from 741,585 to 1,132,020, while the average cost to the residential customer declined from 3.3 to 2.58 cents per kwh.

### Now With W. J. Hood

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Charles R. McKenney has been added to the staff of Walter J. Hood Co., 415 Congress Street. Mr. McKenney was formerly with Clayton Securities Corporation and in the past with J. Arthur Warner & Co.

# Observations . . .

By A. WILFRED MAY

## A New Long-Term Look at Common Stocks

Midst this new-New Era of the common stock, a recently-issued study of its long-term performance carries some significant connotations.

In a booklet "Common Stocks as Investments," Capital Research and Management Company of Los Angeles has traced the hypothetical individual's results from buying and holding since 1913 each of the 101 industrial and utility issues which were then listed on the New York Stock Exchange.

This was done by including all of the New York Stock Exchange common stocks listed in the Jan. 10, 1914 issue of *The Commercial and Financial Chronicle* under the classification of "Various." (The other three classifications excluded were: "Railroads," "Express," and "Coal and Mining"). It was assumed that \$10,000 was invested in each of these 101 stocks, and that they were held undisturbed during the 40 years.

A. Wilfred May

### Results

The total initial investment of \$1,014,855 made in 1913 would have had a market value of \$10,141,731 at the end of 1953—the equivalent of a return of 12% per annum, compounded annually.

As far as the individual issues are concerned, General Motors was the premier performer. A 1913 stake of \$9,900 paid for 300 shares would have actually grown to \$7,131,695 in total market value and dividends and rights received; a gain on the investment of about 72,000%! Similarly—an investment of \$10,340 in Texas Pacific Land Trust would have grown to \$1,361,250, a gain of 13,000%, and in Kresge a gain of 8,642%.

### Preservation of Purchasing Power

The equities' record of preserving purchasing power over this period is most important, particularly in view of the present general worry over long-term inflation. In the face of a rise of 267% in the cost of living, meaning that the 1914 dollar was worth 37½ cents in 1953, the purchasing power of our equity investor was materially increased, to more than 5½ times the initial year's income, as fully adjusted for the cost of living change.

### Negative Factors

Two factors, at least, should stand in the way of going off the deep end in making enthusiastic pro-equity conclusions from this study.

First, there is the revealed divergence in results from selections within the group of issues surveyed. The results vary all the way from the miraculous record shown by General Motors, down to a complete loss on five of the included companies. Furthermore, of the 101 company total, 10 would have shown a net loss on the original investment and 34 companies in 1953 showed a loss below the original 1913 cost (although 24 of them paid enough dividends to result in some net gain to the investor over the period).

The results varied from 5% of the companies which afforded no return whatever, to the 8% which showed a total investment accomplishment of over 4,000% for the 40-year period. While 35% of the issues showed an aggregate total investment accomplishment of over 1,000% for the period, 24% of the group showed a throw-off of less than 160% for the 40 years.

Excluding General Motors, this "fund" grew 650% in market value, versus 700% by the Dow Jones Industrial Average.

In the second place, there is the divergence between the performance of this group of issues and others—This is well demonstrated, as well as is the importance of the period selected—by citation of a study, conducted previously under the aegis of Robert Lovatt of Brown Brothers Harriman & Co., of the price performance of the 20 most popular dividend-paying issues (as measured by their trading volume at the beginning of the period) between 1901 and 1938. While the market as measured by the Dow Jones Industrial Average almost trebled in price, concurrently these 20 most popular issues suffered an overall decline of 39%, one-half of the issues shrinking by 50% or more.

### The Conclusions

The conclusions which the two above-mentioned studies support, would seem to be two-fold, as follows:—(1) That common stock investment offers the possibility of satisfactory gain, including the offsetting of cost-of-living rises; but (2) That the certainty, or even probability, of such advantage definitely cannot be assumed.

### Three With Reynolds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert S. Burkholder, William C. Olsen and James K. McCormick have become associated with Reynolds & Co., 425 Montgomery Street. Mr. Burkholder was formerly with Paul C. Rudolph and Company.

### Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—La Faun Williams is now with Walston & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

**Joseph A. Thomas Director** rector of many corporations including American Export Lines, Flintkote Co. and National Airlines Inc.

Joseph A. Thomas has been elected a member of the Board of Directors of Tide Water Associated Oil Company, it was announced by President D. T. Staples.

### Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

Mr. Thomas, a graduate of Yale University and Harvard Business School, and a resident of Old Brookville, New York, is a partner of Lenman Bros., New York investment bankers. He is a director of many corporations including American Export Lines, Flintkote Co. and National Airlines Inc.

SAN FRANCISCO, Calif.—Alexander C. Pon is with Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

The VALUE LINE



Investment Survey

## Which Way AIRCRAFT & AUTO STOCKS?

NEW international tensions continue to emphasize the importance of air power as the cornerstone of U. S. military strength. In these very columns, the Value Line Survey, exactly one year ago, said of the Aircraft Manufacturing Industry, "Never before has the industry had such assurances of sustained high production under conditions predictable so far into the future." In recognition of these favorable conditions, nearly all the aircraft stocks have advanced 100% or more since then.

Now—the question is, to what extent have the higher prices discounted the expected results? And how will individual companies be affected by renegotiation, emphasis on newer planes and guided missiles, cutbacks on older models? Every investor should see the new 48-page edition of Value Line Ratings & Reports which analyzes current and long-term trends in the aircraft industry, gives full page analyses of each company, shows which two stocks to buy now and which to avoid.

While General Motors' profits are up, reflecting the end of the excess profits tax, earnings prospects for the auto manufacturers as a group are poor. Production is declining, inventories are excessive (including GM's), price cutting is widespread, steel costs are moving higher. The latest Value Line Report analyzes both the favorable and unfavorable prospects for the key automobile industry, brings you specific earnings and dividend estimates, rates each stock on its investment value at current prices, so that you can see at a glance which stocks to buy, hold or sell.

### Also See SUMMARY OF RECOMMENDATIONS on 613 Stocks

This special 16-page Summary brings you for each stock the Value Line estimates of 1954 earnings and dividends and specific recommendations. Also, in handy reference form: dividend yields, Value Line Quality Ranks, long-term (1956-58) estimates of earnings, dividends, normal prices, relative long-term growth expectancies. You will have at your finger tips a summary of the conclusions reached in the 698-page Value Line Survey.

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a lump  
or  
thickening

...in the breast or elsewhere—is the second of the seven commonest danger signals that may mean cancer...but should always mean a visit to your doctor.

The other six danger signals are— 1 Any sore that does not heal 2 (above) 3 Unusual bleeding or discharge 4 Any change in a wart or mole 5 Persistent indigestion or difficulty in swallowing 6 Persistent hoarseness or cough 7 Any change in normal bowel habits.

For other facts about cancer that may some day save your life, phone the American Cancer Society office nearest you, or write to "Cancer"—in care of your local Post Office.

American Cancer Society

## We Must Face the Communist Challenge!

By RICHARD M. NIXON\*  
Vice-President of the United States

Vice-President Nixon, asserting ultimate objective of Communist leaders is world conquest, outlines as a policy to preserve peace and the American way of life: (1) military strength; (2) mutual defense treaties, and (3) military and economic assistance to weaker nations. Says we can still lose, even if these things are done, as we have already learned from affairs in Indo-China. Lists what the peoples of Asia want, and outlines program which should be supported.

The ultimate objective of the Communist leaders is to conquer the world by war if necessary and by other means if possible.

The works of Marx, Lenin and Stalin and the actions and words of the Communist leaders today clearly prove that they have never deviated from this objective.

This does not mean that they will not talk another language when it serves their purpose. For example, today we hear a great deal of talk about peaceful co-existence emanating from behind the iron curtain. We could make no greater mistake than to assume that the Communists mean what they say unless and until they produce deeds to back up their words. We must remember that time after time in the past 37 years the Communists have talked peace at a time when they have planned to wage war.

Shooting down unarmed transports is a strange way to show devotion to the idea of peaceful co-existence. I am confident that all Americans will agree that the President took exactly the right course in sending our rescue planes to the scene with orders to resist attack if fired upon. This kind of firm action is the only language that the Communists understand.

### The Lesson of Indo-China

What must American policy be if we are to have peace and if we are to preserve the American way of life?

It is generally agreed that we must take the following steps:

(1) Maintain our military strength at a sufficient level so that the Communists will be deterred from beginning and aggressive war;

(2) Enter into mutual defense treaties with our allies so that we can deter overt aggression by the Communists against nations which individually have the will but lack the strength to resist such aggression provided they have assistance from other nations;

(3) Provide military and economic assistance to the weaker nations so that they can be strong enough to resist aggression from abroad and deal more effectively with internal subversion from within. However, we can do all these things and still lose. What is the great lesson we should learn from Indo-China?

(1) If the United States had been 10 times as strong militarily as we were it would not have affected the outcome in Indo-China.

(2) A traditional mutual defense pact like the NATO agreement would not have saved Indo-China. Such a pact would have, in effect, drawn a border line over

\*Excerpts from an address by Vice-President Nixon before the National Convention of Veterans of Foreign Wars, Philadelphia, Pa., Aug. 2, 1954.



Richard M. Nixon

which the Communists would not have dared to march. But in Indo-China, they did not march across the border, they went under it.

(3) More economic and military aid to Indo-China would probably not have effected the outcome. As much aid as possibly could be absorbed was being sent to Indo-China for months before the fall of Dien Bien Phu.

What then is the answer?

We could, as Under-Secretary of State Bedell Smith suggested yesterday, negotiate mutual defense pacts with our allies which would come into play in case of Communist attempts to take over a country by internal revolution as well as by overt aggression.

But even then we would not be getting at the heart of the trouble. What Indo-China proves is that where the will to resist does not exist it is not possible to save the people from coming under Communist domination. We saw this principle in reverse in Guatemala where the Communist army was 10 times as strong as the army of liberation. 90% of the people, however, were against the Communist government and it was only a matter of hours after the revolt against the government began before the Communist leaders had to run for their lives.

In other words, military strength, mutual defense treaties, military and economic assistance all operating together will not do the job alone unless the people are on our side.

### What the Peoples of Asia Want

What do the people in the great uncommitted areas of Asia want? Putting it simply they don't want what they have—they want something better.

(1) They want independence where they don't have it now. And they want to keep their independence where they have attained it recently.

(2) They want recognition of their equality as races and as peoples.

(3) They want economic progress.

The reason the Communists have succeeded in Asia is that they have aligned themselves with these causes.

But the record shows that wherever they have come to power they produce the opposite from what they promise.

What can we do about it?

We can expose and oppose the Communist idea. But exposure and opposition alone is not enough. If the choice of the uncommitted peoples is between leadership which offers something different, even though they are skeptical of the offer, against leadership which offers only a continuance of the status-quo there is no question but that they will turn toward those who promise a change.

What we must do is to offer a positive alternative. The people in the uncommitted areas of the world must be convinced that there is a better way to get what they want than through following Communist leadership. We have an outstanding case to sell. Take for example, the issue of independence.

We fought for our own independence.

We gave the Philippines theirs. We helped Indonesia get hers. We suffered 150,000 American casualties, aiding Korea to defend hers. We have offered Puerto Rico hers.

On the other hand, the Communists have taken independence away from every nation they have occupied.

Take the issue of economic progress. Our aid programs have provided over \$30 billion to nations abroad without strings attached. The Communists on the other hand have exploited every nation they have occupied in order to build up the Soviet homeland.

In the past most Americans have recognized the necessity to support a policy which would keep America strong militarily, deal effectively with the threat of Communism in the United States, and develop mutual defense pacts with as many of our allies as are willing to stand with us.

### A Program Outlined

We must have the same enthusiasm for, and give the same support to, additional course of action which deal with the heart of the problem and which are aimed at stopping revolutions before they get started.

In this category we have for example:

(1) An economic program relying on trade where possible and aid where necessary so that people who want to remain on the side of the free nations are not forced by economic necessity to become unwilling satellites of the Communist world. Such a policy, for example, is essential in the case of Japan.

(2) We must not be niggardly in supporting the programs which will get across the truth about the Communist world and the free world to peoples who are being subjected to a tremendous propaganda barrage by the Communist leaders. Nothing could be more penny-wise and pound-foolish than to refuse on grounds of "economy" to spend adequate amounts on our information, library and exchange programs.

(3) Every American can help to make our country the symbol of equality for all our citizens regardless of race, creed or color. It is simply impossible to estimate the damage which is done to the cause of freedom by evidences of prejudice which occur in the United States and which are blown up out of all proportion by Communist propaganda agents.

What we must do to recapture the spirit of the American revolution. In the early days of the Republic, America was a symbol for men everywhere who wanted independence for their nations, equality and freedom for individuals and economic progress and a better way of life.

We cannot expect other peoples to adopt political and economic systems exactly like our own. But we can convince them by what we say and what we do that the best hope for the world lies not in turning toward dictatorship and tyranny of any type but in the development of a society in which nations can be independent, men can be free, and peoples can live together in peace and friendship.

## Grant D. Shanklin Is With Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Grant D. Shanklin has become associated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Shanklin was formerly Vice-President of Francoeur & Company, Inc., with which he had been associated for many years.

## Impressions of Sweden, Swedish People and the S.S. "Kungsholm"

By ALEXANDER WILSON\*

A New York newspaper man, affiliated with the "Chronicle," records personal impressions of his fellow passengers on a recent cruise to Bermuda on the S. S. "Kungsholm," famous Swedish American liner, and pays a striking tribute to Sweden, Swedish character and achievements.

To world travelers in search of something new, something different in locale and atmosphere, Bermuda may be said to be out of this world and singularly free from many of the humdrum perplexities and perspectives of our earthly requirements. For things proceed at a slower tempo in Bermuda than in the hurried world which most Americans live in daily.



Alexander Wilson

Before making the "Kungsholm" cruise to Bermuda, the writer, like many American correspondents, thought the Swedish people were a passive, undemonstrative, slow speaking, slow moving, slow thinking, a too mild mannered race lacking in fervor and objective for these modern times.

The writer of these lines had an enviable opportunity to observe the characteristics of his fellow passengers on the "Kungsholm" recent cruise to Bermuda and he found to his surprise that the Swedish people aboard ship as a class were as warmhearted and vibrant in their family relations, social activities and as proud of their traditions, culture and civilization as any race or nationality extant.

It was noticeable to this observer that while the Swedish people as a class love to eat, drink, dance and sing to their hearts content aboard ship, they went out of their way to share their happiness and fun with their fellow passengers on this delightful cruise.

So what is said above about these friendly people is not an exaggerated picture of the Swedish people's traits, either at rest or in their active pursuits.

The government subsidized ship "Kungsholm" is the Swedish people's especial pride because it exemplifies in a big way Swedish initiative and mechanical progress for this palatial ship has every conceivable modern marine gadget and constructively is considered one of the finest passenger ships afloat.

The Swedish American Line was the first line in the Atlantic service to pioneer the motor driven ship.

The world owes the invention of the cream separator (by De Laval 1880) and the improved screw propeller (by Ericksson 1837), the depth bomb (by Unge 1903) and dynamite (by Nobel 1867) to the inventive genius of Swedish minds. Dynamite, the product of Nobel's brain, has been one of the world's great peacebuilders in tunneling mountains and underground passages, foundations for large and small buildings and highways and in removing difficult obstructions of all kinds which impeded man's engineering and construction progress.

Collectively speaking, we Americans are somewhat of a provincial people in assuming that all foreign nationals are secondary and inconsequential compared to the citizens of our beloved country.

But the writer wishes to say,

\*Writer on international problems and current political questions.

with all the sincerity he possesses as a newspaper man who traveled Europe in his earlier days, that we Americans actually have to live and mix with other nationalities before we can thoroughly appreciate and appraise their views and objectives at face value.

It is then that we discover that we, Swedes and Americans alike, are all brothers under the skin and that the other fellow — Swiss, Frenchmen, Englishmen, Germans, Belgians and all other Continentals—are just as smart, resourceful, enterprising and versatile as we Americans presumptuously think we are.

Is there anyone who has forgotten the humanitarian contribution that the Swedish American Line ships, the old "Kungsholm" and the old "Gripsholm" rendered to this country during World War II in safely conveying tens of thousands of sick and maimed American soldiers from the European Theatre of war to our shores?

So the writer wishes to say to his fellow Americans that Sweden ranks as a nation of brave, resourceful and patriotic spirits; a staunch friend of U. S. A. and a foremost nation which practices and stands for Peace and peaceful pursuits second to none in this troubled and upset world today.

Sweden's calm and dispassionate judgments and peaceful endeavors during the past century for the betterment of the human race, are qualities sadly lacking but much needed in a world beset with hate and misunderstanding.

This then is the humble tribute of an American newspaper man to a wonderful nation of Peace lovers and forward looking people—God's best—the sons and daughters of Sweden!!!

If there be a doubting Thomas after reading this article, the writer's concluding advice to him would be: visit Sweden, get acquainted with the Swedish people and see things for yourself.

## F. E. Sweetser With Dreyfus Corp.

Frank Eliot Sweetser has joined the Dreyfus Fund as Vice-President, it is announced by The Dreyfus Corporation, 50 Broadway, New York City. Mr. Sweetser was formerly Vice-President of Value Line's Investors Counsel, Inc.

## Southeast'n IBA Group To Hold Annual Mtg.

BALTIMORE, Md.—The Southeastern Group of the Investment Bankers Association of America will hold their annual meeting and conference at the Homestead, Hot Springs, Va., Sept. 24 through Sept. 26. Harvey B. Gram, Jr., Johnston, Lemon & Co., Washington, D. C., and W. Wallace Lanahan, Jr., Stein Bros. & Boyce, Baltimore, will serve as Co-Chairmen of the meetings and entertainment committee.

## Joins Stone & Webster

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Roy W. Michel, Jr. has become associated with Stone & Webster Securities Corporation, 33 South Clark Street. Mr. Michel was formerly with Blyth & Co., Inc., in Chicago and Houston, Texas.

## From Washington Ahead of the News

By CARLISLE BARGERON

President Eisenhower remarked several months ago, at a press conference, that he was being frequently advised that a particular proposal might be the right thing to do, but it was not the political thing to do. He had about decided to do what he considered to be the right thing in the belief that this would also be the political thing to do.

A test of his theory should come in November on the issue of his having at long last brought an end to the rigid farm support program. More specifically, the devout Mormon Secretary of Agriculture, Mr. Benson, has brought an end to it. But the President backed him up at a time when the Washington political prognosticators were saying that he couldn't possibly last long in the Cabinet, and when some Republican Senators of influence were demanding that he resign.

What has been accomplished by the President and his stubborn Secretary of Agriculture is undoubtedly what "all right thinking people" would call the right thing. For the rigid 90% crop support we are now to have a flexible support program of from 82½ to 90%. The Administration wanted from 75 to 90% but the compromise is unquestionably an Administration victory, and something that a few months ago, most Washington observers would have predicted it had little or no chance of attaining.

I suppose the economists and the "thinkers" were in pretty much agreement that our present farm program was without either rhyme or reason. But that is not the political problem that Mr. Eisenhower faced. The question was whether his flexible program meant a rout of the Republican party in the Midwest.

This is what most of the Republican Midwest Senators and members of the House pleaded with him would happen. His Secretary of Agriculture argued that it would not and he was mostly alone in this respect. The President stood by him on the ground that the right thing and the political thing are synonymous. Now we shall see what we shall see.

The Democrats will unquestionably go to town on the issue of Mr. Eisenhower's "automobile cabinet" and how it allegedly thinks only of adding to the wealth of the already rich. It is an old and familiar theme. The problem of the Republicans is to convince the farmers that they were living in an impossible economy and that what has been done is in their interest.

In the controversy Ezra Taft Benson will stand out as a shining light of honesty and genuineness. Indeed, even those Republican members of Congress who voted against him, agree that he and Secretary of the Treasury, Humphrey are the Administration's two strongest assets. Benson admittedly would not pass the first grade in what is known as practical politics. Humphrey has dealt with politicians for a long time. Although he has never, of course, run for office he has acquired considerable sophistication about the game.

Benson knows nothing about it. A high apostle of the Mormon Church, he does know agriculture, farm problems and the economics of the farm. He is just as firmly convinced of the need of dropping the rigid crop support program as he is in the need of prayer. On this latter subject Senators and Congressional leaders were at first somewhat taken back when upon having luncheon with the Agriculture Secretary he would first ask permission to pray. They got used to it and it seems that by and large they got used to his firm approach to the farm problem.

There was a time in Coolidge's Administration when the Vermonter ignored the farm belt agitation, far stronger than than now seems to be the case, and his Republican party suffered not the slightest ill effect.

But the Democrats ran Al Smith as his successor, against Herbert Hoover. No farm discontent showed up in the Hoover victory but Al Smith's candidacy injected matters into the campaign far afield from farm economics or the pocketbook. Dewey has a healthy respect for the farm vote after his experience in 1948. And in that instance the Democrats used the shabbiest of propaganda on the farmers.

Such demagoguery as they used may not be effective against Benson. His honest stubbornness is fortified with facts and figures and the three virtues may win. There is this difference, though. The Republicans in the Coolidge days had a wide margin in Congress. This time they can't afford to lose a single member to maintain their control of the House.

It would be mighty interesting, though, if Benson's wholesomeness were to catch on.



Carlisle Bargeron

## The New Tax Law

By ROGER W. BABSON

Asserting the new tax law will help everybody, Mr. Babson reviews its provisions to ease "hard luck" and "baby sitting," as well as relief for dividend and retirement money. Calls attention to more liberal allowances for depreciation, and holds big business and the rich are benefited very little in the proposed new tax set up.

The new tax law will help everybody. It is the first complete revision of all the Federal tax laws which has taken place for many years.

One of the first things recognized is that we all should get easier tax treatment for misfortune. This includes everything from sickness and accident to business losses. Not only are allowances made for this year's hard luck, but we are also allowed to charge these losses against a greater number of previous years' gains. Limited child-care expenses for low-income parents are exempted.

You may deduct medical expenses above 3% of income, instead of 5% as at present. But, you must remember that from now on you may only deduct sums spent for drugs and medicine above 1% of your income. Mothers, or widowers, who must work to support children under 12 or other dependents, and any woman whose husband is incapacitated, or working couples with combined family income of less than \$4,500 may deduct up to \$600 spent for child care. If you miss work because of an illness or an injury, you are entitled to tax exemption



Roger W. Babson

on payments made to you by your employer up to \$100 a week. The exemption does not apply in the first seven days of an illness, unless you are hospitalized.

### Relief For Dividend and Retirement Money

If you are a stockholder, you won't have to pay any tax at all on the first \$50 of income in dividends. Furthermore, you can take 4% of any dividend income above \$50 and deduct that from your tax payment. Although the double taxation of dividends is wrong and dishonest, I do not feel so badly that the President's request was not fully granted, especially in the case of young people. Older people who cannot work and are wholly dependent upon dividends should have total relief, but not everyone. In fact, the discrimination should perhaps be by ages, rather than by the total dividends received, except when they are reinvested in the stock of the same company. You won't have the basic 20% tax rate on the first \$1,200 of retirement income received after you pass 65. If you are a retired government employee such as a teacher, fireman, or policeman, you can get the benefit even though you're under 65. If you have a child who is under 19 or is in college and who has a job which pays him more than \$600 a year, you can continue to list him as a dependent with a \$600 exemption on your return if you pay half of his support. If your husband or wife dies, you may continue for two years to get

the full benefit of income splitting by a joint return.

### Help For Businessmen

If you are a businessman or farmer, you may use the new double declining-balance method of quick depreciation on a plant or piece of equipment. This means that in the first years of life, you can write-off twice the amount for depreciation now allowed; thus you can concentrate most of the write-off in the early years of use of the item. A corporation may get other relief, including: More liberal treatment for research expenditures; greater freedom to set aside surpluses; the right to offset a loss against profits of two prior years instead of one as now; greatly expanded depletion allowances for mining companies; a cut-off date of April 1, 1955, for the 52% corporation tax rate, when it automatically drops to 47%. If you are a farmer putting a lot of money into soil rebuilding, you may deduct these outlays up to 25% of your gross business income.

### Installment Buying

To help business, installment buying is being encouraged by allowing you to deduct the carrying charges on all such purchases. To help churches, hospitals, and colleges, we can deduct, as tax-exempt income, 30% of our contributions to such, instead of the former 20%. The main purpose of these new tax laws is to help struggling parents and struggling businessmen. Big business and the rich are benefited very little.

The date when we must file our returns is extended from March 15 to April 15. Furthermore, married couples filing joint returns and who have a family annual income of less than \$10,000 (most of it subject to withholding) no longer need to file an advance estimate of their tax. This simplifies filing for millions of people. For these changes we can thank both the Republicans and Democrats.

*This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.*

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SINGER, DEANE & SCRIBNER

August 10, 1954.

### Now With Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Carlyle A. MacDonald has become associated with Draper, Sears & Co., of Boston. He was formerly with du Pont, Homsey & Co., Clyde F. Frost & Co. and Bowers & Company.

### Beer & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Nash O. Wickliffe has become connected with Beer & Company, 233 Carondelet Street, members of the New York and New Orleans Stock Exchanges.

## Dealer-Broker Investment Recommendations & Literature

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

**Aircraft & Auto Stocks**—Analysis of prospects—plus 4 weekly editions of ratings & reports on over 200 stocks and 14 industries, and a 16-page summary of recommendations—\$5—Dept. CF-9, The Value Line Investment Survey, 5 East 44th Street, New York 17, N. Y.

**Bache Selected List**—Analysis of securities in 34 basic industries—Bache & Co., 36 Wall Street, New York 5, N. Y.

**Bank Stocks**—89th consecutive quarterly comparison of leading banks and trust companies of New York—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

**Department Store Shares**—Analysis with particular emphasis on R. H. Macy & Co.—Jacques Coe & Co., 39 Broadway, New York 6, N. Y.

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

**German Dollar Bonds**—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

**Japanese Plastics Industry**—Analysis in June issue of "Monthly Stock Digest"—Nomura Securities Co., Ltd., 1-1 Chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan and 61 Broadway, New York 6, N. Y.

**"Let Robot Do It"**—2nd printing of "Highlights" on automation—Troster, Singer & Co., 75 Trinity Place, New York 6, New York.

**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.

**Sulphur Stocks**—Card Memorandum—Vickers Brothers, 52 Wall Street, New York 5, N. Y.

**American Broadcasting-Paramount Theatres, Inc.**—Analysis—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

**Baltimore & Ohio Railroad**—Memorandum—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

**Baltimore & Ohio Railroad**—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

**California Pacific Utilities Company**—Analysis—First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif.

**Central Indiana Gas Company**—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

**Central Public Utility Corp.**—Memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a memorandum on Federal Paper Board Co.

**Chattanooga Gas Company**—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

**Diana Stores Corporation**—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

**Eastern Utilities Associates**—Memorandum—Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

**Thomas A. Edison, Inc.**—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y. Also available are analyses of National Cylinder Gas Co. and Girdler Corporation, and S. Morgan Smith Co.

**International Nickel Company of Canada Ltd.**—Bulletin—Nesbitt, Thomson and Company, Limited, 355 St. James Street, West, Montreal, Que., Canada.

**Kentucky-Utah Mining Company**—Special Report—Whitney & Company, 10 Exchange Place, Salt Lake City, Utah.

**Madison Gas & Electric Company**—Analysis—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

**Manning, Maxwell & Moore, Inc.**—Card Memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

**McDonnell Aircraft**—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

**Revere Copper & Brass**—Analysis—Harris, Upham & Co., 14 Wall Street, New York 5, N. Y.

**Riverside Cement**—Analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

**Sinclair Oil Corporation**—Analysis—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

**Sterling Drug, Inc.**—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y. In the same bulletin is also an analysis of Oils.

**Texas Pacific Land Trust**—Analysis—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

**Utco Uranium Corp.**—Memorandum—Amos C. Sudler & Co., First National Bank Building, Denver 2, Colo.

**West Coast Life Insurance Co.**—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

**Western Kentucky Gas Co.**—Memorandum—Beil & Hough, 33 Fourth Street, North, St. Petersburg, Fla.

**Westinghouse Air Brake Company**—Analysis—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

## President Signs Amendments to SEC Acts

Measure provides for wider use of offering prospectuses for new securities issues and permits greater use of advertising in the interval between filing and effective date of registration.

President Eisenhower on Aug. 10 signed into law the measure passed by Congress which made several changes in the Acts administered by the Securities and Exchange Commission.



Prescott Bush

This new measure, the SEC has stated to the press, represents the first Amendment to Acts administered by the Commission in a number of years. The chief provisions of the Amendments as reported July 28 to Congress by Senator Bush of Conn., a member of the House-Senate Conference Committee on the Bill, were as follows:

### Disseminating Information During Waiting Period

In line with the basic purpose of the Securities Act of 1933—to provide investors with adequate information concerning securities publicly offered—the bill permits written offers during the waiting period by means of a prospectus filed with the Commission prior to its use. It would remove the difficult concept, inherent in present practice, that it is permissive—obligator under SEC rules—for an underwriter during the waiting period to disseminate information but illegal to solicit offers. The amended act, however, continues to make unlawful sales, contracts to sell, and contracts of sale before the registration statement becomes effective.

### Use of Prospectuses After Effective Date of Registration

The Securities Act of 1933 requires that any dealer must deliver a prospectus in the initial distribution of a security—regardless of how long the distribution takes. It further requires the delivery of a prospectus in trading transactions for one year after commencement of an offering. This latter provision is amended to reduce the one-year period to 40 days after the effective date or the commencement of the public offering, whichever expires last. The one-year period for trading transactions—as distinguished

from actual distribution—has long been recognized as unrealistically long.

For certain types of investment companies which continuously offer securities the Investment Company Act of 1940 is amended so as to provide for mandatory use of prospectuses over a longer period.

### Simplification of Information Requirements for Prospectuses Used for More Than 13 Months

Prospectuses which are used more than 13 months after the effective date of the registration statement now require information more recent than the information in prospectuses used prior thereto. In order to equalize the requirements the act is amended to provide that where a prospectus is used more than nine months after the effective date, the information contained therein shall be as of a date within 16 months of such use.

### Extension of Credit by Dealers in New Issues

The prohibition against extending credit to purchasers of a new issue by dealers for six months after the offering period is considered unnecessarily long. The amendment reduces the six months' period to 30 days.

### When-Issued Trading

This is a technical amendment for the purpose of removing an ambiguity in the present law. This is accomplished by eliminating the last sentence of section 12 (d) of the Securities Exchange Act of 1934 which is unnecessary for the accomplishment of its stated purpose. The current regulations of the Commission plus the overall rulemaking authority now provided by section 12 (d), and retained by the bill, afford adequate means for dealing with future problems as to "when-issued" trading.

### The Offering of Institutional Type of Debt Securities

The Trust Indenture Act of 1939 seemingly requires inclusion in a prospectus of a summary of certain specified indenture provisions. Since the Commission can deal with disclosure problems through its rulemaking power, and since the substantive provisions required to be included in indentures qualified under the act would not be changed, this re-

quirement is unnecessary. The amendment should facilitate the simplification of prospectuses.

Instead of, in effect, requiring investment companies, which engage in continuous offerings of their shares, to file new registration statements under the Securities Act each year, the amendment would permit such companies to increase the number of their registered shares by amending their registration statements.

In addition to these matters, the bill, as passed by the Senate, contained a provision which would amend section 3 (b) of the Securities Act to increase from \$300,000 to \$500,000 the maximum amount of exemption from registration which may be provided by appropriate rules of the Commission. The House of Representatives deleted this provision from the bill as passed by the Senate. While your managers recommend that the Senate agree to the amendment made by the House, I believe it important to indicate the considerations which led to the inclusion of this provision in the Senate bill.

The amendment of section 3 (b) was designed to make the capital market more readily available to small businesses and at less expense, in accordance with the recommendation of the President in his Economic Report to the Congress. It was thus conceived as a part of the securities law amendment program for the purpose, "while fully protecting the interests of investors," of "making the capital markets more accessible to businesses of moderate size"—report of the President, 83d Congress, 2d session, House Document No. 289, Jan. 28, 1954, page 88. Incidentally, I would like to point out that the amendment increasing the exemption for the smaller securities issues was very strongly advocated by the Chairman of our Committee on Banking and Currency, Senator Capehart, as well as by the ranking member on the Democratic side, Senator Maybank.

It should be emphasized that the proposed amendment of section 3 (b) would not have made the increased exemption automatically available. It would have served only to increase the permissible and maximum amount of exemption from the registration provisions of the act subject to the terms and conditions provided in relevant regulations of the Commission.

In its regulations under section 3 (b) of the act, the Securities and Exchange Commission requires an offering circular to be delivered to the prospective purchaser and may by order suspend or deny the exemption because of fraud, threatened fraud, or other violation of the regulations. Persons using the offering circular are subject to civil liability and other sanctions for fraud and other inaccuracies under sections 12 and 17 of the Securities Act of 1933. Under present regulations these offering circulars which contain financial statements are examined in the Commission's regional offices before they may be used. It is the opinion of your Committee on Banking and Currency that the filing with and the scrutiny of the Commission of the literature employed under the exemption affords substantial safeguards.

As I have already indicated, a principal reason for increasing the exemptive amount was the disproportionate cost of registration for small issues. After careful consideration of the testimony of witnesses who appeared before your committee and urged an increase in the exemptive amount and of the considered views of the members of the Securities and Exchange Commission, your Committee on Banking and Currency was of the view that an increase of the exemptive amount, subject to appropriate safeguards, would be in the public interest.

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DEPENDABLE MARKETS



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# Taxes and a Sound Economy

By H. FREDERICK HAGEMANN, JR.  
President, Rockland-Atlas National Bank  
Boston, Mass.

**Boston banker attacks tax policy which aims to redistribute the income of the citizenry. Asserts history fails to reveal a single case where this "Santa Claus" principle has made everyone equally happy. Describes various kinds of taxes, and the ill effects of high progressive tax rates. Says dilemma between destructively high income taxes on one hand, and inflationary deficit financing on the other, can be solved only by reduction of government spending. Concludes a balanced budget at a reasonable level will permit a more equitable tax structure.**

The burden of taxes rests on rich and poor. Only the pauper is exempt.

As citizens we have decided that certain responsibilities such as national defense, police protection, the administration of justice, and certain other functions can best be handled by the concerted action of all the citizens working through the government. Since the government has no wealth of its own, it has to draw on the wealth of the people to defray the expenses of carrying on the multiple functions assigned to it. The more duties assigned to government, the larger its expenses and the more it will have to take from the people in the form of taxes.



H. F. Hagemann, Jr.

The government has no wealth of its own, it has to draw on the wealth of the people to defray the expenses of carrying on the multiple functions assigned to it. The more duties assigned to government, the larger its expenses and the more it will have to take from the people in the form of taxes.

## Functions of the Government

There was a time when the only functions assigned to government were the protection of the individual citizen from "fraud" and "force," both domestic and foreign. But today the great majority of the people feel that, in addition to these original functions, the government should extend its activities to modify the ups and downs of business conditions, and to enforce what the majority consider "fair play." In recent years the idea of fair play has been extended to making provisions for many sorts of welfare activities never contemplated by the people who founded our government. Government today is requested by the majority to carry on certain additional activities that are considered to be for the benefit of the people as a whole—activities which cannot be performed as well by the individual or which are beyond the financial reach of the individuals who comprise the majority.

Once the majority of the people indicated at the polls that they were agreeable to enlarging the scope of government activities to a limited extent, the politicians have not been bashful about taking their cue. On their own initiative or urged on by minority groups, bureaucrats have expanded their scope and taken over additional activities and functions without waiting to be asked specifically to do so by the majority of the people.

## Taxation and Welfare Expenditures

Since the government is an agency whose activities are not designed to produce wealth, but to permit the individual to produce wealth and enjoy the pursuit of happiness, it must be supported by "contributions" from the individual in such amounts as are necessary. These "contributions" or taxes reduce the individual's spendable income, but in theory at least only reduce his standard of living to the extent that he is not given services by the government that he otherwise would pay for directly.

However, when government through taxation and welfare expenditure attempts to redistribute the income of its citizenry, it has gone beyond this concept. In this instance one segment of society, has its standard of living lowered by paying taxes in excess of benefits received, while another segment has its standard of living raised by receiving in benefits more than it pays in taxes. In time this "Santa Claus" feature of "soak the rich" taxation liquidates itself, as society is leveled out. Then each taxpayer has to pay in taxes the exact amount necessary to cover the cost of the government services he receives. History fails to reveal a single case where through the pursuit of the "Santa Claus" principle of taxation, governments have made everyone equally happy, but too often history records that governments have succeeded in making everyone equally miserable.

## Kinds of Taxes

In this country we have what are called "direct taxes" and what are called "indirect taxes."

Individual income taxes are direct taxes and are levied on the person enjoying income from wages, rents, dividends, interest, or the profits of partnerships carrying on business or professional operations. Taxes on telephone calls, taxes on cigarettes, taxes on gasoline are all direct taxes. They are paid at the time of purchase by the person that is buying the service or article taxed. This type of direct tax when applied to the great bulk of the articles purchased is termed a "sales tax." Taxes on real and personal property of the individual are also direct taxes. Probably the simplest direct tax is the poll tax as a man only has to be alive to be subject to it. The individual income tax mentioned above is the most complex direct tax.

Taxes levied on corporations, however, are indirect taxes. Taxes levied on corporations become part of the cost of the article produced by the corporation and form part of the retail price of such articles. A corporation is an organization of capital, labor and management which transforms raw material into articles desired by the consumer. It has no other source of revenue but what it gets from the consumer and all taxes levied on it in the final analysis must come from the consumer. A baking company, if it is to be successful and stay in business, must charge for its bread prices that will cover materials, wages, management return on capital and taxes paid by it. If taxes are increased, prices must be increased. Thus the consumer pays these taxes indirectly.

All taxes ultimately are paid by people. Whether taxes are direct or indirect the tax is always paid by the person who enjoys the thing that is taxed.

## Proportional vs. Progressive Taxation

The economist, Adam Smith, suggested certain principles in regard to taxation which are briefly as follows:

(1) "The subjects of every State ought to contribute to the support of the government as

nearly as possible in (direct) proportion to their respective abilities, that is in proportion to the revenue which they respectively enjoy under protection of the State.

(2) "The tax which each individual is bound to pay ought to be certain and not arbitrary.

(3) "Every tax ought to be levied at the time, and in the manner which is most likely to be convenient for the contributor to pay.

(4) "Every tax ought to be so contrived as to both take out and keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the State."

Those principles still seem sound, but the principle of proportional taxation has been replaced in part of the tax field by progressive taxation. After the adoption of the 16th Amendment to the Constitution of the United States in 1913, a Federal Income Tax Law was enacted which provided for progressively higher rates on higher incomes. At the time of the adoption of the first Federal individual income tax, the top Federal income tax rate was 7% in contrast to the top rate currently which is 91%. Too often the rate on individual incomes has been set just as high as possible so as to get as much revenue as possible without completely destroying incentive and thus killing the goose that lays the golden egg.

Of course, there is almost always pressure to increase taxes in order to provide more revenue and there is often pressure from certain groups to use high rates on individual income taxes for social reform purposes.

As we in this country have abandoned the principle of straight proportional taxation as far as Federal Income Taxes are concerned, it should be our endeavor to see that the arbitrarily progressive rates are as equitable as possible. We should realize that the overall economic condition of the country is improved through capital formation out of earnings and savings. It has been through retained earnings of corporations and through individual savings that capital has been accumulated in this country and invested in new factories and machinery. These facilities in turn have been an important factor in the increased production per worker, and in the increased wages and higher standard of living of the American workman. High individual tax rates should be guarded against, as they tend to discourage thrift and cut down productivity, and ultimately to harm the entire economy.

## Deficit Financing

While lower individual and corporate income tax rates are a desirable objective, they should not be realized by resorting to deficit financing, because such deficit financing requires either continuous government borrowing or the printing of irredeemable paper money. Government borrowing through the sale of bonds to the people, inasmuch as the bonds must some day be repaid with funds derived from taxes, merely shifts the burden of taxation to future generations. Irredeemable paper money or bank deposits arbitrarily created by the government to pay its bills, increases the number of dollars in circulation without increasing the supply of goods and services. Because there are more dollars competing to buy the same quantity of goods and services, a general price increase results. All dollars held by all citizens in savings, and all earned dollars are able to buy less than they were able to buy before the new printed money or new deposits were created. Deficit financing that increases the money supply is the most direct and most harmful form of government-fostered inflation. History reveals that inflation and irredeemable dollars are not compatible with true progress and lasting prosperity. Inflationary programs embarked upon to create jobs and bring about full employment in the long run have always brought about mass unemployment and misery.

## A Solution

The dilemma between destructively high income taxes on the one hand and inflationary deficit financing with its ultimate damaging effects on the other hand, can be solved only by a reduction in government spending.

The head of a family would like to do many desirable things for his wife and children, but he is restrained from doing all he would like to do by the necessity of keeping his expenses within bounds and the family's financial condition solvent.

Those who govern us receive many requests from citizens to have the government undertake many projects and programs. But no matter how desirable these programs are in themselves, or how much our elected representatives would like to say yes rather than no, they also are restrained from doing all they would like to do for the people in order to keep the government solvent and to avoid wrecking the economy.

To deceive the mass of the people through inflation is dishonest, and the deception in time will do

more to undermine faith in our form of government than anything the Socialist or Communist could do, either by internal propaganda or external aggression.

The most strenuous efforts of the government should be concentrated on cutting government spending as much as possible, consistent with an intelligent and unbiased appraisal of national defense needs. It is essential in order to preserve our economic strength that the budget be balanced, that deficit financing be eliminated and that we return to sound money.

A budget balanced at a reasonable level will permit a more equitable tax structure; a tax structure that will encourage individual and corporate savings to have their normal and lasting strengthening effects on our economy. A budget balanced at a reasonable level will help to keep America strong and free.

## A. A. Sullivan With Mason-Hagan, Inc.

RICHMOND, Va.—A. A. Sullivan has become associated with Mason-Hagan, Inc. 1110 East Main Street, members of the Richmond and Philadelphia-Baltimore Stock Exchanges, as manager of the municipal bond department. Mr. Sullivan was formerly associated with Estabrook & Co. and White, Weld & Co. and prior thereto was an officer of Equitable Securities Corporation.



A. A. Sullivan

## Two With Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)  
SAN FRANCISCO, Calif.—Earl F. Smith and Ernest Stent have become associated with Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges. Mr. Stent was formerly with Schwabacher & Co.

## Straus, Blosser Branch

BELOIT, Wis.—Straus, Blosser & McDowell have opened a branch office at 405 East Grand Avenue under the direction of H. John Ellis.

This is not, and is under no circumstances to be construed as, an offering of these Shares for sale, or as a solicitation of offers to buy, any of such Shares. The offering is made only by the Prospectus.

August 10, 1954

186,683 Shares

## Harrisburg Steel Corporation

Common Stock

\$2.50 Par Value

Price \$22 per share

Copies of the Prospectus may be obtained in any State only from such of the several Underwriters, including the undersigned, as may lawfully offer these securities in such State.

Carl M. Loeb, Rhoades & Co.









## THE MARKET... AND YOU

By WALLACE STREETE

Industrial stocks recovered their balance this week after the selling spurred largely by the reduced Chrysler dividend. The feat was almost entirely due to the aircraft issues which have spurted so far and so long but still have enough thrust behind them to justify even those who bought them at historically high prices recently. Something like half of the top dozen trading favorites were aircrafts for a couple of sessions running and on one day no less than eight of the issues in the group showed peak gains of at least two points.

Boeing, as a result, already has moved up to within easy distance of the same price the old issue reached before a 2-for-1 split in May. Douglas, which doubled in price in less than three years after one 2-for-1 split in 1951, ran up some three-fourths of the way toward equalling the price before the second 2-for-1 split, also accomplished in May.

### Aircrafts Supported by Earnings and Dividends

The good earnings being reported this year obviously have had an important part in the popularity of the air issues. Dividend payments have kept pace enough so that few of them are among the lower-yielding issues around and most are reasonably close to the 5½% average yield of listed common stocks. By comparison, Corning Glass, Minnesota Mining, Aluminum Co., and Owens-Corning Fiberglas have had momentary popularity even though they sell far more routinely on a less-than-2% basis.

In addition to upsetting the market generally, the halving of the Chrysler payment definitely ended doubts over whether the motors should be included in the "depressed" groups. Until the directors conceded that the sails had to be trimmed, the forces of optimism and pessimism had a lively debate going over whether the auto troubles would vanish before the year-end. The near-record profit General Motors was able to show for the half year had kept the discussion going, but seems merely to have been the sole bright spot in this industry. The independents continued in their worn rut while the only other automotive feature was a mysterious sinking spell in Reo Motors despite official assurances that nothing had happened to upset the sale to Henney Motor Co. which would bring a price comfortably above the market level.

### Farm Equipments Show Some Life

One of the depressed groups of far longer standing, the farm equipment makers, were able to show a bit of life largely because of some rather concentrated attention to the lower-priced issues by the financial services. Oliver Corp. benefited far more than the other issues, including an appearance at the head of the most active list. The strength continued despite company denials that anything was brewing that would warrant any run-up. The issue moved to a new high for this year which wasn't too far below last year's best but well under the peak of 1951 when the issue was split 2-for-1. Oliver, as a matter of fact, is a refutation of the old market adage that split stocks do well substantially. It has been selling well below the equivalent price where the split was accomplished and, except for an initial posting in line with the old stock, has been losing ground ever since.

Rubber shares were cautious, taking their cue from the automotive issues and for the most were undistinguished. They swayed a bit with the prevailing trend but overall made little progress. However, they weren't unduly heavy, either.

### Oils Apathetic

Oils added little luster to the market proceedings. The Iranian settlement, when it finally came, was far less of a depressing development than had been predicted some time back. In fact, some of the abortive rumors of an earlier settlement had far more effect on the division market-wise than the actual event. Part of the reason was the fact that the oils have been out of favor for some time and are well below the highs of the year so there wasn't too much left for the market to discount. There are still hints of liquidation in this group by institutional holders, although four rather large blocks that changed hands this week were said not to be from such sources. They included 13,000 Atlantic Refining, 20,000 Standard Oil of California, 25,000 Socony Vacuum and 50,000 Standard Oil of New Jersey.

Youngstown Sheet continued to be an erratic member of the steel division. Varying ideas over what price might be decided if a merger with Bethlehem Steel is arranged, plus a few wildfire rumors that the deal was off, kept the

issue swinging a bit more widely than the bulk of the group. Wheeling Steel featured in some still-nebulous rumors, and joined Youngstown in the gyrations to a degree that included the best price reached in several years.

Also moving to the best reading in better than two years as a feature on strength was Mengel Co. in the plywood and furniture division. One day's achievement alone was an advance of close to 20% which resulted in the best price since the dividend was trimmed in 1951.

Rails have done little with conviction, occasional good gains or equally wide losses in the division coinciding with the general market trend without any obvious significance. The carriers generally continue to be more neglected than barometric. New Haven shows above-average strength which has been credited more to the votes in a proxy fight than anything basic in the fortunes of the road itself.

### Swing to Secondaries

The swing to the secondary issues grows even more pronounced daily, the blue chips such as General Electric, DuPont, and Corn Products doing little while attention centers on such issues as Winn & Lovett Grocery, which is preparing for its third 3-for-1 split in less than a decade, the cement issues generally, and special situations such as Corn Exchange Bank which, apart from being one of the few bank stocks still listed, is probably the chain most persistently mentioned in mergers.

Utilities, as is their wont, come in for a bit of favor whenever the going is rough elsewhere and the section, consequently, has been able to shrug off most of the erratic behavior in other parts of the list. In fact, despite the general selling, the utility average hasn't had two successive losing days in more than two weeks, including a period when the industrials declined for three days running and the rails for four.

### Technical Factors Insignificant

Technically, the week's action solved little. Despite the selling that began last week and carried over into this week's initial session, few market observers were willing to grant that the very moderate setback filled the description of anything approaching an intermediate correction or that it obviated the need for such a correction before any important topside progress can be made.

[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.]

# NSTA



# Notes

### NATIONAL SECURITY TRADERS ASSOCIATION

The Nominating Committee of the National Security Traders Association, Inc. has submitted the following slate for office for 1955:



John W. Bunn



Lex Jolley



T. M. Wakeley



Lawrence S. Pulliam



John M. Hudson

**President:** John W. Bunn, Stifel, Nicolaus & Company, Incorporated, St. Louis, Mo.

**First Vice-President:** Lex Jolley, The Robinson-Humphrey Company, Inc., Atlanta, Ga.

**Second Vice-President:** Thompson M. Wakeley, A. C. Allyn & Company, Incorporated, Chicago

**Secretary:** John M. Hudson, Thayer, Baker & Co., Philadelphia

**Treasurer:** Lawrence S. Pulliam, Weeden & Co., Los Angeles

Members of the Nominating Committee were Harry L. Arnold, Goldman, Sachs & Co., New York City, Chairman; Ernest E. Blum, First California Company, San Francisco; James B. Dean, J. W. Tindall & Co., Inc., Atlanta; John G. Heimerdinger, Walter, Woody & Heimerdinger, Cincinnati; Ludwal A. Strader, Strader, Taylor & Co., Inc., Lynchburg, Va.; Edward V. Vallyly, John Nuveen & Co., Chicago, and Richard H. Walsh, Newhard, Cook & Co., St. Louis.

### NSTA Municipal Committee

Ludwell A. Strader, Strader, Taylor & Co., Inc., Lynchburg, Va., Chairman of the Municipal Committee of the National Security Traders Association, Inc. has appointed G. Powell Davis, Willis, Kenney and Ayres, Richmond, Va. to his committee for the ensuing year.

### NSTA Ladies Entertainment

Phillip J. Clark, Amos Sudler & Co., Denver, President of National Security Traders Association, has announced that Mrs. Polly Freear (Landon A. Freear, William N. Edwards & Co., Ft. Worth, Texas) will again head the Ladies Entertainment Committee for the Annual Convention in September.

### AD LIBBING

Your Committee feels much encouraged with the gross advertising for our NSTA Supplement to the "Chronicle" now at the \$19,000 figure. Hal Murphy informs us that Sumner R. Wolley, of Coffin & Burr, Incorporated, in Boston, has done some outstanding solicitation and it looks as though the Boston affiliate will undoubtedly be among the leading organizations for a real good job done this year.



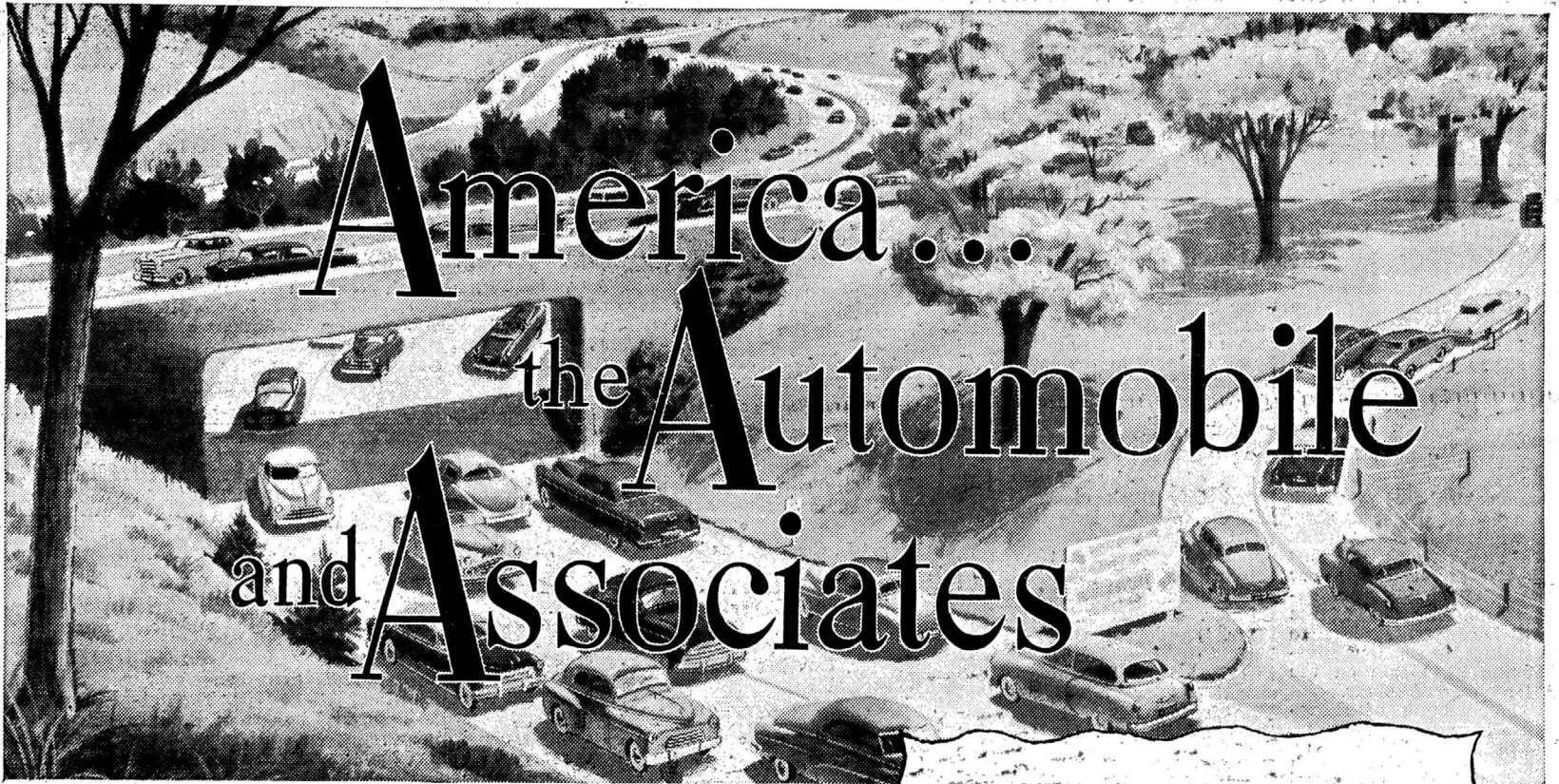
Sumner R. Wolley



Homer J. Bateman

It was good to hear from Homer J. Bateman, Pacific Northwest Company, Seattle, requesting quite a few order blanks. We hope he is able to top last year's total.

We would like to mention in our columns what is being accomplished by others. May we hear from you? I received a marvelous letter from Herb Blizzard from Japan and it is quite evident that the Colonel has still a great interest in NSTA activities. Why not take time to drop him a note, USAF, Box 431 Hdqrs. FEALOGFOR, APO-323 c/o P. M., San Francisco, Calif.



**A REPORT FOR THE FIRST SIX MONTHS**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

**ASSETS**

	June 30, 1954	June 30, 1953
CASH AND MARKETABLE SECURITIES.....	\$ 66,968,329	\$ 63,565,016
RECEIVABLES:		
Retail motor vehicle installment receivables....	\$424,553,547	\$390,294,935
Wholesale motor vehicle short-term loans.....	45,487,999	43,518,035
Direct and personal installment loans.....	37,765,548	34,515,676
Commercial and other receivables.....	25,803,615	27,632,007
	\$533,610,709	\$495,960,653
Less: Unearned discounts.....	30,707,576	28,808,409
Reserve for losses.....	11,484,714	10,860,629
Total receivables, net.....	\$491,418,419	\$456,291,615
OTHER ASSETS.....	7,617,605	4,865,586
	<u>\$566,004,353</u>	<u>\$524,722,217</u>

**LIABILITIES**

NOTES PAYABLE, short term.....	\$255,560,050	\$267,970,700
TERM NOTES due within one year.....	43,250,000	—
COMMON STOCK DIVIDEND payable July 2, 1954....	1,406,462	—
ACCOUNTS PAYABLE, ACCRUALS AND RESERVES.....	24,724,799	25,277,212
UNEARNED INSURANCE PREMIUMS.....	24,876,229	23,689,035
LONG-TERM NOTES.....	85,455,000	95,005,000
SUBORDINATED LONG-TERM NOTES.....	35,000,000	37,500,000
CAPITAL DEBENTURES.....	9,000,000	—
PREFERRED STOCK.....	12,500,000	9,700,000
COMMON STOCK.....	31,254,720	31,254,720
SURPLUS.....	42,977,093	34,325,550
	<u>\$566,004,353</u>	<u>\$524,722,217</u>

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	Six Months Ended	
	June 30, 1954	June 30, 1953
Discount, interest, premiums and other income.....	\$46,254,477	\$44,804,470
Operating expenses.....	30,792,812	30,127,935
Net income before Federal income tax.....	\$15,461,665	\$14,676,535
Provision for Federal income tax.....	7,490,000	7,875,000
Net income.....	<u>\$ 7,971,665</u>	<u>\$ 6,801,535</u>
Consolidated net earnings per share of common stock after payment of preferred dividends.....	\$2.47	\$2.11

HOME OFFICE: SOUTH BEND, INDIANA • AND OFFICES IN 145 PRINCIPAL CITIES IN THE UNITED STATES.

America's prosperity is sustained by the flow and movement of money through the nation's economic blood stream. Without this circulation of billions of dollars every year—this use of money to move merchandise—industry could not earn so well.

Automobiles are probably the most widely accepted symbols of American prosperity. They are volume products of one of the nation's greatest industries, and their unceasing movement back and forth over millions of miles of highway is symbolic of the tremendous money flow originated by this industry.

Associates Investment Company through its time sales financing in the automotive field is a major force in sustaining this movement of money, this continuous flow of capital to create economic prosperity. In the past twelve months, Associates has put more than one billion dollars to work in automotive and allied financing.



**ASSOCIATES INVESTMENT COMPANY**  
**ASSOCIATES DISCOUNT CORPORATION**  
**EMMCO INSURANCE COMPANY**  
 and other subsidiaries







## Helping one freight car do the work of two with Nailable Steel Flooring

Nailable Steel Flooring, developed and produced by Great Lakes Steel, a division of National Steel, is virtually unknown to the general public but no stranger to railroads and shippers.

Nailable Steel Flooring doubles the availability and usefulness of freight cars by making them always ready for dissimilar carrying jobs without alteration or advance preparation. A gondola, for example, can enter a plant carrying blocked, crated or skidded material and, after being unloaded, be sent on its way with a load of loose scrap.

Nailable Steel Flooring's unique design permits loads to be blocked and nailed right to it. With a N-S-F installation welded into a car's structure, the danger of loading damage is reduced, the structural rigidity of the car is increased, and the

floor itself has a high resistance to the impacts of mechanical bulk loadings. The material used in making N-S-F is another product of Great Lakes Steel—tough, durable N-A-X High-Tensile steel.

N-S-F is just one result of National's progressive policy that calls for constantly improved products and methods. This is National Steel—entirely integrated, completely independent—one of America's leading steel producers.

### New Color Film Now Available

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

**NATIONAL STEEL CORPORATION**  
GRANT BUILDING PITTSBURGH, PA.

SERVING AMERICA BY SERVING AMERICAN INDUSTRY

### SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

 <b>GREAT LAKES STEEL CORP.</b> Detroit, Mich. A major supplier of standard and special carbon steel products for a wide range of applications in industry.	 <b>WEIRTON STEEL COMPANY</b> Weirton, W. Va. World's largest independent manufacturer of tin plate. Producer of many other important steel products.
 <b>THE HANNA FURNACE CORP.</b> Buffalo, New York. Blast furnace division for production of various types of pig iron.	 <b>HANNA IRON ORE COMPANY</b> Cleveland, Ohio. Producer of iron ore from extensive holdings in the Great Lakes area.
 <b>NATIONAL STEEL PRODUCTS CO.</b> Houston, Texas. Warehouse and distribution facilities for steel products in the Southwest.	 <b>NATIONAL MINES CORP.</b> Supplies high grade metallurgical coal for the tremendous needs of National Steel mills.
 <b>STRAN-STEEL DIVISION</b> Ecorse, Mich. and Terre Haute, Ind. Exclusive manufacturer of famous Quonset buildings and Stran-Steel nailable framing.	 <b>NATIONAL STEEL</b>

Continued from first page

## As We See It

to contribute to support of that part of the population which lives on our farms.

The inevitable economic consequences have been becoming clearer and clearer for several years past. They have now reached the point where, so we hope, the public will not longer tolerate the situation, at least in the form and degree it has now assumed. What has happened is essentially this: From a mixture of motives it was determined that the farmer must be pampered, and directly or indirectly the funds for the purpose were created by the banks at the behest and with the guarantee of the Federal Government. For reasons which need not deter us here and which in any event were not really thought out even by the powers that be, these subsidies to the farmer were not to be simple gifts but tied directly to production and to preparations for even greater production. Of course, the funds did not remain in the hands of the farmers but passed on into the general stream of income and expenditures throughout the economy (as inflationary funds always do). But, of course, not even this fillip could create demand enough for the output of the farmers to insure normal distribution and consumption of the product. The result is surpluses so enormous as to be virtually worthless in many instances—and farmers now so accustomed to overproducing and getting paid for excess product which no one wants that they feel themselves greatly aggrieved when anything at all is done to put a stop to the farce.

### Not Sui Generis

But agriculture is not *sui generis*, at least in these respects. Broadly similar policies of the economic managers of the nation have brought questionable results at other points, too. Despite all the pleas of the "do-gooders," and notwithstanding the arguments of many of the Keynesian hangers-on, we venture to say that the residential housing situation as it exists today is in some respects definitely a case in point. We have for years past had public housing, publicly subsidized housing, and public financing of housing—all to help the poor man to improve the shelter in which he lives and to stimulate business and maintain employment. At least these are the official objectives of what has been done and is being done.

What has actually occurred is instructive. Even more instructive is the basic nature of the situation as it has developed over the years. First of all, residential construction has been breaking all records since it got well started after the close of World War II. It is still going very strong. For all of this there are a number of reasons, many of them very sound and some of them definitely dubious. There was, of course, an exceedingly large backlog of demand for housing due to the great depression of the 'Thirties and the all-out war of the first half of the 'Forties. Population continued to grow even during the 'Thirties, although at a reduced rate. Marriages rose sharply during the war, and the number of new households demanding places to live mounted phenomenally in the years immediately following the war, as did the number of births.

In addition to all this, the booming years (in considerable degree inflationary in nature) brought additional supplies of new motor cars which in turn stimulated an already existing desire on the part of young couples to live outside of the more congested areas, and to undertake the construction of homes in such districts. A continued high rate of births has obliged many couples to seek larger quarters either by additions to their already existing housing facilities or by acquiring new accommodation. Pension systems now so widely in vogue are said to be enabling more of the older population to maintain homes of their own instead of "doubling up" as was in the past more the custom.

### Well Enough, But . . .

All this sounds well enough, and so far as the facts thus cited are concerned is to be put down for the most part on the right side of the ledger. But certain questions will not down. These center about certain parts of the foundations upon which this housing boom appears to have rested and in even larger degree perhaps now rests. A not insignificant part of the construction in recent years has been what is known as public housing. It would be strange if the accounts of these enterprises and of the sponsoring political units were such as to enable the citizen to arrive at anything approaching an accurate knowledge of finan-

cial results. They have been built and are being built either with government contributions (acquired by inflationary procedures) or else with what amounts to government guaranty of their obligations. This means, among other things, that they are getting their capital funds far below the normal rate. Relative freedom from taxation gives them another unwarranted advantage. Are we presently to find ourselves with another establishment which must be carried at public expense? Such an eventuality would scarcely be conducive to a prosperous economy.

### Reminiscent of the 'Twenties

The terms on which many of these houses are now being financed is strongly reminiscent of what took place in the late 'Twenties, where over-appraisals, low down payments and overly long mortgages brought disaster to many an investor—and for that matter to many homeowners. In addition, both by direct intervention and by broad monetary policies, interest rates have now been driven down to a point where artificial stimulation of housing construction is present in many instances. How will this structure stand up if and when adversity strikes—as it will sooner or later? Is this vast extension of home ownership compatible with the degree of labor mobility believed to be required, or at least desirable, in the modern economy exposed to possible atomic warfare? Let it not be forgotten that artificial stimulation of housing construction indirectly produces artificial stimulation of many other things.

Other instances could be cited, of course, but enough has been said, so we hope, to stimulate very careful thought about the way we are now traveling.

Continued from first page

## The Protection of Freedom

deavor to do so, not in the tones of Jeremiah but in the spirit of Saint Paul.

New forces from science and new ideas, both good and bad, constantly arise in the world. We welcome changes which advance the welfare of our people. Our system always needs repairs.

Also we have to clean up the vast wreckage and disorders of two devastating tornadoes of wars which have swept over mankind during the past 40 years.

And above all, we have need to remedy constant corruption of the safeguards of free men.

The remedies in America are not revolution. They are except for peace and war mostly jobs of marginal repairs around a sound philosophy and a stout heart.

### The Safeguards of Free Men

Our Founding Fathers did not invent the priceless boon of individual freedom and respect for the dignity of men. That great gift to mankind sprang from the Creator and not from governments.

The Founding Fathers, with superb genius, welded together the safeguards of these freedoms.

They were mostly concerned with the dangers of political tyranny. With the coming of the industrial age our people welded in new safeguards. We could no more have economic tyranny than political tyranny.

And with these safeguards our people were at one time closer to the goals of human welfare than any other civilization in all history.

### Power of Federal and Local Government

The progress of freedom is a never-ending struggle to prevent the abuse of power whether by individuals, by groups, or by government or nations.

Our Founding Fathers created unique restraints on power by the Bill of Rights and a structure of built-in checks and balances. Among these new concepts was a division of power between the Federal and State Governments and between the three branches of government. I do not need to tell you that. But what I have to tell you is that these separations of power became seriously confused, corroded and weakened

during the 20 years before this Administration.

These confusions have included executive encroachment on the Legislative and Judicial branches. There has been judicial encroachment on the States' rights. There has been Congressional encroachment on the Executive. The Federal Government has grasped many of the vital functions of State and local government.

Some of the corruptions of our division of power are the after-maths of our wars. Some of them come from the various infections of Socialism. I will tell you more of that later.

Some of the corruptions come from the discovery that it is easy for the Federal Government to light the magic power of Federal credit. But the flame that warms can also consume the safeguards of free men.

Some of these encroachments come from a long era of beguilement by pressure groups and local government for subsidies from the Federal Government.

One of the end results of all this is the growth of a huge centralized Federal bureaucracy. It has expanded in 20 years from 600,000 to 2,300,000. Some increase is necessary. Most of them are fine men and women. But innate in bureaucracy are three implacable spirits. They are self-perpetuation, expansion of their empires, and demand for more power. Bureaucracy rushes headlong into the visions of the millennium and sends the bills to the Treasury.

Today we have more Federal employees in nearly every state than all the local officials, including constables. They penetrate every part of local government. They produce great waste of the taxpayers' money. They create a vested interest or a vested habit for some pressure group. They interfere in politics and too often are infected with corruption.

Their magics invade personal freedom of every citizen, every moment of every hour.

The remedy is to restore the checks and balances of power, to reinvigorate State and local governments and to deflate the bureaucratic empires.

Many of these confusions of

power are today under vigorous investigation in which I have some part.

My countrymen, all these corruptions of the checks and balances of power call for constant battle from you, the people. They must be wiped out if you would stay fully free.

### Power in Our Foreign Relations

In our foreign relations there are great dangers and also vital safeguards to free men. During the last war we witnessed a special encroachment of the Executive upon the Legislative Branch. This has been through a new type of commitment of the United States to other nations. I am not going to argue legalisms, for they do not go to the center of the issue. The real issue is whether the President, through declaration or implication or by appeasement or by acquiescence, or by joint statements with foreign officials, can commit the American people to foreign nations without the specific consent of the elected representatives of the people.

There has been a grievous list of such commitments. They include international agreements which shackle our economy by limiting a free market. But more terrible were such executive agreements as our recognition of Soviet Russia which opened the headgates for a torrent of traitors. Our tacit alliance with Soviet Russia spread Communism over the earth. Our acquiescence in the annexation by Russia of the Baltic States at Moscow and the partition of Poland at Teheran extinguished the liberties of tens of millions of people. Worse still was the appeasement and surrender at Yalta of ten nations to slavery. And there was the secret agreement with respect to China which set in train the communication of Mongolia, North Korea and all of China.

These unrestrained Presidential actions have resulted in a shrinking of human freedom over the whole world. From these actions came the jeopardies of the Cold War. As a by-product these actions have shrunk our freedoms by crushing taxes, huge defense costs, inflation and compulsory military service.

We must make such misuse of power forever impossible.

And let me say, I have no fears of this evil from President Eisenhower, but he will not always be President.

### Our Present Foreign Situation

Our dangers from the Communist source of gigantic evil in the world are unending. All of the peace agencies we have created and all of the repeated conferences we have held have failed to find even a whisper of real peace.

Amid these malign forces, our haunting anxiety and our paramount necessity is the defense of our country.

It is not my purpose to define the foreign policies of our government.

Sooner or later a new line of action will become imperative.

I have disagreed with, and protested against, the most dangerous of our foreign political policies during the whole of the 20 years prior to the last Presidential election. I opposed and protested every step in the policies which led us into the Second World War.

Especially in June, 1941, when Britain was safe from a German invasion due to Hitler's diversion to attack on Stalin, I urged that the gargantuan jest of all history would be our giving aid to the Soviet Government. I urged we should allow those two dictators to exhaust each other. I stated that the result of our assistance would be to spread Communism over the whole world. I urged that if we stood aside the time would come when we could bring lasting peace to the world.

I have no regrets. The con-

sequences have proved that I was right.

**The Communists**

Today the Socialist virus and poison gas generated by Karl Marx and Friedrich Engels have spread into every nation on the earth. Their dogma is absolute materialism which defies truth and religious faith. Their poisons are of many sorts. The preservation of the safeguards of liberty makes it imperative that we give heed to their every variety.

The bloody virus type, radiating from Communist Russia, is today rotting the souls of two-fifths of all mankind which it has enslaved.

From the day Lenin rose to power in Moscow, the Communists have carried on an underground conspiracy against every other nation. The rank and file of our people are immune from this infection. The recruiting grounds for their agents are from our minority of fuzzy-minded intellectuals and labor leaders. Over a thousand such Communist agents have already been rooted out of responsible positions in our government and other spots of influence.

Many of these spies and traitors when exposed sought sanctuary for their infamies in the Fifth Amendment. Such a plea of immunity is an implication of guilt. Surely these people should not have the right to vote or to hold office, for thereby they use these privileges of free men against the safeguards of freedom.

Despite the clamor over ferreting out these persons, you must not be led into the mistake that Moscow has closed down its recruiting offices for American agents. Or that continued action of the F. B. I. and Congressional Committees is not equally imperative.

I have little fear that these Communist agents can destroy the Republic if we continue to ferret them out. Our greater concern should be the other varieties of Karl Marx virus.

**The Socialists**

Among them are the Socialists. They assert they would proceed only by Constitutional means.

The Socialists prowl on many fronts. They promote the centralized Federal Government, with its huge bureaucracy. They drive to absorb the income of the people by unnecessary government spending and exorbitant taxes. They have pushed our government deep into enterprises which compete with the rights of free men. These enterprises are endowed with exemption from control of state and local governments. Congressional Committees have listed hundreds of these Federal activities. But only a drop of typhoid in a barrel of drinking water sickens a whole village.

Every step of these programs somewhere, somehow, stultifies the freedom, the incentives, the courage, and the creative impulses of our people.

Beyond all this, there is proof in the world that the end result of Socialism can be bloody Communism. In the Iron Curtain States, it was the Socialist intellectuals who weakened the freedom of men by destroying free enterprise. Thus they furnished the boarding ladders by which the Communists captured the Ship of State.

**The Welfare State**

One of the postwar cousins of Socialism is the so-called "Welfare State." This poison gas is generated by the same sort of fuzzy-minded intellectuals. Its slogan is "Planned Economy." The phrase itself was borrowed from totalitarian governments. The end of it would at least be a government wherein whatever is not forbidden would be compulsory.

One of the annoyances of this cult is its false assumption that

our nation has never been heedful of the welfare of our people. That we are our brother's keeper was rooted in religious faith long before these fuzzy-minded men were born. Since the foundation of the Republic, we have recognized and practiced both private and governmental responsibility for the unfortunate and the aged; for the education of our youth and the health of our people.

Moreover, this cult has a host of gimmicks for giving away the

people's money. Among their ideas is that government should guarantee every citizen security from the cradle to the grave.

But it is solely the initiative and the labor of the physically able in the prime of life that can support the aged, the young, the sick—and the bureaucracy. And this active earning group requires the pressures of competition, the rewards of enterprise and new adventure to keep it on the job.

Even if security from the cradle to the grave could eliminate the risks of life, it would be a dead hand on the creative spirit of our people. Also, the judgment of the Lord to Adam about sweat has not been repealed.

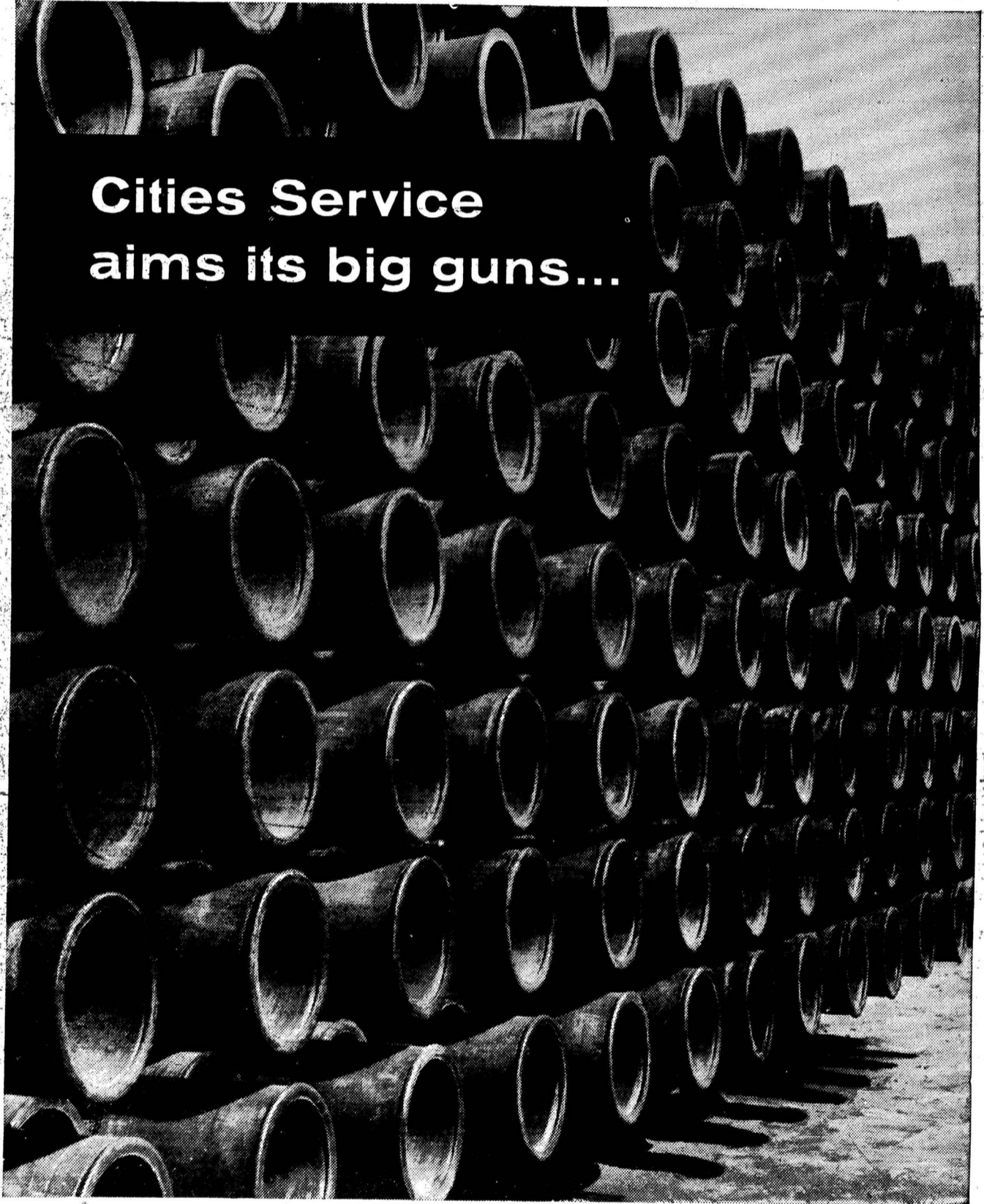
When we flirt with the Delilah of security for our productive group, we had better watch out, lest in our blindness we pull down the pillars of the temple of free men.

The British under a Socialist government tried it. Its result was a level of poverty which British Socialists sought to obscure with the term "austerity." Britain is now in retreat from it.

**The Common Man**

Among the delusions offered us by fuzzy-minded people is that imaginary creature, the Common Man. It is dinned into us that this

*Continued on page 20*



**Cities Service  
aims its big guns...**

Acres of casing are mobilized in readiness at a well site. Last year an average of 1 1/3 producing wells were drilled every day by

**CITIES SERVICE**  
A Growth Company

Continued from page 19

## The Protection of Freedom

is the Century of the Common Man. The whole idea is another cousin of the Soviet proletariat. The Uncommon Man is to be whittled down to size. It is the negation of individual dignity and a slogan of mediocrity and uniformity.

The Common Man dogma may be of use as a vote-getting apparatus. It supposedly proves the humility of demagogues.

The greatest strides of human progress have come from uncommon men and women. You have perhaps heard of George Washington, Abraham Lincoln, or Thomas Edison. They were humble in origin, but that was not their greatness.

The humor of it is that when we get sick, we want an uncommon doctor. When we go to war, we yearn for an uncommon general or admiral. When we choose the President of a University, we want an uncommon educator.

The imperative need of this nation at all times is the leadership of the Uncommon Men or Women. We need men and women who cannot be intimidated, who are not concerned with applause meters, nor those who sell tomorrow for cheers today.

Such leaders are not to be made like queen bees. They must rise by their own merits. America recognizes no frozen social stratifications which prevent this free rise of every individual. They rise by merit from our shops and farms. They rise from the 35 million boys and girls in our schools and colleges. That they have the determination to rise is the glorious promise of leadership among free men.

A nation is strong or weak, it thrives or perishes upon what it believes to be true. If our youth is rightly instructed in the faith of our fathers; in the traditions of our country; in the dignity of each individual man, then our power will be stronger than any weapon of destruction that man can devise.

### This Whole Socialist Gamut

And now as to this whole gamut of Socialist infections, I say to you, the neighbors of my childhood, the sons and daughters of my native State, God has blessed us with another wonderful word—heritage. The great documents of that heritage are not from Karl Marx. They are the Bible, the Declaration of Independence and the Constitution of the United States. Within them alone can the safeguards of freedom survive. Safeguard the true spirit of these guarantees for your children, that they may not become the prisoners of a hydra-headed Socialism.

If anyone rises to say that all this is reactionary, you may class him as either fuzzy-minded or an ignorant enemy of free men.

### The New Frontiers

Amid this recitation of our problems, I would not have you think that there are not great fields of promise for the future if we can keep out of war.

The last few years have seen advances in science and technology which amount almost to revolution in our life and world relations. If we maintain free minds, free spirits, and direct our steps aright, still other new horizons and new frontiers are open to us. New inventions and new applications of old knowledge will come to us daily.

These new frontiers give us other blessings. Not only do they expand our living but also they open new opportunities and new areas of adventure and enterprise. They open new vistas of beauty. They unfold the wonders of the atom and the heavens. Daily they

prove the reality of an all-wise Supreme Giver of Law.

### Conclusion

There are voices in our country who daily sound alarms that our civilization is on the way out. Concentrated on the difficulties of our times, they see an early and dour end for us. But civilization does not decline and fall while the people still possess dynamic creative faculties, devotion to

religious faith and to liberty. The American people still possess these qualities. We are not at the bedside of a nation in death agony.

Eighty years is a long time for a man to live. As the shadows lengthen over my years, my confidence, my hopes and dreams for my countrymen are undimmed. This confidence is that with advancing knowledge, toil will grow less exacting; that fear, hatred, pain, and tears may subside; that the regenerating sun of creative ability and religious devotion will refresh each morning the strength and progress of my country.

## Congress Group Urges Improved Economic Data

Subcommittee of the Joint Committee on the Economic Report, headed by Congressman Henry O. Talle of Iowa, list findings and recommendations for a more accurate and effective statistical data relating to economic affairs.

A subcommittee on Economic Statistics set up by the Joint Congressional Committee on the Economic Report, with Rep. Henry O. Talle (R. Iowa) as Chairman, on Aug. 6 submitted to Rept. Jesse P. Wolcott, the Chairman of the Joint Committee, its preliminary findings and recommendations. According to the subcommittee, the greatest single need for improvement is the further integration of Federal statistical activities into a more closely knit and hence more useful statistical system. The nation is entitled, the committee stated, to an intermeshed and smoothly working statistical mechanism which is completely objective, impartial, and staffed by technical personnel of the highest competence.

The principal findings and recommendations of the subcommittee follow:

(1) Private economic interests and government policy-makers require an increasing quantity and improved quality of economic statistics. In its hearings the subcommittee was informed of the statistical needs of some of the important users of Federal data. It hopes to extend its knowledge in this field. A major impediment to statistical development has been the general lack of a clear understanding, particularly by the Congress, of the ways in which statistics are used in government and in private affairs. The subcommittee is considering the preparation of a factual statement, as comprehensive and precise as possible, of the uses made of statistics and setting forth needs of government and private enterprise—business, agriculture and labor—for additional statistical data. Statistics are used not only for administrative and operating purposes, but also as necessary aids in promoting high-level employment, economic stability and growth. The proposed statement would include interpretation of the data-needs of those engaged in research on business fluctuations and on the development of economic science.

It is clear that intelligent economic judgments can only be made on the basis of adequate factual information. The private enterprise system rightly looks to government for such facts. Only the Federal Government can assemble and publish the array of economic statistics needed. The Congress, State and local legislative bodies, and public administrators in all levels of government must have improved economic statistics. Programs for national security, taxation, agriculture, housing, schools, highways and virtually every activity of government depend, in both formulation and execution, on the knowledge and use of economic statistics. In today's complex world hundreds of millions of dollars may be involved in the trend of a single statistical series.

Wage rates and agricultural support payments are but two examples. Statistics are also needed in the every-day activities of the small, or average, consumer, farmer, businessman, laborer and researcher, some of whom may not even be aware of the uses they make of statistics or the needs they have for them.

The subcommittee notes particularly the needs of the Joint Committee on the Economic Report for improved information on the economic outlook. Knowledge of and the relations between and among the plans, programs, and expectations of consumers, businesses, and governments are necessary in appraising the over-all outlook and in considering appropriate economic policy measures. Constant attention and study should be given to statistics which may be particularly useful in indicating changing economic trends, although our dynamic economy will never permit reliance on such statistics alone for predicting future economic conditions.

Speed in gathering and disseminating economic information is another important need, not only of this Committee but of policy-makers generally.

(2) The principal stumbling block to providing an adequate economic statistical program is the lack of financial support. The primary responsibility for this support rests with the Congress, but the Executive Branch has the responsibility for providing strong leadership. The Subcommittee realizes the importance of economy in Government, and it appreciates the need for carefully screening requests for statistical improvements, and for efficiently planning statistical programs to avoid duplication of effort, harassment of suppliers of data, as well as waste and extravagance generally. At the same time in the light of the need for adequate statistics, past economies have gone too far. Increases are necessary, well justified, and will pay dividends to the economy—and in so doing to the Federal Treasury.

(3) Administrative agencies which produce statistics as a by-product should be encouraged to recognize their obligations to the statistical system. A major part of the available economic statistics results from the administration of such governmental functions as tax collection, the regulation of railroads and banks, and the processing of claims for unemployment insurance. These "administrative statistics" cost relatively little because their production is incidental. The wide dependence upon them is one of the principal reasons for the extreme decentralization that characterizes Federal statistical organization. The Subcommittee is gratified that such administrative agencies as the Internal Revenue Service and the Bureau of Old Age and Survivors Insurance are

now providing "benchmarks" for statistical series produced in other agencies, thus hastening the creation of an integrated statistical system in which figures from many separate sources may be fitted together. There is need, however, for more rapid processing and releasing of the data.

(4) Greater emphasis on the development of an over-all program of economic statistics by the Executive Branch of the Government is needed. To fit together the economic statistics produced by different Federal agencies so that their aggregate constitutes an integrated system requires a strong and aggressive coordinating unit. The Federal Reports Act of 1942, together with the Budget and Accounting Procedures Act of 1950, provide the necessary legislative authority for this purpose. In particular the second of these acts places the major responsibility for formulating a coordinated statistical program in the President, acting through the Director of the Bureau of the Budget. It is essential for users of statistics, such as the Council of Economic Advisers, to make known their needs. It is especially important for the Council of Economic Advisers to give adequate and appropriate support within the Executive family, and in relations with the Congress, to meeting those needs. This support should also take the form of setting forth specifications and providing technical assistance in the development of programs. The heads of major Federal statistical-producing agencies have much to contribute in designing and executing an integral statistical system. Administrative machinery should insure that these talents are fully utilized.

However, the final responsibility for assessing the relative importance of many different uses, and for developing an orderly and well-rounded system, and for deciding where in that system the statistical implementation can most effectively and efficiently be carried out, is fixed in the Office of Statistical Standards in the Bureau of the Budget to which this authority is delegated. The progress made in the last 20 years in developing an integrated set of economic statistics under the leadership of the Central Statistical Board and its successor, the Office of Statistical Standards, has been substantial and is to be commended. Nevertheless, it is clear the need to achieve and maintain statistical integration in an adequate and complete system still exists. This is a responsibility of the Executive Branch of the Government.

(5) More attention should be given by Federal agencies to studying concepts and methods of operation, and to setting forth the limitations of the data appearing in their published reports. Complete precision in statistics is probably unattainable and the Subcommittee is well aware that there is always a margin of uncertainty attached to statistical results. Its only concern is that adequate steps be taken to measure this lack of precision and to acquaint the user of data with its nature and extent. Relatively greater expenditure of effort and funds needs to be directed by a majority of Federal statistical agencies to an examination and analysis of the built-in limitations upon their findings and the degree of reliability that can be placed upon them.

(6) A section on economic statistics should be included in the President's Annual Budget and more consideration given to an adequate economic statistics program in the President's Economic Report. The various statistical programs of the executive agencies and their costs should be brought together and discussed. Proposed changes in these programs and their relation to the

over-all Federal statistical system should be pointed out.

The program presented next January should be prepared after careful appraisal of suggestions received by this subcommittee and incorporated in the published hearings. The subcommittee hopes that the various statistical advisory committees to Federal agencies will be asked to review these hearings and that the President's program submitted next January will represent a big step forward in the development of a realistic and adequate economic statistical system.

(7) The Subcommittee recommends that the full Committee devote one panel session to economic statistics at its hearings next year, preliminary to submitting its own report to the Congress on March 1. This would provide opportunity for review of the statistical program submitted in the President's Budget and Economic Report. It would equip this Committee and Subcommittee to be an effective voice in Congressional consideration of programs in the next session of the Congress.

(8) Adequate and timely benchmark data from regular censuses of agriculture, business, manufactures, minerals, and State and local government are desperately needed. The census data are the foundation of an adequate program of economic statistics. Economists and statisticians recognize that current economic data based on samples and spot studies must be corrected periodically by the use of censuses if they are to maintain their accuracy. Thus, these benchmark statistics have much more significance than just their contribution to historical research. All necessary steps should be taken by the Executive Branch and the Congress to carry out the census programs as scheduled. We emphasize to administrative agencies the need for speeding up the availability of such data.

(9) The Federal Reserve System might well expand its statistical collection and analysis programs where it has special interest and competence. The Subcommittee is requesting the Federal Reserve to explore, in cooperation with Executive agencies, the adequacy of present statistics in three basic areas: (1) inventories, (2) savings, and (3) consumer and business expectations. This request includes a thorough review of, and basic research into, concepts, existing data, sources and procedure for improving these statistics.

(10) The Staff is directed to proceed with the revision of Economic Indicators. The suggestions submitted by some 50 subscribers (incorporated in the printed hearings) will be reviewed for possible adoption but complying with the generally expressed desire to maintain the present basic format and contents.

(11) The Committee Staff is directed to keep the Subcommittee informed of progress on revisions and improvements under way or proposed. The Subcommittee is particularly interested in the implementation given the recommendations for improvement in labor force, employment and unemployment statistics contained in the Committee's February report (H. Rept. 1256) and in construction statistics.

### With Carr & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Kenneth L. Blue is now with Carr & Company, Penobscot Building, members of the Detroit Stock Exchange.

### Joins Reid, Higbie

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Omar Hanser is now with Reid, Higbie & Company, Ford Building, members of the Detroit Stock Exchange.

## How Can It Be Done?

"Various United Nations surveys of world and regional economic and social developments continue, year after year, to point to two trends that may, if permitted to go unchecked, be more dangerous in the long run than the conflicts that so monopolize our attention today. One of these is the fact that the population has been increasing faster than production, especially in those areas where standards of living are lowest. The other is the manner in which standards of living in those same areas are still lagging far behind those of the more economically advanced regions. It seems clear that no attack on these trends can be successful without a combination of measures of an order of magnitude far beyond what has so far been undertaken."—Dag Hammarskjöld, Secretary General, United Nations.

Does the gentleman mean to suggest that these millions of low living standard peoples be fed, clothed, housed, and otherwise cared for as wards of the remainder of the world?

Why are these hordes "underprivileged"? A candid answer to this question would help a good deal in attacking the problems they pose.

## "Trickle-Down Theory" and the New Tax Bill

August issue of "The Guaranty Survey," published by the Guaranty Trust Company of New York, points out neither "trickle-down theory" nor "pump-priming theory" is properly applicable to the tax bill, which is not intended to be an anti-recession device, but is designed to correct defects and inequities in the Federal tax system.

Criticisms of the new Federal tax bill as a product of the "trickle-down theory" are discussed in the current issue of "The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, in an editorial, "Trickle-Down—Theory or Semantic Trick?" Semantics of the "trickle-down" theory is reminiscent of its counterpart, "pump priming," which gained currency during the 1930's, the editorial states. Both expressions are or were used by spokesmen for the same school of thought—the advocates of governmental hypodermics for the economy. Both are misleading, declared "The Guaranty Survey."

"What is this 'trickle-down theory,' so often disparagingly referred to but rarely stated in broad and intelligible terms?" inquires the bank publication. "Users of the phrase are not fully agreed on what it means. As far as the tax bill is concerned, Senator Paul H. Douglas and Representative Richard Bolling of the Joint Committee on the Economic Report think the 'trickle-down theory' means 'to give tax relief to the upper brackets, who will save more, invest more, expand industrial plant, create more jobs, and therefore expand purchasing and consumption.' The 'theory' is that such governmentally bestowed prosperity 'trickles down' from the 'upper brackets' to the lower brackets.

"To other commentators the expression implies tax concessions to business and recipients of business income—categories quite different from the 'upper brackets.'"

What is the kernel of truth in the much abused "trickle-down theory?" asked the "Survey."

"Just this: Business is not a class or group that can be penalized or exploited for the benefit of other groups. Business, in the broad sense, is the organized economic life of the people. It is the source of all the necessities, comforts, benefits and satisfactions which are not provided by nature and for which men must work. It is the direct or indirect provider of all incomes, public and private, large and small, whether in commerce and industry, the arts, professions, philanthropies, or government.

Continued from page 3

## Workingmen-Capitalists of Cuba

the development of wealth in Latin America, and they hope that U. S. and other foreign businessmen will think likewise, as this is the only way to build a strong America capable of beating Communist ideas."

Mr. Aguirre has many strong and close ties with the United States. He used to work in New York City and was a member of the Food and Hotel Workers' Union of New York. He was first a bell-hop, later a waiter. The places where he was employed include the Hotel McAlpin and Childs Restaurants. In Havana, he has worked at the Almendares Hotel and the Havana Yacht Club.

He has been active as a Cuban labor leader since 1926. He served as a member of the Cuban Congress from 1946 to 1950, representing the Province of Havana, and was Minister of Labor in 1947-48.

Francisco Aguirre, who attended Jamaica Public School on Long Island stated: "As a resident of the United States for many years, both as a student at an American public school and as a workingman, I retain a feeling of deep friendship for many friends in the United States. Therefore, it is my personal hope that this hotel will strengthen many existing friendships between Latin America and North America and will help to create many new friendships."

The Cuban Government is aiding the project in many ways. The hotel does not have to pay import taxes on its materials. Also, in accordance with a decree signed by President Batista, there will be no income taxes for 20 years. These are instances of ways in which the Cuban Government is offering encouragement to new industries.

Excavation of the building is

scheduled to start by the end of April. A few remaining old houses are now being torn down. According to plans, the Habana-Hilton will be completed and open to the public by November, 1955. The hotel, it was stated, will offer rooms at moderate rates and will be suitable for meetings and conventions.

A typical comment was offered by Rodolfo Gonzalez, a member of the Cooks' Union. Mr. Gonzalez is a *luncheonero* (from the English word, "lunch") at the El Dorado on Havana's Prado. He stated: "I'm 100% for it. It will be the best possible attraction for tourists. I hope that many members of the unions of the United States will come and see what the Cuban unions are accomplishing."

Mr. Vicente Feito, bell boy at the Hotel Lincoln, located on Galiano Street (the signs say "Italia," but Havana tradition insists upon the older name, "Galiano," and that is what everybody says) stated: "People from the United States, we Cubans and people from other countries... we can all learn something from each other. The Habana-Hilton Hotel will be a good place to meet and talk things over. The Habana-Hilton will also help bosses and working people to understand each others' problems better."

Many cooks, waiters and bartenders throughout Havana express the hope that the Habana-Hilton will be an important contribution to the strengthening of Pan-American relations. They hope that many members of the AFL, the CIO and other unions of the United States, Canada and Latin America will patronize the Habana-Hilton, and that it will be also used, for many meetings and conventions, by the unions themselves, as well as by organizations

of every kind. They stress Havana's key position "at the crossroads of the Americas."

The beauty of the hotel's location, in the Lower Vedado section, is practically indescribable. It is at the upper end of an important shopping area known as the Rampa, which runs down to the cliffs, the Malecon and the blue waters of the Gulf of Mexico.

Perhaps the Habana-Hilton will be a meeting-place for financier and union member alike. For here, in the case of this hotel, the financier is workingman, and the workingman is financier.

## Harrisburg Steel Corp. Common Stock Offered

Carl M. Loeb, Rhoades & Co., on Aug. 10 headed a syndicate offering 186,683 shares of \$2.50 par value common stock of Harrisburg Steel Corp. at \$22 per share. The shares offered are being sold on behalf of certain stockholders and none of the proceeds from the sale of the stock will accrue to the company.

Harrisburg Steel Corp. is a pioneer and one of the leading producers of seamless steel cylinders for high pressure gases and also produces steel cylinders for liquefied petroleum gas, steel pipe couplings, flanges and forgings. A wholly-owned subsidiary is engaged in the reclamation of steel scrap from open hearth slag, and is the largest contractor performing such operations for others. The company's other subsidiary manufactures special trackwork for railroads and industrial use, manganese steel castings and gas container tubes for trailer trucks, gas transports and gas cylinders.

### Estabrook Adds

(SPECIAL TO THE FINANCIAL CHRONICLE)

BOSTON, Mass. — James W. Tarantino is now associated with New York Hanseatic Corporation, 84 State Street. He was previously with Estabrook & Co.

## COLUMBUS AND SOUTHERN OHIO ELECTRIC COMPANY

### RESULTS OF OPERATIONS

	For the three months ended June 30		For the twelve months ended June 30	
	1954	1953	1954	1953
<b>Operating Revenues</b>				
Electric .....	\$ 8,203,076	\$ 7,549,518	\$32,844,093	\$30,591,365
Heat .....	2,467	2,598	29,384	27,419
<b>Total .....</b>	<b>\$ 8,205,543</b>	<b>\$ 7,552,116</b>	<b>\$32,873,477</b>	<b>\$30,618,784</b>
<b>Operating Expenses</b>				
Fuel used in electric production.....	\$ 1,276,344	\$ 1,233,783	\$ 5,428,542	\$ 5,168,477
Other operation.....	1,922,230	1,676,203	7,439,306	6,341,556
Maintenance .....	727,080	527,308	2,382,891	1,999,722
Provisions for depreciation and amortization...	966,715	861,715	3,508,859	3,208,649
General taxes .....	641,352	578,628	2,434,568	2,207,939
Federal taxes on income.....	1,052,000	1,091,000	4,871,000	4,881,000
<b>Total .....</b>	<b>\$ 6,585,751</b>	<b>\$ 5,968,637</b>	<b>\$26,065,166</b>	<b>\$23,807,343</b>
<b>Operating income.....</b>	<b>\$ 1,619,792</b>	<b>\$ 1,583,479</b>	<b>\$ 6,808,311</b>	<b>\$ 6,811,441</b>
<b>Other Income</b>				
Rentals and interest income from subsidiary, less expenses.....	\$ 32,324	\$ 35,565	\$ 126,246	\$ 134,987
Adjustment of provisions for deficit of subsidiary .....	21,381	2,851	106,968	* 6,660
Other .....	* 520	9,155	127,001	35,567
<b>Total .....</b>	<b>\$ 53,485</b>	<b>\$ 47,571</b>	<b>\$ 360,215</b>	<b>\$ 163,894</b>
<b>Gross income.....</b>	<b>\$ 1,673,277</b>	<b>\$ 1,631,050</b>	<b>\$ 7,168,526</b>	<b>\$ 6,975,335</b>
<b>Interest and Other Income Deductions.....</b>	<b>532,234</b>	<b>375,137</b>	<b>1,810,168</b>	<b>1,717,528</b>
<b>Net income .....</b>	<b>\$ 1,141,043</b>	<b>\$ 1,255,913</b>	<b>\$ 5,358,358</b>	<b>\$ 5,257,807</b>
Preferred Dividends.....	214,471	214,471	859,824	763,412
<b>Earnings on common shares.....</b>	<b>\$ 926,572</b>	<b>\$ 1,041,442</b>	<b>\$ 4,498,534</b>	<b>\$ 4,494,395</b>
<b>Common Shares Outstanding at End of Period...</b>	<b>2,201,360</b>	<b>2,001,360</b>	<b>2,201,360</b>	<b>2,001,360</b>
<b>Earnings per common share.....</b>	<b>\$0.42</b>	<b>\$0.52</b>	<b>\$2.04</b>	<b>\$2.25</b>

\* Denotes red figure.

This is an interim statement. The Company's fiscal year ends December 31, at which time its financial statements are examined by independent public accountants.

## Am. Statistical Assn. To Hold Convention

The American Statistical Association (Business and Economic Section) will hold a convention in Montreal, Canada, Sept. 10-13, 1954. Members of societies affiliated with The National Federation of Financial Analysts Societies, have been invited to attend.

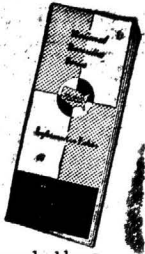
Included in the program is a Stock Market Forecast Luncheon on Saturday, Sept. 11, sponsored jointly by The Montreal Institute of Investment Analysts and The American Statistical Association. Many other interesting discussions and forums are scheduled for the four-day meeting.

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Continued from first page

**Funds Prefer Oils, Rails and Steels**

sive positions so far as liquid assets or better grade debt and senior equity issues were concerned. In fact, a few more stock funds decreased their cash positions than during the previous period, but this may have been due to the larger redemptions in the current quarter. While this, problem of redemptions is deserving of study by the Investment Company Association, it is interesting to note that it is not necessarily a worry of all funds. For example, the deVegh Mutual, which prides itself on its absence of any sales load, had three months' redemptions of only \$5,800 against sales of \$727,300.

**Switching to Preferreds**

In general, there was no increase in emphasis in the common stock section of balanced portfolios over the more stable portion, but certain shifts in the latter were made from better grade corporate bonds to preferreds. This was noticeable in particular in the portfolios of American Business Shares, the Stein Roe and Farnham Fund, Value Line Fund and Boston Fund, the latter selling \$3 million in corporates and buying \$1 million preferred. One reason for this shift is the comparatively high prices and low yields of good grade debt issues. Another is explained by Arnold Bernhard, President of the Value Line Fund, in his quarterly report. This fund decreased its 21.7% of assets invested on March 31 in high grade bonds and notes to 7.8% on June 30. During the same period high grade preferred investment was upped from 10.4% to 19.9% of the portfolio.

Mr. Bernhard explains: "In taking this defensive posture, the Fund's Managers have in mind the pending change in the tax law which would deny to shareholders of trusts that receive more than 25% of their income from interest, a portion of the relief from double taxation that is promised to shareholders of trusts whose income is over 75% from dividends. That being the case, it is incumbent upon your management to invest the defensive

portion of the portfolio in securities that pay dividends and yet come as close as possible to meeting the qualifications of high grade bonds. While the high grade preferred list held in the Fund does not exactly equal the quality of high grade bonds, these preferreds do as a rule offer strong resistance to general price declines in the stock market. Their position is deemed to be especially favorable now because the government, having a large refunding operation on its hands in the second half of this year, is committed to an easy money policy."

**An Optimistic Forecast**

Commenting on the outlook for the remainder of the year, Francis F. Randolph, Chairman of the Board of Whitehall Fund, National Investors, Broad Street Investing Corp. and Tri-Continental, states: "The first rise in the index of industrial production adjusted for seasonal influences since the recession began last summer, took place in May. Evidence that an upward turning point in business activity has been developing was strengthened during June. Even with this evidence accumulating, the low point in the recession may appear in the third quarter. There seems only a remote possibility, however, that this low point may be greatly under recent levels of activity. Recovery once under way, even though moderate, should persist to the end of the year, at least."

**Portfolio Newcomers**

Newcomers to portfolios during the quarter, not previously noted, included Aeroquip and American Machine and Metals added by Axe-Houghton "A"; Commonwealth Life Insurance purchased by Eaton and Howard Stock Fund; Duval Sulphur and Potash acquired by Incorporated Investors; Canadian Breweries, Ltd. bought by Lehman Corporation; Western Casualty and Surety added to the portfolio of National Investors; Neptune Meter acquired by National Shares Corp.; and Industrial Brownhoist, Penn-Texas Corp., and Riverside Ce-

ment "B" all selected by Value Line Fund.

Of continued interest is transactions in the shares of investment companies by their colleagues. During the period under review Overseas Securities and Knickerbocker Fund eliminated their holdings of United States and Foreign Securities. Fidelity added 18,000 shares to its investment in Tri-Continental common, bringing the total of 140,000 shares to 2 1/2% of total assets. Of special interest, however, was the acquisition of 15,000 Tri-Continental warrants by Dreyfus Fund which accounted for 6 1/2% of that mutual's portfolio.

The premier petroleum issue, Standard Oil of New Jersey, was the favorite in its group during the period under review. In the March quarter it had contended with Socony Vacuum to rank as the third most popular issue. Eight managements acquired a total of 25,300 shares, four making new commitments. Three sales totaled 14,500 shares. Next best liked oils were Ohio and Socony: seven funds purchasing 27,600 shares of the former and 19,000 of the latter. Liquidation of Ohio in two portfolios totaled 12,800 shares and of Socony in three equaled 19,400. Two of these latter represented complete portfolio eliminations. Sinclair was third ranking petroleum issue, six trusts buying 39,400 shares, half making initial purchases. Interestingly enough, this was one of the two top ranking favorites in the group which experienced a complete absence of selling. The other popular oil in which there was no liquidation during the period was Cities Service, five managements acquiring 5,400 shares. The same number of companies bought 11,800 shares of Phillips, two making new commitments. Texas Pacific Coal and Oil was purchased by four trusts, half of these adding the stock for the first time. Additions totaled 112,000 shares. Two funds each acquired Imperial Oil, Ltd., Standard Oil-Indiana, Sunray and Union Oil of California.

Sales predominated in Texas Co. and Louisiana Land Exploration, the latter having been most popular issue in this group during the March quarter. Selling of Texas totaled 13,400 shares but only 2,200 shares of Louisiana Land were sold. Also sold on balance, each by three managements, were Mission Corporation (all representing portfolio eliminations), Richfield Oil, Continental Oil and Seaboard of Delaware. A couple of trusts disposed of holdings in Tidewater. Opinion was evenly divided on Gulf, which had been sold on balance by four funds during the previous period.

**Santa Fe Leads Rails**

The rail parade was led by Santa Fe, seven investment companies adding a total of 25,900 shares while three others sold

2,300 shares. Santa Fe had also been best-liked in the first three months of the year, sharing this distinction with Great Northern. Three carriers divided honors to rank second in popularity, as five managements purchased a total of 12,300 shares of Seaboard Air Line, 9,900 shares of Southern Pacific and 37,100 shares of Southern. Offsetting were one portfolio elimination of 15,000 shares of Southern Pacific and two decreases in holdings of Southern totaling 1,300 shares. Other carriers to be bought on balance, each by three trusts, were Rock Island, Kansas City Southern, Louisville and Nashville, Nickel Plate, Union Pacific and Western Pacific. A couple of managements also added Alabama Great Southern and Illinois Central, the stock of which was doubled in a split-up. Selling was concentrated on Northern Pacific, a total of 6,500 shares representing three portfolio eliminations and one decrease.

**Steels Outstanding**

Outstanding purchase, of course, in the steel group, and for that matter among all individual issues during the period under review, was United States Steel. Steels were particularly well bought during the period by Fundamental Investors, Wellington Fund, Axe-Houghton "A," the Common Stock Fund of Group Securities, Bowling Green Fund and Tri-Continental. Fifteen funds purchased a total of 107,900 shares of Big Steel, nine making new commitments. Three sales totaled 23,500 shares. Bethlehem, switching to the second most popular issue from its rank of number one in the March quarter, was added to 11 portfolios and newly listed in another. Purchases totaled 57,550 shares while offsetting sales by three trusts equaled 13,600. Ten managements acquired 72,600 shares of Republic, two making initial commitments. A couple of sales totaled 16,400 shares. Half of the six purchases of Armcoc represented new portfolio holdings. Acquisitions equaled 68,000 shares, offset in part by two portfolio decreases totaling 9,000 shares. Harbison Walker was liked by three trusts and National Steel by two. Selling on balance was confined to Youngstown Sheet and Tube (possibly indicating how well certain prospective corporate plans are kept out of circulation today), Allegheny Ludum Steel and Colorado Fuel and Iron.

The non-ferrous metals rose to fourth place in popularity from the sixth position occupied during the first quarter of 1954. American Smelting vied with Phelps Dodge as the current favorite, four funds acquiring a total of 16,000 shares of the former and a like number adding 36,700 shares of the latter. Phelps Dodge had

Continued on page 25

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Bought—			Sold—	
No. of Trusts	No. of Shares		No. of Shares	No. of Trusts
<b>Retail Trade</b>				
4	6,000	Allied Stores	6,500	2(1)
4	18,500	Associated Dry Goods	None	None
2(1)	3,100	J. J. Newberry	None	None
2(1)	17,150	Simpsons, Ltd.	None	None
None	None	Food Fair Stores	2,455	2(1)
1	1,255	Grand Union <sup>5</sup>	8,370	3
None	None	H. L. Green	11,000	2(2)
2	8,500	Montgomery Ward	44,300	6(3)
None	None	Western Auto Supply	4,400	2(2)
<b>Rubber and Tires</b>				
4(3)	20,000	United States Rubber	2,000	1(1)
None	None	General Tire and Rubber	13,500	2(2)
2	7,000	Goodrich	10,800	5(1)
<b>Steels</b>				
6(3)	68,000	Armco Steel	9,000	2
12(1)	57,550	Bethlehem Steel	13,600	3(1)
3(2)	8,370	Harbison Walker Refractories	None	None
2	4,000	National Steel	None	None
10(2)	72,600	Republic Steel	16,400	2(1)
15(9)	107,900	United States Steel	23,500	3(1)
None	None	Allegheny Ludlum	11,380	2(1)
None	None	Colorado Fuel and Iron	4,917½	2(1)
1(1)	1,500	Youngstown Sheet and Tube	3,000	3(2)
<b>Textiles</b>				
2(1)	4,000	Cluett Peabody	None	None
6(2)	13,950	Industrial Rayon	900	1(1)
None	None	Burlington Mills	20,500	4(4)
2	6,000	J. P. Stevens and Co.	34,500	4(3)
<b>Tobaccos</b>				
3(2)	3,700	American Tobacco	50,800	7(6)
None	None	Liggett and Myers	16,800	4(3)
1	1,500	Philip Morris	22,000	5(4)
2(1)	8,000	Reynolds Tobacco "B"	107,800	9(8)
<b>Miscellaneous</b>				
None	None	Greyhound Corp.	2,900	2(1)
None	None	Minnesota Mining and Mfg.	14,000	3

during the period. Eleven managers disposed of 122,900 shares of the newly split GE stock and a twelfth eliminated a block of the one thousand old shares from holdings. No stock was bought by the funds surveyed during the period, which was contrary to the experience with McGraw. In this latter issue, although four sales were made totaling 20,700 shares, presumably also representing profit taking, two new commitments equaling 15,800 shares were recorded during the period. The popular issue in the group, however, was Westinghouse, seven trusts acquiring 23,600 shares, three of which made initial portfolio purchases, partially offsetting sales by three funds totaling 5,200 shares. Three months previously five companies had sold Westinghouse on balance. Sylvania was the next favored in the electric group, six trusts buying 13,400 shares. A seventh fund eliminated a 7,000 share block. Motorola, number one in rank during the first three months of the year, was currently liked by five funds, purchases equaling 10,600 shares. Also bought on balance were 19,060 shares of Philco by four managements, 4,000 shares of Raytheon by two and 6,000 shares of Stromberg-Carlson also by two trusts.

Allis Chalmers was the most popular issue in the industrial equipment and machinery group during the period as eight managements acquired a total of 12,100 shares, half of whom newly committed this stock to their holdings. In the March quarter, Allis Chalmers had been the only company in this group upon which sellers had concentrated. United Shoe Machinery and Babcock and Wilcox were also liked during the period under review, four funds acquiring 1,900 shares of the former and 10,800 of the latter. Three of the United Shoe purchases represented new commitments. Dresser was also bought on balance by two trusts. Sales were scattered, without concentration on any individual issue.

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**FOOTNOTES**

- 1 Excluding stock additions from 2 for 1 split-up.
- 2 Excluding shares added in 3 for 1 split-up.
- 4 Excluding additional shares resulting from 20% stock dividend.
- 5 Excluding stock additions from 5% share distribution.
- 6 Excluding shares added as a result of 25% dividend.
- 7 Distribution from Commonwealth Edison.
- 8 Part purchased through rights.
- 9 450 shares represent distribution from Electric Bond and Share.
- 10 28,707 shares purchased with rights. Basis: 1 for 15.
- 11 Excludes additions resulting from 50% stock dividend.
- 12 All stock acquired through rights. Basis: 1 for 10.

NOTE—This survey covers 63 investment companies, but purchases or sales of funds sponsored by the same management are treated as a unit. For example, the three companies sponsored by Calvin Bullock are considered as having the weight of one manager. Individual portfolio changes in the Loomis-Sayles Mutual Fund are not surveyed.

**SUMMARY**

Excess of Net Portfolio Purchases or Sales of  
63 Investment Companies

	Bought	Sold	Matched	Total
<b>Open-End Companies:</b>				
Balanced Funds	6	6	10	22
Stock Funds	16	3	11	30
<b>Closed-End Companies</b>	1	5	5	11
<b>Totals</b>	23	14	26	63

**Renewed Popularity in Paper and Pulp**

Representing a distinct change in attitude from the first quarter of the year when opinion was ap-

*Continued on page 26*

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*Continued from page 22*

**Funds Prefer Oils, Rails and Steels**

been number one issue in the group during the previous period. Liked also by three managements was Aluminum, Ltd., three funds making new commitments totaling 2,600 shares with one block of 500 sold. Anaconda and Magma were also each bought on balance by three trusts while Homestake was acquired by two investment companies. Opinion continued divided on Kennecott, four managements selling and a like number making purchases. Aluminum of America was sold on balance by four funds as during the March quarter and three trusts completely eliminated a total of 2,400 shares of International Nickel.

**Natural Gas Bought on Balance**

Volume of purchases and sales in the natural gas group about paralleled that of the previous period although the gap between purchases and sales had closed up slightly. Panhandle Eastern Pipe Line, on which managements had been neutral earlier in the year, currently was the most popular issue among gas utilities, seven companies acquiring a total of 52,400 shares, one making an initial purchase. Five offsetting sales totaled 84,250 shares, and two of

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Continued from page 25

## Funds Prefer Oils, Rails and Steels

financing shares was well pronounced. C. I. T. Financial was easily the favorite with five new commitments and two additions equaling 18,900 shares. Two sales totaled 9,500 shares. Traders Finance "A" also continued its popularity of the previous quarter, four funds acquiring 16,275 shares, half making initial purchases. One new commitment and another portfolio addition were also made in shares of the Beneficial Loan Corp. Opinion was divided on Commercial Credit as during the earlier part of the year. Similar to the pattern in insurance stocks, bank stock purchases were scattered. Bank of Manhattan shares were bought by three trusts and two funds added a total of 12,300 shares of Manufacturers Trust.

Drug Products were bought with less enthusiasm than earlier in the year and there was little concentrated purchasing in evidence. Three managements bought Smith, Kline and French and two acquired stock in Sterling Drug. Opinion was at odds on Pfizer, five purchases of 23,800 shares almost offsetting six sales of 27,200, four of the latter representing complete eliminations from portfolios. Opinion also was divided on Merck.

Buyers about matched sellers in the Chemical issues also as they had in the first three months of the year. Union Carbide was the best liked stock in the group, two new commitments and four additions to existing holdings equaling

10,000 shares. One small block of 300 shares was sold. Blockson Chemical was also bought by two trusts, one making an initial purchase, and Hooker Electrochemical was added by a like number of companies. Mathieson, number one purchase in the March period, was sold on balance by four funds. Also lightened by three managements were Eastman Kodak, Koppers and Air Reduction. A total of 34,200 shares of Commercial Solvents was decreased in one portfolio and cleaned out of another.

Textile issues were bought on light balance, the experience of the March period. Six trusts purchased 13,950 shares of Industrial Rayon, two making new commitments. One block of 900 shares was sold. Also purchased on balance by a couple of funds was Cluett Peabody. Burlington Mills was eliminated by four managements, sales totaling 20,500 shares, while a total of 34,500 shares of J. P. Stevens was cleaned out of three portfolios and lightened in another. Two leading agricultural equipment companies were bought in substantial amounts as earlier in the year. Nine trusts purchased a total of 48,800 shares of Deere and eight acquired 29,100 shares of Harvester.

Profit taking appeared in most of the major aviation manufacturers. Eight funds sold 27,850 shares of the split Boeing issue and a ninth eliminated a 2,000 share block of the old stock.

United Aircraft was lightened in five portfolios and cleaned out of two others, but there were also five offsetting purchases. Six managements disposed of 18,050 shares of Lockheed and there were four sales of the new Douglas split stock. Grumman was eliminated from one portfolio and decreased in two others. However, three purchases balanced a like number of sales of North American Aviation. Opinion was definitely divided on the major transport companies. A good example, illustrating diversity of experienced judgment among fund managements, was current action in Eastern Airlines and American. While Scudder Stevens and Clark made brand new commitments in these two major carriers, Selected American Shares eliminated both of them from its portfolio.

The slight preponderance in selling of the merchandising issues was featured by the liquidation of 44,300 shares of Montgomery Ward by six managements, half of which eliminated the mail order firm from their holdings. It is interesting to observe that one offsetting purchase of 8,000 shares resulted in doubling the holdings of a fund that had only a short time ago been rather unusually outspoken in its criticism of top Ward management. Three trusts also sold Grand Union on balance, while there were two sales each of Food Fair, H. L. Green and Western Auto Supply. Allied Stores and Associated Dry Goods were each favored on balance by four investment companies, purchases equaling 6,000 shares and 18,500 shares respectively. Also liked by a couple of funds each were J. J. Newberry and Simpson's, Ltd.

Sales of tobacco shares doubled, as mentioned briefly earlier in this article, with Reynolds "B" sharing dubious honors as least popular in the group. Eight trusts cleaned this one-time favorite out of their portfolios while a ninth management lightened its holdings. Sales totaled 107,800. American Tobacco was a close runner-up, six funds eliminating this issue while a seventh decreased its investment to the extent of 50,800 shares. Philip Morris was disposed of by five investment companies and Liggett and Myers by four. Opinion was almost divided on Lorillard, four portfolio eliminations offset by three purchases. The only concentrated activity in the liquor stocks was represented by three sales each of Distillers Corporation-Seagrams and National Distillers.

With air conditioning specialties (which were featured by six acquisitions of Carrier and three new commitments in York) grouped separately, opinion was evenly divided on the building issues. American Radiator was the feature with five initial portfolio purchases and one addition totaling 32,700 shares. Three offsetting sales equaled 8,500 shares. Also well liked, as in the March

quarter, United States Gypsum interested four purchasers. A 1,100 share block was eliminated from a fifth portfolio. Sales on balance of National Lead, Minneapolis Honeywell, Ruberoid and United States Plywood were made by three trusts. A couple of managements also disposed of Pabco Products.

Management opinion, divided on food stocks, gave some thought to political and social disturbances in Central America, and reversed itself to some extent on United Fruit. For over a year the favorite in the group, a total of 32,500 shares was lightened in five portfolios and eliminated from two others. Partially offsetting were four additions equaling 20,500 shares. General Foods was also sold on balance, four managements disposing of 5,200 shares, half of whom cleaned out the issue from holdings. One purchase amounted to 13,000 shares. Two funds each bought Swift and Mead Johnson.

### Utility Transactions Mixed

Buying in utilities evenly balanced sales, as purchases fell off almost 20% from the March to June quarters. Puget Sound Power and Light was the new found favorite, five initial commitments totaling 43,700 shares. Five power and light issues contended for number two ranking in this group, each finding favor with four managements. These were American Telephone and Telegraph, Central Illinois Public Service, Commonwealth Edison, Southern California Edison and Texas Utilities. Three trusts each bought New York State Electric and Gas and Southern Indiana Gas and Electric, while two purchases were made of Columbus and Southern Ohio Electric, Kansas Gas and Electric and Philadelphia Electric. Twelve additions of General Public Utilities, five of Wisconsin Electric Power and four of Pennsylvania Power and Light were stimulated in part through the distribution of rights.

Sales in the utility group predominated in Central and Southwest Corporation and Pacific Gas and Electric, each of which was sold by four managements. Three investment companies also disposed of General Telephone, the Southern Company and Virginia Electric and Power.

Continental Can was purchased on balance by five trusts, but American Can was sold by three. Selling in the rubber division was featured by five sales on balance of Goodrich and two of General Tire. United States Rubber, however, was purchased by four investment companies during the June quarter, three making initial portfolio commitments. Buying in the amusement group was concentrated in Paramount Theatres Corp., four acquisitions totaling 15,700 shares.

### Three With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Lawrence E. Frankenbach, Bluford W. Jackson and Rolland J. Meade have joined the staff of A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

### Four With R. Newman

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—George Maher, Pierre A. Moore, A. G. Rossi and W. R. Newman have become associated with Randolph Newman & Co., Marine Building, members of the New Orleans Stock Exchange.

### Forms Frontier Investment

SALT LAKE CITY, Utah—Buell G. Bryan has formed Frontier Investments, Inc., 2011 South 11th East to engage in a securities business.

## Continuance of Bldg. Boom Forecast by U.S. Chamber of Commerce

Finds construction needs basis for continued prosperity.

According to the Chamber of Commerce of the United States, the national building boom will continue at least through 1954.

Building contracts awarded during the first six months of the year were at a record volume, the rate being 17% above that of the same period last year when an all-time high was recorded, the Chamber said. Since awards precede construction, the Chamber pointed out, the boom will last through the months ahead.

Actual expenditures for new construction during the first half of the year reached a total of nearly \$17 billion, slightly above last year's record figure for the same period, the Chamber said.

Behind this phenomenal demand for new construction, is the continuing need for new homes, new schools and colleges, hospitals, churches and public works as well as commercial construction.

The strength of the building boom, the Chamber stressed, is among our best reasons for belief that our economy will continue prosperous. For new homes, factories, schools and other construction mean more markets for home and office furnishings, plant machinery and a host of other products—all adding up to steady increases in new jobs.

## Lakefront Dock & RR. Terminal Bds. Offered

Halsey, Stuart & Co. Inc. and associates on Aug. 6 offered \$3,650,000 of Lakefront Dock & Railroad Terminal Co. first mortgage sinking fund bonds, series B, 3 3/4%, dated Aug. 1, 1954 and due Aug. 1, 1974, at 100.70%, to yield 3.70%. The group won award of the issue on Aug. 5 on a bid of 99.46%. Issuance and sale of the bonds is subject to authorization of the Interstate Commerce Commission.

The series B bonds will be subject to redemption at optional redemption prices ranging from 104 1/2% to par, and for the sinking fund at prices receding from 100 3/4% to par, plus accrued interest in each case.

Net proceeds from the financing will be used to repay to the New York Central RR. Co. and the Baltimore & Ohio RR. Co., the joint owners of the company, a like amount of advances to the company for capital expenditures, which, as of May 31, 1954, aggregated \$3,872,325. Additional advances aggregating \$350,000 have been made for working capital.

The company is a joint undertaking of The New York Central RR. Co. and The Baltimore & Ohio RR. Co. It provides deep water lake front facilities for the economic and expeditious interchange between railroad cars and vessels operating on the Great Lakes of bulk freight, chiefly iron ore and coal, routed through the Toledo gateway.

Associated with Halsey, Stuart in the offering are Dick & Merle-Smith and Stroud & Co., Inc.

### Two With Reynolds

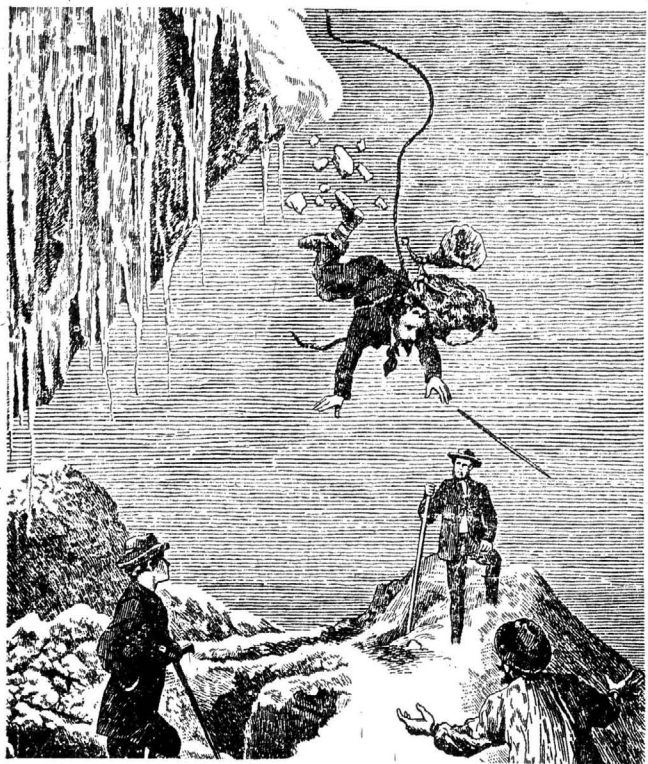
(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C.—Michael G. Jennings and Frances B. Wood have become affiliated with Reynolds & Co., 108 Corcoran Street.

### Two With Carolina Secs.

RALEIGH, N. C.—Curtis D. Baysinger and Charles R. Reynolds are with Carolina Securities Corporation, Insurance Building.

## Frank makes a move...



### FRANK ELIOT SWEETSER

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# Securities Now in Registration

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**ACF Brill Motors Co.**  
July 19 (letter of notification) 2,000 shares of common stock (par \$2.50). Price—At market (approximately \$8.25 per share). Proceeds—To William S. Wasserman, a director. Underwriter—Elliott & Co., New York.

★ **Allray Co., Alliance, Neb.**  
Aug. 2 (letter of notification) 25,000 shares of common stock (par \$1). Price—\$2 per share. Proceeds—For mining operations. Office—217 East Third St., Alliance, Neb. Underwriter—None.

★ **American Buyers Credit Co., Phoenix, Ariz.**  
Aug. 6 filed 5,000,000 shares of common stock to be issued to policyholders of American Buyers Insurance Co. and American Buyers Casualty Co., and employees. Price—To so-called "Expansion Policyholders" (various policyholders of both insurance companies), and employees, at par (\$1 per share); and to all other policyholders in the insurance companies, \$1.25 per share. Proceeds—To expand in the small loan field. Underwriter—None.

**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.

**Apollo Oil & Uranium Co., Denver, Colo.**  
May 27 (letter of notification) 12,500,000 shares of common stock. Price—At par (one cent per share). Proceeds—For mining activities. Office—602 First National Bank Building, Denver, Colo. Underwriters—M. A. Cléek and J. Russell Tindell, both of Spokane, Wash.

**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 being offered for subscription to holders of outstanding preferred stock of record July 7 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; rights to expire on Sept. 24. Price—For preferred, \$48 per share; and for common \$12.50 per share. Proceeds—To reduce bank loans. Underwriter—None.

**Arkansas Natural Resources Corp.**  
June 11 (letter of notification) 299,500 shares of common stock (par 25 cents). Price—\$1 per share. Proceeds—For expenses incident to drilling for magnetic iron ore. Office—Rison, Ark. Underwriter—Eaton & Co., Inc., New York, N. Y.

★ **Arkansas Power & Light Co. (8/24)**  
July 23 filed \$7,500,000 of first mortgage bonds due 1984. Proceeds—To repay \$4,900,000 of bank loans and for construction program. Underwriter—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 to be received up to noon (EDT) on Aug. 24 at Two Rector Street, New York, N. Y.

**Atomic Instrument Co., Cambridge, Mass.**  
July 29 (letter of notification) 31,632 shares of common stock (par \$1) to be first offered to stockholders at the rate of one new share for each four shares held. Price—To be supplied by amendment. Proceeds—For working capital. Office—84 Massachusetts Ave., Cambridge, Mass. Underwriters—Chace, Whiteside, West & Winslow, Inc. and Draper, Sears & Co., both of Boston, Mass.; Fahnestock & Co. and Amott, Baker & Co., Inc., both of New York; and Naumann, McFawn & Co., Detroit, Mich.

● **Automatic Firing Corp., St. Louis, Mo. (8/17)**  
June 30 (letter of notification) \$300,000 of seven-year convertible debentures due Aug. 1, 1961 (convertible at rate of one share of \$1 par class A common stock for each \$2 principal amount of debentures). Price—At par (in units of \$1,000 each). Proceeds—For working capital. Underwriter—White & Co., St. Louis, Mo. Dealer Relations Representative—Geo. A. Searight, 115 Broadway, New York, N. Y. (telephone BArclay 7-8448.)

★ **Automatic Remote Systems, Inc., Baltimore, Md. (8/24)**  
Aug. 4 filed 620,000 shares of common stock (par 50 cents), of which 540,000 shares are to be offered to public and 80,000 shares to be issued to underwriter. Price—\$3.75 per share. Proceeds—For manufacture of Teletel units and Teleac systems and additions to work-

ing capital. Underwriter—Mitchell Securities, Inc., Baltimore, Md.

**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.

**Big Indian Uranium Corp., Provo, Utah**  
July 15 (letter of notification) 500,000 shares of common stock (par 10 cents). Price—25 cents per share. Proceeds—For mining operations. Address—Box 77, Provo, Utah. Underwriter—Weber Investment Co., 242 N. University Ave., Provo, Utah.

★ **Brooklyn Union Gas Co.**  
Aug. 2 (letter of notification) an aggregate of \$300,000 market value of common stock (no par) to be offered to employees. Price—At average cost per share to company. Proceeds—None. Office—176 Remsen Street, Brooklyn 1, N. Y. Underwriter—None.

**Buffalo Forge Co., Buffalo, N. Y.**  
July 7 filed 85,000 shares of common stock (par \$1). Price—To be related to current market price at time of offering. Proceeds—To 11 selling stockholders. Underwriter—Hornblower & Weeks, New York. Offering—Postponed indefinitely.

★ **Business Records Tabulating Service, Inc.**  
July 29 (letter of notification) \$200,000 of 6% debenture bonds due 1959 and 2,000 shares of common stock (no par). Price—Of bonds, at par (in denominations of \$100 each); of stock, \$25 per share. Proceeds—For working capital. Office—Commercial Building, Shreveport, La. Underwriter—None.

**California Electric Power Co.**  
April 22 filed 105,000 shares of cumulative preferred stock (par \$50). Price—To be supplied by amendment. Proceeds—To redeem two issues of \$2.50 preferred stock (par \$50), totaling 98,800 shares. Underwriter—Merrill Lynch, Pierce, Fenner & Beane, New York. Offering—Temporarily deferred. (See also proposed issue of 107,000 shares of common stock in these columns.)

**California Electric Power Co.**  
July 21 (letter of notification) 8,000 shares of common stock (par \$1). Price—At market (on the American Stock Exchange). Proceeds—To Mono Power Co. (an

affiliate) to retire indebtedness. Underwriter—Wagenseller & Durst, Inc., Los Angeles, Calif.

★ **California Electric Power Co. (8/31)**  
July 9 (filed 170,000 shares of common stock (par \$1). Proceeds—To retire 37,600 shares of \$2.50 sinking fund preferred stock (par \$50) shortly after Oct. 1, 1954, at \$51.50 per share and accrued dividends. Underwriter—To be determined by competitive bidding. Probable bidders: Union Securities Corp. and J. A. Hogle & Co. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly). Bids—Tentatively expected to be received on Aug. 31.

● **Canada General Fund (1954) Ltd. (8/17)**  
July 23 filed 2,500,000 shares of common stock (par \$1) (amended to 3,250,000 shares on Aug. 11). Price—\$10 per share. Proceeds—For investment. Underwriters—Bache & Co. and Paine, Webber, Jackson & Curtis (latter handling books). Sponsor—Vance, Sanders & Co., Boston, Mass.

★ **Carolina Casualty Insurance Co., Burlington, N. C.**  
Aug. 2 (letter of notification) 30,000 shares of class B non-voting common stock (par \$1). Price—\$5 per share. Proceeds—For additional surplus to qualify in more States and to write a larger volume of insurance. Underwriter—McDaniel Lewis & Co., Greensboro, N. C.

**Catalin Corp. of America**  
July 23 (letter of notification) 65,000 shares of common stock (par \$1). Price—To be supplied by amendment (may be around \$4.50 per share). Proceeds—For working capital. Office—One Park Ave., New York, N. Y. Underwriter—Fulton, Reid & Co., Cleveland, Ohio.


**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. Offering—Expected in August.

**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.

**Cherokee Utah Uranium Corp.**  
June 24 (letter of notification) 6,000,000 shares of capital stock (par one cent). Price—Three cents per share. Pro-

## NEW ISSUE CALENDAR

<b>August 16 (Monday)</b> New York Capital Fund of Canada Ltd... Common (Carl M. Loeb, Rhoades & Co.) \$25,000,000 North-West Telephone Co..... Common (Offering to stockholders—underwritten by Harley, Haydon & Co. and Bell & Farrell, Inc.) \$150,000	Southern Bell Telephone & Telegraph Co.... Debs. (Bids 11 a.m. EDT) \$55,000,000
<b>August 17 (Tuesday)</b> Automatic Firing Corp..... Debentures (White & Co.) \$300,000 Canada General Fund (1954) Limited.... Common (Bache & Co. and Paine, Webber, Jackson & Curtis) \$32,500,000 Four Corners Uranium Corp..... Common (Campbell, McCarty & Co.) \$1,000,000 New Jersey Power & Light Co..... Bonds (Bids 11 a.m. EDT) \$8,700,000 Republic Uranium Corp..... Common (Teden & Co., Inc.) \$297,500	<b>September 1 (Wednesday)</b> Pacific Telephone & Telegraph Co..... Common (Offering to stockholders—no underwriting) <b>September 8 (Wednesday)</b> Montana-Dakota Utilities Co..... Bonds (Bids to be invited) \$12,000,000 Western Maryland Ry..... Bonds (Bids to be invited) \$16,000,000
<b>August 18 (Wednesday)</b> General American Transportation Corp... Common (Kuhn, Loeb & Co.) between 85,000 and 90,000 shares Southern California Edison Co..... Bonds (Bids 9 a.m. PDT) \$30,000,000	<b>September 9 (Thursday)</b> Thompson-Starrett Co., Inc. Preferred (Blair, Rollins & Co. Inc. and Emanuel Deetjen & Co.) \$1,450,000 <b>September 10 (Friday)</b> Loma Uranium Corp..... Common (Peter Morgan & Co.) \$1,250,000
<b>August 23 (Monday)</b> Electronics Corp. of America..... Common (Paine, Webber, Jackson & Curtis) \$2,400,000 Supermarket Merchandisers of America Inc... Com. (Milton D. Blauner & Co., Inc.) \$299,550	<b>September 14 (Tuesday)</b> Oklahoma Gas & Electric Co..... Preferred (Bids may be invited) \$7,500,000 <b>September 20 (Monday)</b> Columbus & Southern Ohio Electric Co... Common (Dillon, Read & Co. Inc. and The Ohio Company) 200,000 shares Northern Pacific Ry..... Bonds (Bids to be invited) \$52,000,000
<b>August 24 (Tuesday)</b> Arkansas Power & Light Co..... Bonds (Bids noon EDT) \$7,500,000 Automatic Remote Systems, Inc..... Common (Mitchell Securities, Inc.) \$2,025,000 Niagara Mohawk Power Corp..... Bonds (Bids to be invited) \$25,000,000 Northern States Power Co..... Preferred (Bids 10:30 a.m. CDT) \$20,000,000	<b>September 28 (Tuesday)</b> New England Electric System..... Common (Offering to stockholders—bids to be invited) Northern States Power Co..... Bonds (Bids to be invited) \$20,000,000 <b>September 29 (Wednesday)</b> Columbus & Southern Ohio Electric Co... Bonds (Bids to be invited) \$10,000,000
<b>August 25 (Wednesday)</b> Delaware, Lackawanna & Western RR..... Equip. Trust Cfs. (Bids noon EDT) \$5,700,000 Food Fair Stores, Inc..... Debentures (Eastman, Dillon & Co.) \$20,000,000 Suburban Propane Gas Corp..... Common (Eastman, Dillon & Co.) 100,000 shares	<b>September 30 (Thursday)</b> Louisville & Nashville RR..... Bonds (Bids to be invited) \$30,350,000 National City Bank of New York..... Common (Offering to stockholders—underwritten by The First Boston Corp.) \$131,250,000
<b>August 30 (Monday)</b> General Bronze Corp..... Common Offering to stockholders—underwritten by Lehman Brothers) 32,933 shares	<b>October 4 (Monday)</b> Public Service Co. of Colorado..... Bonds (Bids to be invited) \$20,000,000 <b>October 5 (Tuesday)</b> Indiana & Michigan Electric Co..... Bonds (Bids 11 a.m. EDT) \$16,500,000 Indiana & Michigan Electric Co..... Preferred (Bids 11 a.m. EDT) \$4,000,000 Wisconsin Power & Light Co..... Bonds (Bids to be invited) \$18,000,000
<b>August 31 (Tuesday)</b> California Electric Power Co..... Common (Bids to be invited) 170,000 shares Grand Union Co..... Debentures (Offering to stockholders—underwritten by Morgan Stanley & Co. and W. E. Hutton & Co.) about \$5,000,000	



**Corporate and Public Financing**

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shares in the product between census years.

(4) Movements of gross profit margins related to movements of dollar volume of production. This is to determine how many of the movements are directly or inversely related.

(5) Ranking of gross margins by years to determine whether certain economic periods dominate in certain ranks.

(6) The same basic indicators are also applied for labor's shares in the product and value added with the exception of #4 above.

(7) The unit cost indicator has been based upon the variations in the unit cost index associated with variations in gross margin rates. The data do not lend itself to correlation so a count technique of inverse or direct associations of the directions of change is used.

The distribution of the industries analyzed are broken down into the following major groupings:

	Number of Industries in Group
Food Group	20
Near Food Group	5
Clothing Group	10
Household Furnishings made primarily of fabrics	4
Wood Products	15
Chemical Industries	10
Rubber Products	2
Leather Products	7
Mineral Products	8
Blast Furnace Products	1
Non-Ferrous Metals	1
Metal Products	26
Machinery	6
Miscellaneous	2

The Unit Cost Index was limited, due to insufficient data, to the following industries:

	Number of Industries in Group
Food Group	19
Clothing Group	6
Wood Products	3
Chemical Products	4
Rubber-Leather Products	4
Mineral Products	5
Metal Products	7

The nature of the overall statistical results:

(1) There are very few industries that have fairly constant gross profit margins over the 40-year period studied. Only 4% of all have extremely low variability; 23% moderately low; 34% moderate; 39% high. The "Foods" and "Metals" groups display the highest degree of variability, while the "Chemical" group is most uniform.

(2) Some general inverse association is found between the degree of variability in gross margins and labor's share in the product. The use of small amounts of labor relative to raw materials tends to occur with more fluctuating gross margins.

(3) Movements of gross profit margins do not move in concert with general cyclical business conditions. In rising business conditions we do not find rising margins predominating, nor in falling conditions do declines rule. Although for all industries the previously outlined pattern is not too strong, we do find that the 1930's give strong support to our model. The 1920's give fairly good sup-

port. The breakdown of the totals into specific industry groups so that they can be associated with the sources of their raw materials helps the model considerably.

(4) Although variability is quite high for gross margins, we find that between any two successive census years the volatility is generally not high. In terms of relative volatility over 50% of the observed intercensal year movements are less than 10% in magnitude; 76% are less than 20%; 85% less than 30%. The small degree of volatility would indicate a strong tendency for prices to follow costs but often at a slower rate.

(5) Associating the direction of the volatility with changes in dollar volume of output, we find that inverse associations outnumber direct ones. For the entire analysis the percent of inverse movements of the total equals 55% and may not be too significant. The percentage of (inverse plus zero movements plus negligible movements) equals 59%. If the total is broken down into the various groups and by census years, the inverse relationship is strongest in recession and recovery years, and for those industries closest to the extractive raw material supplier levels.

(6) Ranking the census years according to gross margin profit levels brings out a similar result except for 1921. Recession and boom years rank high; depression and recovery years rank low. This last measure may be obscured in part by secular trends in some series.

(7) The absence of any relationship between gross margins and volume of sales induced us to study the association between costs and margins. We find that inverse associations appeared over 70% of the time in four of the major groups covering 33 industries; 55% of the time in two major groups with 11 industries; 31% of the time in one group (Chemicals) with four industries. The 1930 period gives a somewhat stronger inverse association than previous periods.

**Labor's Role Controlling**

The Model depends somewhat upon the role that direct labor plays in the production at the given stage of manufacturing. The rigidity of labor costs would reduce the chance of shifting the margins as previously presented. It has been found that labor's share in the product is surprisingly small at the single stage of manufacturing. In 17% of the industries we find labor's share is less than 5% on the average; 43% of the industries less than 10%;

57% of the industries less than 15%; 72% of the industries less than 20%; 88% of the industries less than 25%. As has been previously indicated, there is a strong tendency for labor's share in the product to move inversely to the cycle. This tendency is much less pronounced for labor's share in the value added. In a number of cases studied there appears to be some evidence that labor costs are compressed and/or workmanship deteriorates and/or management's supervision tightens as sales decline markedly in deep depressions. The general low volatility of labor's share in the product between census years adds further to the position we have taken that shifts between the shares of management and raw materials suppliers occur markedly in cyclical fluctuations.

Although the type of data we have worked with has restricted the analysis to a number of broad generalizations concerning firm behavior under the uncertainties of oligopolistic markets and cyclical fluctuations, it is hoped that some of the differences in the patterns due to macro-economic conditions have been highlighted. Attempts to explain oligopolistic decisions in terms of leadership concepts or in terms of "average cost pricing" should try to clarify the

conditions when certain types of responses are most apt to be elicited. The mathematical approaches to leadership through reaction curves appear to assume too much knowledge on the part of the participants. It also pays little attention to macro-economic changes as a factor in the structure of the reaction patterns. The questionnaire technique used by some economists appears to err in assuming that real moves in actual situations can be discovered by verbal responses to questions in unreal situations. The model drawn herein, as far as it goes, depends greatly upon inertia, lags and caution factors that appear to be overlooked too often in economic reasoning.

**With King Merritt**

(Special to THE FINANCIAL CHRONICLE)  
FLINT, Mich. — George R. Brockway is with Merritt & Company, Inc.

**DIVIDEND NOTICES**

**LION OIL COMPANY**  
A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable September 16, 1954, to stockholders of record August 27, 1954. The stock transfer books will remain open.  
E. W. ATKINSON, Treasurer  
August 5, 1954.

**DIVIDEND NOTICES**

**THE DAYTON POWER AND LIGHT COMPANY**  
DAYTON, OHIO  
128th Common Dividend  
The Board of Directors has declared a regular quarterly dividend of 50¢ per share on the Common Stock of the Company, payable on September 1, 1954 to stockholders of record at the close of business on August 17, 1954.  
GEORGE SELLERS, Secretary  
August 6, 1954

**NORFOLK SOUTHERN RAILWAY COMPANY**

**Common Dividend**  
The Board of Directors of Norfolk Southern Railway Company have declared a dividend of thirty cents (30¢) per share on the common stock of said Company, payable on September 15, 1954, to stockholders of record at the close of business September 1, 1954.  
CECIL M. SELF, President

**DIVIDEND NOTICES**

Manufacturers of **AE** Wall & Floor Tile  
**AMERICAN ENCAUSTIC TILING COMPANY, INC.**  
COMMON STOCK DIVIDEND  
Declared August 6, 1954  
15 cents per share  
Payable August 31, 1954  
Record Date August 20, 1954  
America's OLDEST Name in Tile

**IOWA SOUTHERN UTILITIES COMPANY**  
**DIVIDEND NOTICE**  
The Board of Directors has declared the following regular quarterly dividends:  
35¢ cents per share on its 4% Preferred Stock (\$30 par)  
44 cents per share on its \$1.76 Conv. Preferred Stock (\$30 par)  
30 cents per share on its Common Stock (\$15 par)  
all dividends payable September 1, 1954, to stockholders of record August 16, 1954.  
EDWARD L. SHUTTS, President.  
August 6, 1954

**pf PACIFIC FINANCE CORPORATION**  
**DIVIDEND NOTICE**  
A regular quarterly dividend of 50 cents per share on the common stock (\$10 par value), payable September 1, 1954, to stockholders of record August 16, 1954, was declared by the Board of Directors on August 4, 1954.  
B. C. REYNOLDS, Secretary

**American INVESTMENT COMPANY OF ILLINOIS**  
**95TH CONSECUTIVE DIVIDEND ON COMMON STOCK**  
The Board of Directors declared a regular quarterly dividend on the Common Stock of 40 cents per share, payable September 1, 1954, to stockholders of record August 16, 1954.  
The Directors also declared the regular quarterly dividends on the 5 1/4% Cumulative Prior Preferred Stock, the Series A \$1.25 Convertible Preference Stock and the 4 1/4% Preference Stock, all payable October 1, 1954 to stockholders of record September 15, 1954.  
HARRY W. HARTLEY, Treasurer  
August 2, 1954  
Financing the Consumer through nationwide subsidiaries—principally:  
Public Loan Corporation  
Domestic Finance Corporation  
Loan Service Corporation  
Ohio Finance Company  
General Public Loan Corporation

**DIVIDEND NOTICES**

**AC ALLIS-CHALMERS MFG. CO.**

**COMMON DIVIDEND NO. 121**  
A regular quarterly dividend of one dollar (\$1.00) per share on the issued and outstanding common stock \$20.00 par value, of this Company has been declared, payable September 30, 1954 to shareholders of record at the close of business September 1, 1954.

**3 1/4% PREFERRED DIVIDEND NO. 32**  
A regular quarterly dividend of eighty-one and one-quarter cents (81 1/4¢) per share on the 3 1/4% Cumulative Convertible Preferred Stock \$100 par value, of this Company, has been declared, payable September 5, 1954, to shareholders of record at the close of business August 20, 1954.

**4.08% PREFERRED DIVIDEND NO. 1**  
The first dividend of one dollar and twenty-two cents (\$1.22) per share on the issued and outstanding 4.08% Cumulative Convertible Preferred Stock \$100 par value, of this Company has been declared, payable September 5, 1954, to shareholders of record at the close of business August 20, 1954 being twenty cents (20¢) from May 18th through June 5, 1954 plus one dollar and two cents (\$1.02) per share from June 5, 1954 through September 5, 1954.  
Transfer books will not be closed. Checks will be mailed.  
W. E. HAWKINSON, Vice President and Secretary.  
August 4, 1954

**DISSOLUTION NOTICE**

STATE OF NEW YORK, DEPARTMENT OF STATE, ss.:  
I DO HEREBY CERTIFY that a certificate of dissolution of BARCHESTER PUBLICATIONS, INC. has been filed in this department this day and that it appears therefrom that such corporation has complied with section one hundred and five of the Stock Corporation Law, and that it is dissolved.  
GIVEN IN DUPLICATE under my hand and official seal of the Department of State, at the City of Albany, this twenty-first day of July, one thousand nine hundred and fifty-four.  
THOMAS J. CURRAN, Secretary of State.  
By SIDNEY B. GORDON, Deputy Secretary of State.

**Stauffer CHEMICALS COMPANY**  
**DIVIDEND NOTICE**  
The Board of Directors has declared a dividend of 32 1/2¢ per share on the common stock payable September 1, 1954 to stockholders of record at the close of business August 16, 1954.  
Christian deDampierre, Treasurer

**SEABOARD FINANCE COMPANY**  
**COMMON STOCK DIVIDEND**  
78th Consecutive Quarterly Payment  
The Board of Directors of Seaboard Finance Co. declared a regular quarterly dividend of 45 cents a share on Common Stock payable October 10, 1954 to stockholders of record September 23, 1954.  
**PREFERRED STOCK DIVIDENDS**  
The directors also declared regular quarterly dividends of 53 cents a share on \$2.12 Convertible Preferred Stock, and \$1.43 1/4 on the \$5.75 Sinking Fund Preferred Stock. All preferred dividends are payable October 10, 1954 to stockholders of record September 23, 1954.  
A. E. WEIDMAN, Treasurer  
July 22, 1954

**BRITISH-AMERICAN TOBACCO COMPANY, LIMITED**  
At a meeting of Directors held August 10, 1954 in London it was decided to pay on September 30, 1954 Interim Dividend of five pence for each Ten Shillings of Ordinary Stock for the year ending September 30, 1954 on the issued Ordinary Stock of the Company free of United Kingdom Income Tax.  
Also decided to pay on the same day half-yearly dividend of 2 1/2% (less tax) on issued 5% Preference Stock.  
Coupon No. 221 must be used for dividend on the Ordinary Stock and Coupon No. 102 must be used for dividend on the 5% Preference Stock. All transfers received in London on or before August 27, 1954 will be in time for payment of dividends to transferees.  
Also decided to pay on October 30, 1954 half-yearly dividend of 3% (less tax) on the 6% Preference Stock. All transfers received in London on or before October 7, 1954 will be in time for payment of dividends to transferees.  
Stockholders who may be entitled by virtue of Article XIII(1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 131 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.  
**BRITISH-AMERICAN TOBACCO COMPANY, LIMITED**  
August 10, 1954

# Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — One of the outstanding features of the 83rd Congress, in the opinion of most politicos here, has been the singular absence of genuinely able political leadership — on Capitol Hill itself, at the White House, or in either political party.

Whenever politicos or lobbyists gather to dissect and diagnose the current scene, one hears this comment — almost taken completely for granted here by both experts and amateurs in the game of politics.

Of course when people talk about leadership problems they naturally turn first to the White House, for there resides more political power than is found in any individual in this most political capital. And when they turn to the White House, they turn to cussing out poor Sherman Adams, Mr. Eisenhower's "first lieutenant," and by the President's own designation his "Chief of Staff."

Mr. Adams, with the possible exception of Senator Joe McCarthy, is probably the most unpopular gentleman in political circles. Unlike Joe, however, Sherman Adams doesn't have a bunch of partisans who are as emotionally for him as others are against him. For even the Democrats don't like Mr. Adams.

From some time not far along last year until the present, one would pick up gruesome reports on Sherman Adams. It is not possible to be specific about these complaints without revealing confidences of Senators and Representatives.

However, let's say that a hypothetical Senator X would report that his patronage recommendations were completely ignored, that at Sherman Adams' own intervention his nominee for a given job in Senator X's state was turned down and instead the job given to a faction opposing Senator X and building up to knock him down come the next Senatorial election. Or that a couple of his choice campaign contributors were finding their government contracts canceled and the job given to some one else, maybe a manufacturer in India.

### Cry "Discrimination"

Your hypothetical Senator X, of course, was convinced that the Chief of Staff, who is noted for "liberal" tendencies, was doing his best to grease the skids for the exit of the Senator from public life. This is not an isolated case. It was rather common, and there are quite a few gentlemen on Capitol Hill who, rightly or wrongly, are convinced that the White House, by which they mean Sherman Adams, is trying to nudge relative conservatives out of Congress. They were puzzled, because they couldn't quite make themselves believe that Dwight D. Eisenhower was party to such black designs.

So frequent was this kind of a report, that for a long time a good many people came to think that Sherman Adams was trying to re-vamp the Republican party in the image of Mr. Adams' own ideas.

### Snafus Proliferate

What complicates this simple story of evil design, however, is what has developed since. The next thing that has begun to show up is that the White House

(i.e., Sherman Adams, or at least that is what they say) began making life miserable for some of the most ardent Eisenhower supporters. Men who, whatever their views were before the Eisenhower wing captured the Republican party, have never since voiced an important public disagreement with the President, also began to find themselves in trouble.

This trouble is of the most astonishing nature. Key Republican leaders have trouble with the most routine matters, like naming 4th class postmasters or star route carriers. There are literally scores of important Republicans in Congress who are having irritating troubles with their local Republican organizations. In the memory of men 30 years in Congress there has never been a time when White House patronage matters of even the most trivial nature were so utterly fouled up.

To the men who ring the door bells and keep the party going back in the 5th ward, it doesn't make sense that the White House could be so snarled up. These scores of members of Congress are being confronted from the county chairmen with the accusation that there must be something wrong between them and Ike. And, of course, the members all blame it on Sherman Adams, whether correctly or not this correspondent is in no position to know.

And the funny thing is that when these difficulties of Eisenhower supporters finally get back to Mr. Eisenhower personally, the President is acutely and apparently honestly distressed, for he seems to have no idea what is going on.

### Snafu Departments

Further information developing is that even in the Executive Departments, there are snafus with the White House. There is one example which, of course, may not be specifically illustrated in detail. The President was consulted upon and agreed on a new policy the Administration was to adopt. A clever opposition politico wrote a seemingly innocent letter to the President saying wouldn't the President do so and so, which was to the contrary. Mr. Adams fell for the leading question and committed the White House to an entirely different course of action, without so much as first checking with the officials concerned.

Finally, this kind of a report develops. The Grand Chief Hunter of the Loyal Order of Bear Meat Eaters calls up Senator Y and asks him to invite the President to their state-wide bear roast and whisky pouring. Ordinarily it takes the White House from a few minutes to a day at most to recollect where the President will be instead on that date so he is grievously sorry, he can't attend.

In this case, the answer usually takes from two to three weeks, with the Senator made miserable every other day while the Grand Chief Hunter keeps calling the Senator to learn for Pete's sake what is the answer.

### Empire Building?

This sort of thing happens because, if the reports are true, the Chief of Staff, despite an able crew of \$10,000 and better legmen hanging around the

## BUSINESS BUZZ



"I'm sorry, Mr. Snitzel can't come to the phone now—he's doing some bidding!"

White House, has got to handle the matter himself, and nobody else can make the decision.

Superficially, this would add up to a sinister outlook. The man who can control the staff of the White House (and Mr. Adams is avowedly Chief of the Staff) can become a political figure of frightfully powerful dimensions, particularly with a President with as easy-going a personality as has Mr. Eisenhower.

One of the real facets of life under a Great Big Government, is that the President cannot begin to handle the numerous and far-reaching decisions which are made in his name, which must be made by anonymous aides instead. So superficially, such an outlook as reported would point to the possibility that Mr. Adams was doing in a big way that which in Washington, D. C., is called "empire building."

### Is Combination of Explanations

Maybe Mr. Adams is gathering to himself the power to be the chief funnel of information to and decisions from the President.

However, some more seasoned observers offer other explanations.

(1) In the first place, the "chief of staff" concept, valid for the military, is considered to be entirely faulty in political life. Whatever else can be said against FDR, he was seldom accused of political obtuseness. His concept of assistants were those who, in his own words,

had "a passion for anonymity." Earlier in FDR's career, the "executive officers" (to use a military concept) were blamed for FDR's policies. It soon became clear, however, that no matter how much confidence and power Roosevelt vested in his aides, he had no one around him who didn't do exactly what FDR wanted.

(2) In the second place, the frightful mix-up on patronage matters simply highlights the fact that the Republicans have not yet organized with any smoothness, the patronage end of government. As one of the ablest observers in this town once said, "What Eisenhower needs badly is a Jim Farley."

(3) Sherman Adams simply has too much to do. History will have to decide whether that situation is of his own choosing, or whether, as is at least equally tenable as a thesis, it is the inescapable nature of circumstances because President Eisenhower conceives this role for Mr. Adams.

### Congress Leadership Lacks Vigor

In Congress the situation appears to be that those who have experience, judgment, and seasoning, are lacking in full vigor of rough and tumble fighting. Or if they are young and have vigor and imagination, they lack seasoning, judgment and the prestige that comes therewith.

The only thing that appears to be clear about the way Mr. Adams' role has worked out is

that it follows the military analogy beautifully.

Aboard a ship the executive officer, ranking just next to the Captain, handles all the good and dirty work of the ship. If returning shipmates get cans of beer fleeced off them and are put to work swabbing the decks, it is the XO who gets called the SOB. (In Washington SOB also stands for Senate Office Building.)

Sherman Adams certainly is taking the blame. Maybe that's the way Eisenhower wants it. Maybe not.

(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.)

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