PUBLIC UTILITY INDUSTRY FEATURED IN THIS ISSUE

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 181 Number 5440 | New York 7, N. Y., Thursday, June 23, 1955 | Price 40 Cents a Copy

EDITORIAL

As We See It

At the end of this week the country's wheat farmers are to tell the Federal Government whether they want acreage controls on next year's crop—or at least whether they want the benefits of price supports at a reduced level badly enough to persuade them to accept the reduced acreage now proposed by the authorities. For some time past the battle for votes pro and con has been on the whole proceedings, taking on a similarity to the usual or garden variety of political campaign. According to farm organizations favoring acceptance of the control system now proposed, this will be a crucial decision not only for wheat growers, but for other farmers, notably corn producers. But there are many farmers who have tired of this eternal interference of government in their affairs, and are said not to be overly impressed by this sort of argument.

Of course, we have no way of knowing what the decision of these wheat farmers will be, and the real significance of whatever they do in the balloting can be best determined after the event. Meanwhile, however, it would be well if not only the farmers of the country, but all of us were stimulated by this contest to do some careful thinking about the whole subject which this issue of continued control of wheat acreage

Continued on page 49

MORE COMMENTS ON GUARANTEED ANNUAL WAGE

Additional comments received in response to the "Chronicle's" invitation for expressions of opinion on the Guaranteed Annual Wage doctrine appear herein, starting on p. 3.

Electric Utilities Plagued By Federal Statutes

By HAROLD QUINTON*

Retiring President, Edison Electric Institute
President, Southern California Edison Co.

Prominent West Coast utility executive calls attention to the burdens placed upon the electric utilities by Federal legislation enacted during last 35 years. Lists as statutory provisions that call for correction: (1) tax exemption granted governmental proprietary power business; (2) preference privileges in sale of Federal government power given to certain customers, and (3) the costly and burdensome duplicate regulation by Federal and State agencies. Notes growth of government power projects, and briefly outlines needed corrective legislation.

I want to devote most of my time to personal observations on issues which confront our industry and our nation. Many of our companies have taken a stand on these matters; and while we are all familiar with that stand and I have been somewhat guided by it, the views I express are, as I've said, my own—arrived at after prayerful consideration of our mutual problems.

Harold Quinton

Notwithstanding their consistent and unmatched record in meeting soaring demands for electric service and in reducing prices in the face of a long and steep rise in costs, the electric utility companies find themselves today needlessly handicapped and burdened with provisions of law enacted during the past 35 years, that, in the best interest of their customers and of this country, should by corrected. Clearly the duty devolves upon us, the managers of utility companies, to devote our serious

Continued on page 41

*Address of Mr. Quinton before the 23rd Annual Convention of the Edison Electric Institute, Los Angeles, Cal., June 13, 1955.

Air Conditioning Is Big Business for Utilities

By C. A. TATUM, JR.*

President and General Manager
Dallas Power & Light Company

Mr. Tatum, in claiming air conditioning is setting off a revolution in our living habits, predicts it will soon affect almost every utility in the United States, as it has already spread beyond the "hot areas" of the nation. Sees in this the development of a better load-factor for many utilities in addition to higher electric service revenues from residential customers.

I am going to talk to you about a revolution. Not the usual sort of "banana republic" revolution to overthrow a government . . . but a revolution in the living habits of the American people. It has already begun and soon will affect almost every electric utility in the United States.

C. A. Tatum, Jr.

This change in living habits began when a machine which cools, dehumidifies, filters and circulates air was offered to the public at popular prices. The machine, of course, is the air conditioner.

Since the end of the war, air conditioning, especially for the home, has become big business. It is going to become much bigger business for everyone.

An indication of the future of air conditioning can be seen in some figures that I have assembled to show the tremendous growth experienced by the air conditioning industry in the last few years and a projection of what is ahead.

Retail sales volume of the industry for 1954 was estimated at $2 billion by Cloud Wampler, President of

Continued on page 30

*An address by Mr. Tatum before the 23rd Annual Convention of the Edison Electric Institute, Los Angeles, Calif., June 14, 1955.

PICTURES IN THIS ISSUE—Candid shots taken at Annual Field Day of Bond Club of New Jersey appear on pages 33, 34, 36 and 37. For pictorial coverage of the New York Municipal Bondwomen's Club outing see pages 38, 39 and 40.

The Security I Like Best

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

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

CHARLES H. BLATT

Partner, Gruss & Co., New York City
Members New York Stock Exchange and American Stock Exchange

Mission Development Company and Tide Water Associated Oil Company

Mission Development and Tide Water Associated Oil appear distinctly undervalued in relation to their projected earnings and underlying asset values. Mission Development is a holding company, each share of which represents 1.1 share of Tide Water and a few pennies in cash. Currently, it sells at about a 12½% discount from Tide Water, a fully integrated oil company.

Charles H. Blatt

Tide Water's 1954 reported earnings of about $3 and cash earnings of $5.75, should rise steeply to $5 and $11, respectively, in 1957. At the present price of 30, Tide Water sells for six times 1957 projected earnings, and for less than three times 1957 projected cash earnings. Comparable oil stocks sell anywhere from four-and-one-half to five times cash earnings. On an asset basis Tide Water is worth twice what it is selling for, if we use the usual yardstick of 80¢ a barrel for its proven oil reserves, and 4¢ per MCF for its natural gas reserves. Or, valuing its gas reserves at 4¢ per MCF and all other assets at book figures, $30 for the stock represents only 22¢ a barrel for the oil reserves. This compares with a stock market valuation of 80¢ a barrel for reserves of oil securities in general, $1 per barrel recently paid for reserves by major companies, and the average posted field price of $2.76.

Tide Water's ultra-modern Delaware refinery which should go on stream late in 1956, will make an important contribution to earnings. The shutdown Bayonne refinery it is to replace, lost more than $6 million on operations in 1954 exclusive of writeoffs, and the new refinery could earn three times that before taxes; thus the changeover could add $1 per share to the profit column. A more active exploration program is being pursued, and developments in the Hollywood Gas Field and on the relatively large offshore acreage alone promise to significantly augment income. The tanker fleet is being enlarged, and a substantial number of service stations on both east and west coasts will be added.

Tide Water's cash throwoff in the next two years, together with its $44 million of cash and equivalent on hand, would be sufficient to defray a major portion of the cost of its $130 million expansion program over a two-year period, though this will probably be financed in part, at least, by debentures or bank loans. By the end of that time, however, Tide Water's cash throwoff should be at the rate of $120 million per annum, or $11 per share. The company has no funded debt, the only priority being $62 million of recently created preferred stock on which the dividend requirement is less than $3 million per annum. As the common pays only a 5% stock dividend, cash will be accumulating at a rapid rate by 1957. Ultimately this should be reflected in a liberal cash dividend policy.

Over a period of time there could be important changes in the complex control structure of this Getty dominated enterprise. Mission Development which owns 5.4 million shares, or 47% of Tide Water, is in turn controlled by Mission Corporation which owns 18% of Mission Development. Mission Corporation in turn is controlled by Pacific Western Oil, which owns 47% of Mission Corporation and about 18% of Tide Water directly. The Getty interests own 82% of Pacific Western Oil and therefore control Tide Water. Some day all these companies may be merged into one organization, as Mission Development and Mission Corporation are virtually holding companies for Tide Water and Skelly Oil. Meanwhile Getty has been enlarging his controlling interest in Tide Water and strengthening its asset value through open market purchases of the shares by Mission Corporation and Pacific Western Oil, and through an offer on a voluntary exchange basis, of Tide Water preferred with a fixed claim of only half the real asset value of Tide Water common.

Both Mission Development and Tide Water Associated Oil Co. are listed on the New York Stock Exchange.

I. HENNER

Certified Public Accountant
New York City

Eastern States Corp.

At this time, I would like to discuss the stock of Eastern States Corporation which seems to be undervalued in today's market. The company was incorporated in 1925 as Eastern States Power Corp. Its present title was adopted in June, 1935, and in 1949 the directors were given the right to make investments as a non-diversified investment trust.

I. Henner

The company held the securities of about nine large corporations listed on the New York Stock Exchange at one time, but in 1954 sold off all its securities except the capital stock of St. Regis Paper Co. of which it holds 771,300 shares.

Analyzing the company's financial statements reveals the following:

ASSETS	
Investment (in St. Regis Paper Corp. at Market Value)	$31,623,300
Cash on Hand and U. S. Bonds	2,000,000
Other Assets	100
TOTAL ASSETS	$33,623,400
LIABILITIES	
Current Liabilities	100,000
Net Capital	$33,523,400
Due to Preferred Stockholders upon Recapitalization	14,922,250
Available for Com. Stkholder.	$18,601,150
Common Stock Outstanding	572,132 shs.
Value per Share	$32.56

The above is the present value of the stock if the corporation does not choose to liquidate. If the profit on the investment in the St. Regis Paper Corp. is realized, the Federal income taxes, etc. would amount to about $4,000,000 or $7 per share. In that event, the net value per share would be over $25.50 per share. The present market price is $18 per share, or selling at a discount of almost 30%.

At the present time the principal source of income is from dividends on St. Regis Paper Corp. which will bring in $1.80 per share on its 771,300 shares, or $1,542,600. After all expenses and taxes, the net profit should be about $1,400,000. Allowing for dividends on the new preferred stock of $629,119 there would be left available for the common stockholders $770,881 or $1.35 per share.

Dividends on the common stock may be expected to be paid in the near future after clearing up the arrears on the preferred stock issues.

There are two classes of preferred stock and the net asset coverage per share is about $400 per share. These are selling in the neighborhood of $180 for the "A" preferred and $167 for the "B" preferred.

This Week's Forum Participants and Their Selections

Mission Development Co. and Tide Water Associated Oil Co. — Charles H. Blatt, Partner, Gruss & Co., New York City. (Page 2)

Eastern States Corporation — I. Henner, C.P.A., New York City. (Page 2)

Business Man's Bookshelf

Budget and Accounting — Commission on Organization of the Executive Branch of the Government — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper), 35 cents.

Everything and the Kitchen Sink —Commemorating the centennial of Crane & Co.—Farrar, Straus & Cudahy, New York.

Fair Trade: The Fundamental Issues — Maurice Mermey — Federal Legal Publications, Inc., 18 Rose Street, New York 38, N. Y. (paper).

Government in Economic Life — Solomon Fabricant — National Bureau of Economic Research, Inc., 261 Madison Avenue, New York 16, N. Y. (paper).

Fifty Years of Engineering—Arthur G. McKee & Company—Charles E. Mills — Nelson B. Moore and Associates, National City East Sixty Building, Cleveland 14, Ohio, (cloth).

How Federal Taxes Affect Life Insurance and Annuities—Editorial Staff, Commerce Clearing House, Inc., 314 North Michigan Avenue, Chicago 1, Ill. (paper), $1.00.

The L. I. D.—Fifty Years of Democratic Education — Mina Weisenberg—League for Industrial Democracy, 112 East 19th Street, New York 3, N. Y. (paper), 25 cents.

With W. E. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — John M. Glass is now connected with W. E. Hutton & Co., First National Bank Building, members of the New York and Cincinnati Stock Exchanges.

LETTERS TO THE EDITOR:

Here Are Some More Opinions on The Guaranteed Annual Wage

As in previous issues, the "Chronicle" is able to accommodate today some additional letters to the Editor regarding the Guaranteed Annual Wage doctrine.

We are privileged to make provision in this issue for another group of comments received in connection with the "Chronicle's" invitation for expressions of opinion regarding the Guaranteed Annual Wage doctrine. The invitation, it will be recalled, was made simultaneously with the publication in the May 26 issue of Frank Rising's article "Guaranteed Annual Wage: Blue Sky and Brass Tacks." Earlier communications on the subject appeared in our issues of June 2, June 9 and June 16. Those that can be accommodated in this issue appear herewith; others will be given subsequently.—ED.

WARREN W. BROWN

President, Chicago, Indianapolis and Louisville Railway Company

We have one fundamental problem in the railway industry surrounding the Maintenance of Way employes. Most of the track work on the country's major railroads is carried on during the summer months. With the present comparatively high level of employment, it is necessary that we draw on itinerant workers, and in some cases actually employ social misfits.

Warren W. Brown

This is merely one of the small aspects of the guaranteed annual wage, although it certainly poses a rather undesirable situation when you contemplate that we are providing or seem to be in danger of providing a cradle-to-grave security for people who have only a minium desire to work.

To me the most important phase of the situation is that neither business men nor the American people even begin to contemplate the great dangers behind the guaranteed annual wage. It seems to me that we are heading into a dangerous situation where the basic challenge of existence will be removed from a great segment of our population.

I have always felt that the motivating factor of that existence is, to be quite blunt, the fear of being cold and hungry. If we remove that fear, and in fact legislate against it, we are reducing a great nation to a state of mental and physical indolence.

NEIL CAROTHERS

Dean Emeritus, School of Business Administration, Lehigh University

Mr. Rising's article presents a grim picture—the picture of a violent, merciless labor union extorting by force an agreement which the intelligent judgment of the country condemns as unsound and economically injurious.

Neil Carothers

There were developments after Mr. Rising's article. The Ford Company ignominiously surrendered. It then issued a public statement which, in defiance of the facts, said that the new contract is a fine thing. The stock market rose to new highs. And the auto workers union, arrogant in victory, moved in on its next victim, General Motors.

The Rising article makes clear the economic, social, and moral dangers of the guaranteed annual wage. He emphasizes the evil of settling terms of work by violence, threat, and destruction of property. He calls attention to the utterly senseless popular view that in any conflict of employer and employee, the employer is always in the wrong. He is correct on all those points.

The article, however, does not point out an essential fact, or rather the essential fact. That fact is that this is merely one little episode in the steady march of union labor toward destruction of freedom of contract in America, toward the confiscation of the earnings of enterprise by union labor, and toward the control and management of all industry. All this with the aid of political demogogues and with the warm approval of the economically illiterate.

ANONYMOUS

It is clearly wrong to provide an income to employees laid off in an amount which would destroy the desire to return to work; on the other hand, it is certainly desirable that every effort be made to stabilize employment. It is probable that in many cases the amount of Unemployment Compensation benefits are below a desirable amount, but that amount has necessarily to be governed by numerous considerations, including the ability of business to bear the cost. A further consideration is the relative competitive position of business in various states in the absence of (not recommendable) a uniform national percentage of pay coupled with

Continued on page 53

INDEX

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, June 23, 1955

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue—market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C. England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $55.00 per year; in Dominion of Canada, $58.00 per year. Other Countries, $62.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $37.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Observations . . .

By A. WILFRED MAY

UNFINISHED PROXY BUSINESS

The current legislative study of proxy contests, and inquiry into the SEC's administration of the rules, gain vastly added importance from the introduction of Senator Fulbright's bill which would extend these regulations, heretofore confined to companies with securities listed on a securities exchange, to all reasonably-sized companies irrespective of their trading location. The hearings on proxy contests conducted by the sub-committee of the Senate's Banking and Currency Committee under the chairmanship of Senator Lehman are being interrupted for the consideration of other topics, primarily the above-mentioned Fullbright-sponsored "Frear over-the-counter" legislation, and will be resumed in the Fall.

A. Wilfred May

Any legislative proposals emanating from these proxy hearings and the surrounding recommendations will necessarily be confined to amending the Securities and Exchange Act of 1934. This law contains the only Federal legislation regarding the matter of solicitation in proxy contests; the similar provisions in the Public Utility Holding Company Act and the Investment Company Act being mere extensions thereof into specific industries.

Limitations on the SEC's Powers

The public generally seems to be confused about the Commission's functions and powers under the rules, in both contested and uncontested proxy solicitation. As in other areas of regulation, *disclosure* is the key objective. Chairman Armstrong clarified this for the Senate Subcommittee on Securities last week: "the basic theory of the Commission's rules, which were designed for the typical uncontested proxy solicitation, is that if the important facts are fairly, accurately and clearly presented to the shareholder he will be able to vote intelligently . . . providing an enormous base for the thing called 'corporate democracy'."

Beyond disclosure furtherance, the Commission's powers — contrary to widely held assumptions —are quite closely limited. It has no authority to force the correction of false or misleading statements, or to prevent proxy solicitation contrary to its rules. It has only two courses of action. It may communicate its views and rely on the willingness of the management to cooperate in making the recommended revisions. Or it may seek an injunction restraining the solicitation, or the actual voting of the proxies.

Contest Problems

At this time of the conclusion of the meeting season, with the smoke clearing from both the dramatized contests and the subsequent testimony before the Senate sub-Committee, it seems appropriate to cite some of the supervisory problems involved in contests for control.

Among the most important of these questions requiring legislative clarification, is the rule defining the actual time of beginning of a *solicitation*. This is rendered acute when a group announces publicly far before the meeting that it will try to remove the management, or merely win representation on the Board. The provision of the rules to the effect that no person may be solicited until a proxy statement has been furnished, leads to administrative difficulties vis-a-vis both management and the opposition, for compliance with the information requirements connected with the preparation of the proxy material.

And great difficulty ensues, as Chairman Armstrong has pointed out, in prescribing the activities and disclosures in the publicity campaign preceding and building up to the formal requests for proxies. There is the nettlesome problem posed by conflicting and heated claims, promises, and accusations that are made orally.

Pre-Proxy Loopholes

The existing rules are deficient regarding the informational content of *pre*-proxy statements. Plans, as with regard to a slate of nominees and company policies, are subject to much change during a long interval preceding the meeting. The rules could also be tightened specifying publication of interest, sponsorship, programs, and details of associates of the named main protagonists; not only generally as has recently been recommended in the Hearings, but also during the preliminary stages of a campaign.

Identification of the interests of management challengers, should likewise include broad indications of financial interest. Bound up here are the opposition's good faith, including the possible motive of seeking a settlement for a price to the challengers; duality of principle between high-minded company reform and personal profit; the amount of share ownership, options, and their financing arrangements; any understanding with financial backers; the representation about intentions and future programs and policies, including restriction on promising-the-moon akin to pre-Election sops in political campaigns which subsequent performance does not or cannot fulfill. These are matters most difficult to handle via codified rules.

Other problems confronting the administrative regulatory body include curbs on character assassination which is customarily attempted either by citing alleged specific historical facts, by inference and innuendo, or by republication of previously published material.

Then there is the possible supervisory obligation to watch for special deals of buying-off of opposition, or compromise, to the detriment of the body of public stockholders.

The status of the annual company report in a proxy contest implies serious abuse. Too often as we have seen recently (cf. the Montgomery Ward contest) the annual report, which is defined not to be soliciting material and thus avoiding the requirement to file it in advance of distribution, is exploited by filling it with actual pro-management solicitation arguments. While the passage of specific remedial rules to cover the above situations is difficult, much can be accomplished.

Re-publication of Supporting Material

Also, the rules should more fully and specifically cover the use of previously published material for supporting argument, which process the Commission has been supervising informally. The interest and name of the author and publisher of a quoted article should be disclosed. Their permission to publish or reprint should be specifically secured. Arrangement for payment or other consideration, by the contestant, should be disclosed. Quotations should not be taken out of context, to mislead. And, if at all possible, such restrictions should be extended to apply to advertisements published in newspapers and other periodicals as well as to circularization in proxies.

The rules governing the giving of proxies by brokers, dealers, and others — including arrangements for hypothecation and transfers in street names—should also be examined.

Another phase which we advocate exploring is that of financing the expensive contest, with suggestions as outlined in this space of June 9 last

And there are numerous important questions in the ordinary uncontested proxy solicitation, as regarding the privilege for submitting individual shareholder proposals.

* * *

Definite Action Called For

Congress as well as the Commission, must make up its mind about a philosophy and overall attitude toward regulation of the vital proxy machinery, and translate its wishes into definite and specific action. The House Interstate Commerce Committee in its Hearings in 1942 on the general proxy situation, showed itself quite indecisive. Moreover, our administrative commissions tend to pass-the-buck as they age. In this instance, however, in view of the interest that has been developed by both sources, as well as the public, constructive action may now be hoped for.

COMING EVENTS

In Investment Field

June 24, 1955 (Atlanta, Ga.)
Georgia Security Dealers Association summer outing at the Brookhaven Country Club.

June 24, 1955 (Boston, Mass.)
Boston Investment Club annual outing at the Weston Golf Club.

June 24, 1955 (New York City)
New York Society of Security Analysts 3rd annual outing at the Scarsdale Golf Club.

June 24, 1955 (New York City)
Investment Association of New York annual outing at Sleepy Hollow Country Club, Scarborough, N. Y.

June 25, 1955 (Chicago, Ill.)
Bond Traders Club of Chicago annual summer outing at Nordic Hills Country Club.

June 30-July 1, 1955 (Nashville, Tenn.)
Security Dealers of Nashville annual outing Hillwood Country Club and Belle Meade Country Club.

July 8, 1955 (Cleveland, Ohio)
Cleveland Security Traders Association outing at Lakewood Country Club.

July 14-15 1955 (Toledo, Ohio)
Bond Club of Toledo annual outing at the Toledo Country Club.

July 22, 1955 (Portland, Oreg.)
Investment Securities Dealers of Portland, Oreg., annual summer party at the Oswego Country Club.

Aug. 18-19, 1955 (Denver, Colo.)
Denver Bond Club annual outing at Park Hill County Club.

Sept. 11-14, 1955 (Mackinac Island, Mich.)
National Security Traders Association annual convention.

Sept. 16-17 (Chicago, Ill.)
Investment Bankers Association Fall meeting of Board of Governors.

Sept. 16, 1955 (Philadelphia, Pa.)
Bond Club of Philadelphia 30th Annual Field Day, at Huntingdon Valley Country Club, Abington, Pa.

Sept. 21-23, 1955 (Denver, Colo.)
Association of Stock Exchange Firms meeting of Board of Governors.

Nov. 16-18 (New York, N. Y.)
Association of Stock Exchange Firms meeting of Board of Governors.

Nov. 27-Dec. 2, 1955 (Hollywood, Florida)
Investment Bankers Association annual Convention at Hollywood Beach Hotel.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—James O. Ferry has become affiliated with Bache & Co., 229 East Wisconsin Avenue. Mr. Ferry was previously with Sheldon, Erwin & Co. and prior thereto with Selected Investments Co. of Chicago.

J. H. Cornell Opens

(Special to THE FINANCIAL CHRONICLE)

SAN PEDRO, Calif.—James H. Cornell is engaging in a securities business from offices at 1027 Tenth Street.

Industry's Response To Nuclear Power

By EDGAR H. DIXON*
President, Middle South Utilities, Inc.
Chairman, Committee on Atomic Energy, Edison Electric Institute

Mr. Dixon reveals the rapidly growing industrial participation in the efforts to use atomic energy for peaceful purposes. Gives data regarding construction work begun or proposed by electrical utilities to harness nuclear power, and estimates that private concerns since February this year appropriated $180 million for such purposes. Concludes, that when nuclear power costs recede, utilities in all parts of country may be turning to this energy source in constructing more facilities.

The subject of atomic energy in general and nuclear power in particular is one which has captured the imagination of the American people. Hardly a day goes by that one cannot find in his daily newspaper an article concerning some new atomic development. It may be the discovery of some new use of the atom or it may be the declaration of yet another company's intention to enter the atomic field. It may be an announcement that an electric utility company is planning to construct a power reactor or join in such a project. These activities are a matter of cause and effect. The cause is last year's modification of the 1946 Atomic Energy Act to encourage industrial participation. The effect is the wholehearted effort of the American industry to respond to that encouragement.

So much has been happening in this field in the past few months that I think it may well be time for us to stop for a few moments' appraisal of what industry has done in response to the challenge of developing nuclear power. We might also ask ourselves what industry can reasonably be expected to do in the future. I have found that one who attempts to stop for a few moments to reflect on the current status of developments in nuclear power does so at his own peril. By the time he has fixed the situation in his own mind and thinks he knows what's what, some new development has taken place and his carefully arrived at "status" is past history. Wth this in mind, I wish to state to you that what I am about to say reflects the status—to the extent that I could determine it—as of about 8:15 this morning.

Early Participation

Although some farsighted individuals and companies began to think of peaceful industrial uses of atomic energy during the 1940's, I believe it is accurate to state that industry began to get seriously interested in 1950. During that year the AEC received several inquiries looking toward the design and construction of nuclear reactors with private capital and their operation and use by industry. By July, 1951, agreements with the AEC had been signed by four study groups —Union Electric Co. of Missouri and Monsanto Chemical Co.; Detroit Edison Co. and Dow Chemical Co.; Commonwealth Edison Co. and Public Service Co. of Northern Illinois; and Pacific Gas and Electric Co. and Bechtel Corp. These studies, which were aimed at enabling the groups to evaluate the possibility of industry's using its own funds to design, build, and operate large reactors, were financed entirely by the companies concerned except for those costs incurred by AEC in supplying information and consulting services.

Subsequent Developments

As time went on, many more companies became interested in studying the possibility of developing the peaceful atom. The latest figures published indicated that no less than 71 organizations were participating in study agreements with the AEC. Included were 45 utilities, 10 equipment manufacturers, 9 engineering and construction firms, 5 chemical companies, and 2 shipbuilding companies.

AEC estimated that through Dec. 31, 1954, the study groups had spent more than $8 million, some 20 times as much as AEC itself had spent on this phase of the program. Since these figures were published the AEC has made it much easier for companies to enter into this "study" phase of its program. I shall have more to say about this later.

One of the finest showings industry has made in this field was the response to AEC's 1953 invitation to participate in the design, engineering, construction, and operation of the pressurized water reactor. . . . Nine firm bids were received in response to this invitation. It has been estimated that Duquesne will expend about $30 million during the period of construction and initial five years of operation.

Last year, 18 bidders responded to AEC's invitation to design, build and "test-operate" the prototype of the Army Power Package Reactor. The bid of some $2,000,000 by American Locomotive Co. won the competition and a lump-sum contract was awarded to that company. This was the first lump-sum contract the government had ever awarded for such a purpose and was also the first such contract awarded on the basis of competitive bidding. I think it is significant that 18 private concerns were prepared to make serious bids on this basis.

Results of Passage of Atomic Energy Act of 1954

I am sure you will all recall that before the Atomic Energy Act was modified last summer, the strong objections of a small but vocal group had to be overcome. This group insisted that atomic energy was properly a Federal monopoly and that its peaceful development should be carried out only by the government. By and large the members of this group are those who also would like to see a Federal monopoly of the entire electric power industry. Fortunately, however, in spite of these protestations, the atomic doors were opened to private industry and, because they were, some rather startling things have happened.

On Feb. 10, 1955, an important milestone was reached. Mr. H. R. Searing, President of Consolidated Edison Co. of New York, told the Joint Congressional Committee on Atomic Energy that his company would apply to AEC before April 1 for a license to build and operate a private power reactor facility near New York City. This application was submitted and the company is moving ahead with its plans for construction of the reactor. I think the manner in which Consolidated Edison approached this matter deserves the highest praise. Having made a decision that it was feasible to utilize a nuclear power plant in its system, the company then proceeded on two basic principles. The first was to regard a nuclear reactor as it would other power plant equipment — as available from manufacturers and designed to meet system requirements and company specifications. The second was that the plant would be financed by the company without government assistance. This principle involved tacit acceptance of whatever charges and prices the AEC might establish for nuclear fuels and related materials used or produced in the reactor. With

Continued on page 50

*An address by Mr. Dixon at the 23rd Annual Convention of the Edison Electric Institute, Los Angeles, Cal., June 15, 1955.

The State of Trade and Industry

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

A moderate rise was noted in total industrial production for the country at large in the period ended on Wednesday of the past week. Compared with the like week a year ago, output was about 10% higher.

In the field of employment, according to latest reports, applications for unemployment insurance benefits reflected further declines. Continued claims dropped 6% from the previous week and 40% from the 1954 comparative. Initial claims moved down 6% from the prior week and 30% from a year ago. Fewer layoffs in apparel, textiles, leather and trade contributed to the decreases.

Employment gains will continue, possibly at an accelerated rate, the Labor Department predicted after surveying 149 major centers. Key firms generally reported they will need more workers by mid-July to meet expected production schedules.

According to a government report new claims for unemployment compensation, which reflect layoffs, edged up by 7,600 to 193,700 in the week ended June 11.

A year earlier, the new claims total was 277,500. Some 32 states shared in the rise in new claims, all of which were small.

In the previous week, ended June 4, the total of idle workers drawing jobless pay rose by 15,700 to 1,193,500. This contrasted with a total of 2,034,900 a year earlier. The United States Department of Labor's Bureau of Employment Security said the rise for the week resulted mainly from administrative factors—the rush of claims reporting after the Memorial Day holiday.

Steel wage negotiations get down to the facts of life this week. And they are just as hard as they ever were. Before the shouting is over, both sides will be forced to make a tough compromise, declares "The Iron Age," national metalworking weekly, this week.

As previously estimated by "Iron Age," steel wages will go up between 10 and 15 cents an hour. Compensating price increases will average $4.50 a ton. Individual product advances likely will range from $4 to $6 a ton.

Steel labor and management are not too far apart on their ideas of what the final settlement will be. Both are realistic enough to know that original offers and demands are just the opening gun for down-to-earth bargaining.

Dave McDonald of the steel union will press for all the traffic will bear because this is his chance to get a healthy wage boost without compromising on other issues. Next year he will have the guaranteed wage, pensions and social insurance, as well as wage rates. He wants to outshine the auto workers on wages, and he has internal political problems that can be eased by continuing success at the bargaining table, continues this trade authority.

The steel companies know that McDonald will be back for more next year and are worried about the inflationary effect of rising wages and prices.

Steel producers also face the necessity of financing another round of capacity expansion. The industry realizes that present capacity is not enough to handle peak civilian requirements with a safe cushion for unexpected defense needs. The current boom, based almost entirely on civilian demand, has forced near-capacity operations without making an appreciable dent in order backlogs, states this trade journal.

The new expansion program will add about 13.7 million tons to ingot capacity between now and 1959. "The Iron Age" estimates that by 1959 the industry will have a rated capacity of 139.5 million tons.

In the automotive industry United States car and truck production should register an advance of almost 6% the past week despite a series of walkouts and resulting parts shortages that have bottlenecked General Motors' output.

"Ward's Automotive Reports" estimated United States volume at 169,567 cars and trucks or slightly above last week's 159,696 units and almost 27% higher than the like 1954 week when 133,893 units were turned out.

Wildcat strikes over local grievances trimmed General Motors car assembly by 12% last week, but a 19% gain at Studebaker-Packard, plus a postwar weekly record at Ford Motor Co. more than offset the decline.

The latter manufacturer had Saturday work booked for all its final assembly plants the past week as it strove for a 58% gain over the preceding week's strike-bound total.

Significantly, Ford Division's car program of 38,800 vehicles more than doubled Chevrolet's 17,000 figure, marking the first time Ford has topped its rival in 29 weeks. Chevrolet had to close five of its manufacturing plants last week due to parts shortages. Cadillac car production was also down all week.

The curtailments found General Motors garnering only 41.1% of the June 13-18 car volume, compared to 50.6% last week, while Ford Motor was aiming at a 35.1% share against 24.1% during the June 6-11 week. In the respective periods, Chrysler Corp.'s schedules equalled 18.7% and 20.3% of industry output.

The 8.5% gain in United States car assembly the past week was not matched in truck erecting, which was slated for more than a 6% drop, reflecting the effects of the Chevrolet shutdowns. Most other major producers hiked their programs, but could not offset a 5,200-unit drop at the General Motors division.

Cumulative totals for the year show car production thus far at 3,982,779 units up by 43.5% over the same 1954 span of 2,774,835 units, while truck output of 589,950 units is almost 12% higher than a year ago at 526,531 units. Monday, June 20, the 4,000,000th car of 1955 was scheduled to be built.

Canadian car and truck counts were both higher the past week as combined car-truck output for the year to date hit 259,372 units, or 10% above like 1954 output of 235,753 units.

The number of business failures rose 6% in May, to 955—a toll exceeded only once in the last 12 months. Casualties were also slightly heavier than a year ago. More businesses failed than in any other May since 1942, when the same number occurred, but they were well below the 1,238 in prewar 1940.

The rate of failures increased moderately to 42 for each 10,000 enterprises listed in the Dun & Bradstreet Reference Book. This is shown by Dun's Failure Index, which gives monthly mortality on an annual basis and adjusts for seasonal fluctuation. The casualty rate was slightly higher than the 37 per 10,000 in the preceding month and 41 a year ago. However, it was considerably less severe than in May, 1940, when 66 per 10,000 were recorded.

In contrast to the upturn in number of casualties in May, the size of liabilities dipped 3%, to $34,714,000—the lowest volume in seven months. More concerns in all size groups below $100,000 failed than in April. Casualties involving liabilities under $5,000 were the heaviest since 1951. The total 3% decline was due to a marked drop in failures with liabilities in excess of $100,000.

One-fifth of the failing businesses had begun operations in 1954 and two-fifths were less than three years old.

Except for a silght decline among wholesalers, casualties rose during the month in all major divisions of industry and trade. Mortality in construction climbed to the highest level since December 1954. Relatively more general builders failed than did subcontractors.

New businesses chartered during May totaled 12,029, Dun & Bradstreet, Inc., reports. This was an increase of 2,749, or 29.6% over the May 1954 number of 9,280, as against a year-to-year rise of 14.4% in a similar comparison for April. Last month's count at 12,029, was only slightly under the 12,044 in May 1946, which set a record for the month.

New business incorporations for the first five months of 1955 numbered 61,752, an all-time high for the period. It was 28.3% above the 48,142 a year ago, and 2.4% more than the 60,298 in 1946, the previous record for the period.

Steel Output Set at 97.4% of Capacity This Week

Barring serious labor trouble, demand for steel products promises to hold at a high level through the summer, says "Steel," the weekly magazine of metalworking the current week.

Some leveling out is anticipated as the vacation season gets into full swing and some cutbacks in orders on books are expected as auto builders square away for model changes. But the oversold position of the mills is seen offsetting any cancellations and deferments, it observes.

The full impact of the Ford and General Motors' labor agreements on industry in general will not be known for months. Other unions, notably those in the farm implement and electrical industries, are expected to press demands similar to those accepted by the two big auto builders. But the Guaranteed Annual Wage issue isn't likely to come up in steel until next year at earliest, and this is important since the steel agreement usually sets the pattern for most metalworking, continues this trade journal.

Wage negotiations in steel are at the stage where bargaining really gets under way. Steel management is expected to counter the union's proposals this week. Meanwhile, whether the auto agreement will strengthen the steelworkers' hand in pressing for a substantial wage hike is uncertain. Some observers think they do—that the steel union will come out of the present negotiations with a bigger increase than otherwise might have been the case. That, of course, is speculation, states this trade weekly.

With the Ford and General Motors settlements, pressure for sheet steel has increased. Prospects are that cutbacks will be lighter than expected. Some decline in automotive demands is seen, but not the sharp slump that would have accompanied a strike in that industry, especially in cold-rolled sheets.

Building steel requirements are providing a strong prop to the market. More than 13,000 tons of highway steel came up for bids in the Philadelphia area last week. Another bulge in fabricated structural steel demand looms in New England, with an estimated 175,000 tons seen required for Connecticut highway bridges alone, "Steel" reports.

The American Iron and Steel

Continued on page 51

We Can Avoid Severe Business Depressions!

By ARTHUR F. BURNS*
Chairman, The Council of Economic Advisers

Administration's chief economic adviser discusses recent trends in the business cycle policy which have as an objective a more orderly economic progress. Cites purposes and achievements of the Employment Act, along with the success of the encounter with the 1953 business recession. Stresses importance of a flexible monetary and credit policy and proper public works planning. Concludes we need have no more severe business depressions, but warns both the public and the government have joint responsibility in avoiding overconfidence and booms.

When the Pennsylvania State University was founded one hundred years ago, our economy was still in an early stage of industrialization. The population numbered 27 million, most of whom lived on farms or in villages. But urban centers were multiplying. Boston, Baltimore, Philadelphia, and New York were already counted among the world's large cities. Each year immigration was adding several hundred thousand newcomers to the natural growth of our population. Railroads were being pushed energetically into the West. Communication by telegraph was spreading. The manufacture of wool, cotton, flour, glass, iron, and machinery was increasing. The acreage planted to wheat and cotton was expanding swiftly. Increasing quantities of agricultural produce were being shipped to the eager markets of Europe. Gold flowed abundantly from California to the Eastern seaboard. Foreign investors found in America an attractive outlet for their capital. A contemporary observer described the nation as "never before so rich in population, in manufactures, in internal improvements, in minerals and precious metals, and in whatever tended to progress."


Dr. Arthur F. Burns

I have recalled the state of our country a hundred years ago because the pressure for economic improvement, which is now being felt everywhere in the world, has been a dominant force throughout our history. The typical American worker has not been content with a good income or a high standard of living. He has striven unceasingly to improve his skills, to increase his income, and to raise the standard of living of his family. The typical American business manager has not been content to run an efficient enterprise. He has striven unceasingly to equip it with the most modern contrivances, to improve its products or services, to increase efficiency all around, and to expand sales. The typical American investor has not been content with a modest return on a safe investment. He has risked capital to create economic opportunity by exploring new processes, experimenting with new products, and developing new markets. Our economy has grown rapidly because we had faith in ourselves, because we had developed institutions that rewarded enterprise and efficiency, and because we believed in progress sufficiently to put enough aside from our current income to expand the equipment and build the knowledge that would be needed by next year's larger population.

A More Orderly Economic Progress

Americans today continue preponderantly to believe in economic progress through free and competitive enterprise, just as our fathers did. We have also come to believe that progress need not proceed as fitfully as in the past and that severe business depressions may be avoided. The past century was a period of unparalleled growth, but was also a period of very irregular advance. Between 1855 and 1955 our economy experienced 24 full waves of expansion followed by contractions. Most of these setbacks to economic growth were brief and mild. But some setbacks were severe, as in 1857-58 and in 1907-08, and others were protracted as well as severe, as in the 1870's, the 1890's, and the 1930's. Whenever an economic depression developed, people generously shared what they had with their less fortunate neighbors. These personal efforts were supplemented by private welfare agencies, which distributed provisions to the needy, and occasionally by work relief financed from public funds. Such measures, however, were uneven in their impact; they sometimes added to the feeling of degradation produced by unemployment itself; and they accented relief rather than prevention. They could not long satisfy the requirements of a society which, in the process of undergoing rapid urbanization, was also learning to express its aspirations for a better life through the ballot boxes of democracy.

The concept of governmental responsibility for moderating economic fluctuations developed gradually, in response to a succession of crises. When the crisis of 1907 struck, it was already clear to students of earlier monetary disorders that the Federal Government was capable of preventing financial panics and that it had a responsibility to do so. After the turbulent price movements during and immediately after World War I, theoretical economists were no longer alone in believing that the Federal Government could curb the gyrations in the value of the dollar and that it had a certain responsibility to do so. After the stock market crash in 1929, unemployment and general discontent mounted so rapidly that our traditional belief in governmental aloofness from the course of business became untenable. Extensive measures to stimulate employment were put in motion by the government, first under the Hoover Administration, later on a broader scale by the Roosevelt Administration. During World War II unemployment vanished, but the memory of its ravages during the 1930's remained vivid. As the war approached a close, grave apprehension was felt that mass unemployment might return once millions of men were released from the armed forces and the civilian establishments that supported them in the battlefield. To register the nation's determination that this must not happen, the Congress passed with an overwhelming vote of both our major parties the Employment Act of 1946. This Act solemnly declared that the Federal Government has a responsibility to use all practicable means to foster free competitive enterprise, to prevent or moderate economic fluctuations, and to promote maximum employment, production, and purchasing power.

The Employment Act

The Employment Act reflects a revolutionary change in our attitudes toward the business cycle. Only a generation ago it was the typical view of economists and other citizens that storms of business depression must be allowed to blow themselves out, with little or no interference on the part of government. Today there is substantial agreement among Americans that the Federal Government cannot remain aloof from what goes on in the private economy, that the government must strive to foster an expanding economy, and that the government has a definite responsibility to do all it can to prevent depressions. A generation ago the business cycle was a technical subject understood very imperfectly even by experts. Today there is better as well as wider understanding of the nature of economic fluctuations and of the ways in which government must seek to deal with them to promote the general welfare.

How much we have learned about dealing with the business cycle becomes clear once we turn our minds back to the 1930's, when the first large steps were taken to curb the excesses of economic

Continued on page 62

*An address by Dr. Burns at the Conference of Pennsylvania economists, Pennsylvania State University, June 16, 1955.

Dealer-Broker Investment Recommendations & Literature

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

Area Resources—Booklet—Dept. 20, Utah Power & Light Co., P. O. Box 899, Salt Lake City 10, Utah.

Atomic Map, in four colors (revised)—Describing and locating atomic activity of 97 different companies—Atomic Development Securities Co., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Canadian Letter—Fortnightly review of the Canadian Securities Market—Newling & Co., 65 West 44th Street, New York 36, N. Y.

Chemical and Ethical Drug Stock Price Indexes—New common stock price indexes for the industries—to be issued monthly —Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Columbia Basin: Empire in the Making—Illustrated brochure —Seattle-First National Bank, Second Avenue & Columbia Street, Seattle 4, Wash.

Electric Power Industry—Analysis with particular reference to **Boston Edison Company, Niagara Mohawk Power Corp., St. Joseph Light & Power Co., Southern Company, Southern Indiana Gas & Electric Company** and **Utah Power & Light Co.** — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **McCrory Stores.**

Electric Utilities and Natural Gas Companies—Data on 100 electric utilities and 37 natural gas companies — Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Favorite Fifty—Analysis by dollar value of listed stocks most popular with professional management—Vickers Brothers, 52 Wall Street, New York 5, N. Y.

High Grade Preferred and Convertible Preferred Stocks—Tabulation—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Inside Story of Outside Help—Booklet describing services—Ebasco Services Incorporated, Dept. 5, 2 Rector Street, New York 6, N. Y.

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

Japanese Commodity Price Movements—Analysis in current "Stock Digest"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

Laggard Rails—Discussion—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

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

Petroleum Situation—Review—Chase Manhattan Bank, Petroleum Department, Pine Street, corner of Nassau, New York 15, N. Y.

Portfolios—Study of 10 sample portfolios—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Railroad Bonds to Replace Stocks—Bulletin—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Railroad Earnings—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Real Estate Bond and Stock Averages—Tabulation—Amott, Baker & Co. Incorporated, 150 Broadway, New York 38, N. Y.

A Seven-State Plant Site Trip in Five Minutes—Brochure—American Gas and Electric Company, 30 Church Street, New York 8, N. Y.

Yields of Taxable Treasury Securities—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

* * *

Associated Dry Goods Corporation—Analysis—E. F. Hutton & Company, 61 Broadway New York 6, N. Y.

Bonanza Oil & Mine—Report—L. D. Friedman & Co., Inc., 52 Broadway, New York 4, N. Y.

Brooklyn Union Gas Co.—Memorandum—Talmage & Co., 111 Broadway, New York 6, N. Y.

Central Indiana Gas Company—Analysis—Link, Gorman, Peck & Co., 208 South La Salle Street, Chicago 4, Ill.

Chase Manhattan Bank—Circular—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Colorado Fuel & Iron Corp.—Analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

Courtaulds, Ltd.—Analysis—Holton, Hull & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Crane Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Daiichi Bussan—Analysis in current issue of "Weekly Stock Bulletin"—Nikko Securities Co., Ltd., 6, 1-chome, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan. Also available is an analysis of earnings of Japanese Shipping and Trading firms.

Daystrom—Data—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Kansas Power & Light** and **Monterey Oil.**

First Bank Stock Corporation—Analysis—J. M. Dain & Company, 110 South Sixth Street, Minneapolis 2, Minn.

General Precision Equipment—Review—Gerstley, Sunstein & Co., 121 South Broad Street, Philadelphia 7, Pa.

Granco Products—Analysis—J. F. Reilly & Co., 42 Broadway, New York 4, N. Y.

Holly Uranium Corp. — Bulletin — DeWitt Conklin Co., 100 Broadway, New York 5, N. Y.

Holly Uranium Corp.—Circular—Barrett Herrick & Co., Inc., 35 Wall Street, New York 5, N. Y.

Interchemical—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

International Cellucotton Products Company—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is a report on **Walker Manufacturing Company of Wisconsin.**

Iowa Electric Light and Power Company—Annual report—Iowa Electric Light & Power Company, Cedar Rapids, Iowa.

Mid Continent Uranium—Report—General Investing Corp., 80 Wall Street, New York 5, N. Y.

Missouri Natural Gas Co.—Memorandum—Straus, Blosser & McDowell, 39 South La Salle Street, Chicago 3, Ill.

National Aluminate Corp.—Memorandum—Blunt Ellis & Simmons, 208 South La Salle Street, Chicago 4, Ill.

New Jersey Zinc Company—Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Resistoflex Corporation — Supplementary report — Stieglitz & Co., 40 Wall Street, New York 5, N. Y.

Riverside Cement Co.—New views—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

School District of Philadelphia Bonds—Descriptive circular—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is an analysis of **Iowa Southern Utilities Co.**

Scudder Fund of Canada Ltd.—Study—J. C. Bradford & Co., 44 Wall Street, New York 5, N. Y.

Southern Production Co.—Memorandum—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Swank, Inc.—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Tejon Ranch Co.—Memorandum—Daniel Reeves & Co., 298 South Beverly Drive, Beverly Hills, Calif.

Thatcher Glass Manufacturing Co. Inc. — Analysis — Jacques Coe & Co., 39 Broadway, New York 6, N. Y.

United States Plywood Corp.—Memorandum—McDonnell & Co., 120 Broadway, New York 5, N. Y.

Western Massachusetts Companies and its wholly owned subsidiary **Western Massachusetts Electric Company**—Statistical study—201 Devonshire Street, Boston, Mass.

Consider H. Willett, Inc.—Bulletin—The Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville 2, Ky.

Joins Caunter Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — John P. Homchis, Jr. has become connected with L. A. Caunter & Co., Park Building.

Prescott Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Lester E. Woideck is now with Prescott & Co., National City Bank Building, members of the New York and Midwest Stock Exchanges.

Halsey, Stuart Group Offers No. Pacific Equip. Trust Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering today (June 23) $2,820,000 of Northern Pacific Railway 3% serial equipment trust certificates, maturing annually July 14, 1956 to 1970, inclusive.

The certificates are priced to yield from 2.50% to 3.10%, according to maturity. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following new equipment estimated to cost not less than $3,528,-700: 300 all steel box cars and 8 Diesel-Electric switching locomotives.

Associated in the offering are: R. W. Pressprich & Co.; L. F. Rothschild & Co.; Freeman & Company; Gregory & Sons; Ira Haupt & Co.; The Illinois Company Incorporated; McMaster Hutchinson & Co.; Wm. E. Pollock & Co., Inc.

Daniel Reeves Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Robt. Witton has become affiliated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

Joins Real Property

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Chas. H. Huffman has joined the staff of Real Property Investments, Inc., 233 South Beverly Drive. He was formerly with Coombs & Co. of Los Angeles, Inc.

Three With Daniel Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John A. Cerullo, Edwin A. C. Hagemann and Dorothy B. Hookaylo have been added to the staff of Daniel D. Weston & Co., 140 South Beverly Drive.

Joins Richard J. Buck

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Charles E. Smith has become affiliated with Richard J. Buck & Co., Statler Office Building. Mr. Smith was previously with Coburn & Middlebrook, Inc.

Wulff Hansen Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Reeve D. Keiler is now with Wulff-Hansen & Co., Russ Bldg.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

SANTA CRUZ, Calif.—Cleo L. Goodman is now with Reynolds & Co., 1220 Pacific Avenue.

Joins Blalack & Co.

(Special to THE FINANCIAL CHRONICLE)

SOUTH PASADENA, Calif. — C. R. Vance is now connected with Blalack & Co., 700½ Brent Ave.

With A. C. Allyn Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—M. Taylor Saffield has become associated with A. C. Allyn and Company, 122 South La Salle Street.

With Bailey & Co.

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Patrick G. Smith is now connected with Bailey & Company, 2133 Fresno Street.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Neil L. Ellis has joined the staff of Walston & Co., 1157 Fulton Street.

Electric Current Events

By IRA U. COBLEIGH

Enterprise Economist

An unmetered reading of some of the striking elements of progress in the electric power and light industry.

This single word "growth" has been so bandied about by analysts and financial writers that it has been stretched to apply to almost any company that nets more this year than last year. Today, however, we're going to talk on growth without stretching its meaning. We're going to dilate on the steady, sweeping, majestic, nationwide expansion in the production and distribution of electricity. Unlike, for example, the zooming sale of TV sets from 1946 to 1950, or the frantic vending of Davy Crockett caps in the last 90 days, the demand for electricity, through the years, has an orderly progression. Its early momentum developed from the 1920's, which witnessed the merger of hundreds of small companies, with their high cost generating plants, adequate only for local needs, into inter-connected systems, spreading over several states.

Ira U. Cobleigh

Let's gaze for a moment at some of the track records of electric progress. In 1929, the average home customer used but 502 kilowatt hours. He will consume around 2,600 kwh. in 1955—over five times as much. And there's no end in sight. Consider, for example, the new home uses of electricity, injecting an ever higher demand factor. Electric ranges are selling at a faster clip than gas. Electric refrigerators are a domestic necessity nearly everywhere, and many householders are buying larger cubic capacity models, and often an extra small unit to cool beer and colas in the TV room. Deep freezers have become a fetish, not to mention dryers, ironers, toasters, washing machines, hair curlers, sun tan lamps and water coolers. Then as you know a TV set is a must, transcending in importance by far, as a cultural medium, the Five Foot Shelf, or a 10 volume set of Shakespeare. We have over 38 million TV sets in America and, because of the clamor of diverse tastes within a family, there's a powerful urge in many homes for two or more sets. And we've stopped counting radio sets. Then there's the air conditioner, a summer must, and, on the horizon, a heat pump that heats a home in the winter and cools it in summer.

Outside the home, too, we are wired for sound — all sorts of sounds! The clickety clack of an electric hedge clipper, the hum of an electric lawn mower, the eerie roll of an electronically actuated garage door, and the buzz of an electric lathe in the garage work room.

And of course there's the house lighting we started out with. In the forties that used to account for half the residential light bill. Now thanks to the inroads of the myriad appliances we've touched upon, lighting is only one-third of Joe Doake's bill. And all the foregoing has been presented merely to document for you the basic fact that there is still an enormously growing demand for household current. Some experts predict that the residential power load by 1960 may be 50% above today's.

But residential (and rural) demands are only a part (about 44% of total revenues) of the electric industry. Commercial sales to office buildings, stores, theaters, account for roughly 25% of total revenues. Originally used principally for space and display lighting, current is now required in heavily increasing amounts for air conditioning. If one store on the block is air cooled, soon all have to be; and you have surely noticed old office buildings being completely honeycombed for air conditioning. So commercial demand will grow too.

Finally, in the standard power company operation there's the industrial load—factory power. This is admittedly the most variable and cyclical demand but there are two things about it you ought to notice. The first is that, what with guaranteed annual wages lurking in the offing, the drive for automation will both steady the demand for industrial power and importantly add to it. Nearly every sort of automatic machine runs on electricity. The second point we had in mind was that industrial demand represents the peak loan. In many cases it is supplied by running older, less efficient, generating plants. So if industrial needs slacken, it often means only the shutting down of the highest cost generating unit. Further, industrial rates are always the very lowest on a company's billing scale; so altogether, some cyclical slippage in industrial sales can take place without serious damage to net revenues.

We've talked so much about the demand side, it's about time we said something about enlarged facilities to take care of it. Well, generating capacity since 1945 has doubled. From the end of World War II to the end of this year, we shall have laid out $25 billion in new electric utility equipment. And the new generating equipment gets more efficient with each passing year. So much so that, even allowing for heavy increases in fuel and wage costs, the average residential charge per kilowatthour has been reduced from 6.33 cents in 1929 to about 3c today. And this in a period of inflation!

The fact of the matter is that, postwar, the build up of generating capacity has been so energetic and effective that, in many sections, utilities are launching sales campaigns to maximize the use of electricity. Many companies now sponsor "electric living centers" which instruct the populace in such obscure electronic arts as steak broiling, floor waxing, dishwashing. After all, each new electric stove can add $25 a year in revenue to an electric utility company.

While on the subject of generating, there has apparently been some concern lest atomic power do damage to investment values in electric utilities. Such concern seems, in our opinion, groundless. Right now, as every one knows, we produce electricity by turning over turbine generators. These can be rotated by hydroelectric systems, or steam produced in boilers fueled by (1) coal, (2) oil and (3) natural gas. Atomic power, if it comes, will still generate steam to turn turbines. If the reactor can run a steam turbine cheaper than oil, gas, or coal, it will, to that extent, take over; but it won't outmode our present system of distribution by high tension lines, transformers and wiring into each home, office, factory, or third rail. So if atomic electric generation comes, it will be only because it's cheaper, and cheaper electricity will only expand its use.

Perhaps we've spent enough time on the manifold and quite obvious growth factors inherent in the electric trade. Maybe you'd like a few field notes as to attractive equities in this field.

Here, as elsewhere in the markets, bargains are now hard to come by. Whereas you could locate quite a few good utility commons a year ago, selling at 14 times earnings and yielding above 5%, today's market affords slim pickings, indeed, with that formula as a criterion. For example, Duquesne Light at 35½ yields 5%; it sells at 16.8 times earnings. Niagara Mohawk at 32 paying $1.60 also yields 5% but sells at 14.9 times earnings. About the only one fitting our formula is Minnesota Power & Light at 24 yielding 5% and selling 13.7 times. Elsewhere, the bellwether of the electrics, American Gas and Electric, sells at 44½ (16.5 times) for a 4% yield. Cleveland Electric sells at 18 times earnings to yield 3.6%; and Florida Power and Light at almost 19 times earnings to yield around 2½% (this a notable tribute to imputed growth potential).

It's just too bad the market has carried some of these utilities to such exalted levels; but there's a brighter side. All these yields cited were based on current dividend declarations. Many of these companies will pay more this year, or certainly next. Meanwhile, too, there may be attractive and valuable rights coming your way, if you're a shareholder. Long Island Lighting, Kansas City Power and Light and others are doing this; and since April 1st dividend increases have been posted by Baltimore Gas & Electric, Florida Power and Light, Arizona Public Service, Public Service of Colorado, Virginia Electric Power and a number of others. Another thing to remember here, too, is that, in the main, utility generating capacity has now pretty well caught up with postwar demand; and instead of sequestering funds to build new power stations or transmission lines, many companies are now able to deliver the cash flow to stockholders. So don't think (1) that utilities are too high or (2) that they've stopped growing. You'd be wrong on both counts. And for homework, look into Arizona Edison, Long Island Lighting, Houston Lighting, Carolina Power and Light, Florida Power, and Texas Utilities. All of these are good and, among the electrics, the good get better.

Wade W. Clutton With Frank Knowlton Co.

Wade W. Clutton

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Wade W. Clutton has become associated with Frank Knowlton & Co., Bank of America Building. Mr. Clutton was formerly manager of the trading department for John A. Dawson & Co. of Chicago and more recently was associated with Francoeur & Company, also of Chicago.

Cecil M. Crow has also been added to the firm's staff.

Latin-America, the Foreign Investor, and Non-Convertibility

By CARLOS HERNANDEZ

Latin American banker stressing importance of safety factor in motivating foreign investment, maintains equivalent of expropriation may be inflicted in other forms. Cites difficulty of taking home yearly profits as well as capital. Terms public works the chief inflation cause. Concludes countries with convertibility are becoming increasingly attractive because it offers foreigners freedom from a trap.

Apart from what is called wildcatting, whether in oil or in any other field where the possibility of large profits overshadows everything else, security is likely to be the final determining consideration for anyone making foreign investment. The kind of investment required by Latin American countries, like any others still in the process of developing their resources and increasing production for their domestic and foreign markets, is not likely to produce windfall profits but regular returns. To attract foreign capital, yields have to be higher than in the countries whence the money comes. Venture capital may seek opportunities abroad where chances of future growth are so great that, in addition to normal regular yields, investments are likely to be worth ultimately a great deal more. However, even in such cases, the basic requirement of safety will not be overlooked.

When speaking of safety in this connection, most people only think of expropriation as being the real danger though this happens very seldom. Things are not done that way nowadays. Only leftist governments under communist inspiration are likely to take that course. However, conditions may get as bad as if expropriation had taken place, though on the surface everything may look quite different. The trouble at present is the difficulty, even the impossibility, of taking back home not only capital, should the investor decide to withdraw his money, but even yearly profits. It could truly be said, therefore, that today convertibility is the basic requisite to induce foreign capital to venture abroad. There is no greater hindrance to foreign investment than the lack of convertibility. The routine course of business is bringing this fact to the fore. It never entered the minds of investors before exchange control and restrictions became the usual practice in most countries.

Exchange Control Trap

Exchange control is nothing but a trap which it may be easy to enter but from which it is hard to escape. Before the days of exchange control, overseas investments had for years been attractive. People who put money into foreign ventures looked upon them as a sure source of income. Since the last war, with the spread of exchange restrictions, the situation has become entirely different, as anyone who is in the foreign investment field can testify. Being far less spectacular than outright expropriation, exchange control may yet amount to practically the same thing. Its effect is even more insidious and it is bound to act more and more as a very strong deterrent to entering the foreign investment field.

Experience goes to show that, without any question, exchange restrictions become a hindrance when, due to inflation or a drop in the price of primary exports, the fixed rate of exchange of any country gets out of line with the market or, more properly called, true value of its currency in relation to that of other countries. At such a rate, there will be a demand for an amount of foreign exchange larger than is available. It may seem evident that the easy remedy would then be to alter the official rate of exchange so as to make foreign exchange more expensive, but this seems to be a difficult step to take. It soon becomes a political question where the prestige of the local government is at stake. Lowering the rate of exchange would be a public admission that things have not gone well. Political considerations usually prevent this being done at least for a long time. To restrict demand for foreign exchange, control regulations are then tightened making it progressively harder to take profits home, let alone to repatriate capital.

On the other hand, if there is a free exchange market, the rate not being pegged and there being no fixed parity, the problem will take care of itself. Matters will readjust themselves without any interference, without the government having to step in and make a decision. The market will just be allowed to take its coures. It will be possible to avoid sudden jumps in exchange rates, which will be the more pronounced the longer the change of rate is postponed.

Inflation Danger

Danger of inflation is ever present in countries where there is no capital market and the government, being unable to place an issue of bonds, ends by recurring to the Central Bank which is an unlimited source of money when it increases the circulation to provide the public treasury with funds.

Public works, beyond the means of the public treasury, are the most common cause of inflation. In a new country, so many things have yet to be done that, as long as governments can fall back on the Central Bank and avoid any outward sign of the ill effect of such action, they end by making a habit of it. It then becomes very difficult, not to say almost impossible, to stop, to balance the budget and to bring expenditures within the revenue. This is all the more difficult as high taxation in such countries would be a deterrent to foreign capital just as it would also act as a drag on local private initiative. A vicious circle is thus set up. For, the more capital needed and the larger the increases in note circulation, the worse the inflation that develops and consequently the more acute the foreign exchange situation. This leads to greater restrictions and in turn to the country's earning a bad reputation as a field for foreign investments. No money can then be expected to come from abroad. In other words, just when they are most needed, there are no loans and no new capital.

On the other hand, with a floating rate of exchange, market quotations soon reflect the depreciation of the currency due to inflation. That in itself is an alarm signal which alerts public opinion and acts as a restraining influence on issues of the Central Bank and on public works programs beyond the capacity of the treasury. At the same time it eases the exchange situation by acting also as a brake on purchases abroad because imports become more expensive on account of the higher quotation for foreign exchange.

Inflation also results in a rise in the cost of living and consequently a rise in costs of production. But with a floating rate such a rise is offset by the larger amount of local currency that is obtained for the same price of the product exported due to the fact that the depreciation of the currency is reflected in the free market rate of exchange. Thus production is not adversely affected and can continue to develop. But with a pegged rate, rising costs are not compensated in any way and take up an ever increasing share of the proceeds of sales abroad.

Consequently, when the rate of exchange is fixed, the rise in costs of production causes marginal producers to start closing down. As the effects of inflation are felt more acutely, production drops even more with the result that less is sold abroad and less exchange is available, causing conditions to deteriorate still further. Production and employment shrink and resulting discontent provides a fertile ground for communist propaganda. Things go from bad to worse until they get so bad that the government finally has to take the step of devaluating the official rate of exchange, bringing it more in line with the depreciation of the currency. But before this point is reached, a great deal of harm is done and exchange restrictions may make any transfers practically impossible for the foreign investor.

Devaluation No Solution

Devaluation in itself is no solution unless the budget is balanced. While inflation continues the same problem will still be present. It seems hard for people to realize this fact, and they are thus lulled into a false sense of security and allow conditions to go on deteriorating as rapidly as before until public opinion finally wakes up to the fact that the mere change in the rate of exchange does not bring about a solution. Had the market continued to drop, as would have happened with no fixed rate, there would have been no room for that false sense of security. The behavior of the free market for foreign exchange would have been a constant reminder that the situation was getting worse.

With a floating rate of exchange, foreign investors can feel confident not only that they will be able to withdraw their profits and even to repatriate capital when they so desire, but that they will continue to receive ordinary returns because the depreciation of the currency and the consequent rise in costs of production are reflected in higher exchange proceeds of exports.

This can also be said of business which will only cater to the local market of the foreign country, especially if free from price controls, because, in such a case, local prices will soon reflect depreciation of the currency and allow profits to yield the same returns in terms of the currency of the country whence the money comes.

With a fluctuating rate of exchange and price controls this development will only be possible when ceiling prices are raised. This is all the more likely to happen, without undue delays, where rising market quotations for foreign exchange provide evidence of the depreciation of the currency and the need for higher prices to keep business going.

Impact of World Prices

Though government deficits are the usual cause of inflation in new countries where the attraction to embark on public works programs is so great and the need for them is so real, developments in world markets, beyond the control of the local government, can also be the cause of a situation that will lead to the ill effects of exchange control. It must be borne in mind that in many of these countries the supply of foreign exchange depends on the export of just a few products—or in some cases only one—so that a drop in world prices may hurt production and cause an economic crisis that leads to a budgetary deficit. In such a case, with no fixed parity, the market will soon adjust the exchange to new conditions and bring about a rate which will make it possible for production to continue, thus avoiding economic crises, consequent government deficits and, eventually, inflation. In other words, it will maintain internal stability.

Free Markets the Attraction

All the above has been borne out by actual experience, especially since the last war. For one or the other of the usual reasons already mentioned, countries with a fixed rate of exchange have been driven to controls and restrictions which make them today very unattractive fields for foreign investment. On the other hand, the few countries which have resisted the temptation to peg their rates and establish fixed parities and which, on the contrary, have maintained a floating rate of exchange in a free market, have been able to weather the storm with remarkable success. They are becoming more and more attractive because foreign capital realizes that it can go to such countries without falling into a trap; that the money invested will yield returns which can be withdrawn and that it will be possible at any time to sell investments and take the money bank home.

In new countries there does not seem to be any other safe way to achieve their orderly and continued development. The World Bank as well as the Export-Import Bank coud influence governments to adopt free exchange by making it clear that they would rather deal with countries which follow that line. The International Monetary Fund could also be very helpful in this respect. Unfortunately, because of provisions in its by-laws, it has not been inclined to favor letting the market freely find an equilibrium rate. Yet events have proved that a fixed rate of exchange cannot always be maintained in economic conditions which, far from being static, are continually fluctuating in ways impossibly to foresee.

Satler to Be Partner In Moore Leonard Firm

PITTSBURGH, Pa.—On July 1 Francis L. Satler will be admitted to partnership in Moore, Leonard & Lynch, Union Trust Building, members of the New York and Pittsburgh Stock Exchanges. Mr. Satler is manager of the firm's municipal department.

Bankers Secur. Corp. Elects Officers

PHILADELPHIA, Pa.—Bankers Securities Corp., 1315 Walnut Street, has selected Gustave V. Amsterdam, President, succeeding Anthony G. Felix who became Chairman of the Executive Committee. Mr. Amsterdam has been associated with the firm for 20 years.

Sheehan Adds to Staff

(Special to The Financial Chronicle)

BOSTON, Mass.—Atherton Loring III is now with Sheehan & Co., 79 Milk Street.

Robbins Adds to Staff

(Special to The Financial Chronicle)

WORCESTER, Mass. — Arthur O. Berthiaume has become affiliated with H. L. Robbins & Co., Inc., 40 Pearl Street.

From Washington Ahead of the News

By CARLISLE BARGERON

There are in Washington some 2,000 "organizations" or "associations," employing thousands of men, economists, analysts, lawyers and publicity men. They constitute one of our greatest industries. A lot of them, if not most of them, insist they are not lobbying organizations, that they have never talked with a single Congressman about a piece of legislation, and one wonders in the face of these protestations just what it is they do.

Carlisle Bargeron

That, however, is neither here nor there. They are duly constituted organizations receiving financial support from interested groups. Mostly they are the conception of one man with an idea. This fellow sets out to create an organization and if he has enough organizational ability he has finally sold enough interested businesses on the proposition that they had better come in with a view to at least watching what the other fellow is doing.

In this light, the railroads, the automobile industry, most of the big industries, belong to, or are supporting more of these "associations" or "organizations" than you can shake a stick at. In many instances they duplicate each other's services. On a controversial proposition most of these "organizations" or "associations" have to remain neutral and ineffective on account of the diversified nature of their membership, but their membership has at least accomplished this neutralization which seems to make the membership satisfied.

A few years ago I was visiting Canada and an ambitious Montreal lawyer questioned me closely about this phase of our American endeavor and subsequently he came to visit me in Washington. He was wondering how long this sort of stuff had been going on and whether it could be introduced in Canada. He wanted to establish a Canadian Waterways Association and as his first issue or sales talk, he intended to oppose the St. Lawrence Seaway. I happened to know enough about the subject to know that he could raise money to support such opposition. As to how far he got I don't know, but I was glad to talk with such an up and coming Canadian.

However, it was in the weakness of Americans for "organizations" and "associations" that the United Nations was born. It has just celebrated with reams of half-hearted publicity its tenth anniversary.

The UN was the idea of the late Senator Vandenberg of Michigan. He was one of the ablest, yet most cynical men we have ever had in the United States Senate. He was against our participating in World War I, he was a vigorous so-called isolationist in the pre-Pearl Harbor days of World War II. He had Presidential ambitions and was certainly as well qualified as any one who has ever served in the place.

But his "isolationism" made him the scourge of the Eastern press and social Washington. Realizing, finally, he would never get anywhere as an "isolationist," he became an "internationalist" and because of his ability he became a leading one.

In a great breast-beating turnabout in the Senate one day, he orated about how there should be no more wars and how there should be a tribunal to prevent them. The American politicians, particularly, flocked to the idea by way of diverting the people from thinking about the folly of World War II.

There was nothing new about the idea. After World War I, the politicians of the world, generally, seeking similarly to divert peoples' minds, came up with a tribunal, a place where "the diplomats could meet daily and talk face to face about their affairs," as if the diplomats had not been meeting daily and discussing their affairs ever since there were diplomats.

But a tremendous political campaign had been made in this country, in 1940, that World War II was the result of our not being a member of the tribunal created after World War I. The fact is that we never officially entered the League of Nations but we had and exercised as much influence as if we had been a dues paying member.

We not only entered the Second World War Tribunal, the United Nations, however, but in our conceit we permitted it to be established in this country. We became the host country and with the aid of a Rockefeller grant, established a monumental city on the banks of the East River in New York. Here one can get cigarettes, food and drink without taxes. Here, a conglomerate of people is free of police molestation, free of this country's income taxes, and receiving high salaries, too.

Here, American newspapers have maintained correspondents to publicize the mouthings of Molotov, of the rest of the Red gang, who are mouthing simply because they know they will get that publicity. A lot of accomplishments were attributed to the UN on its tenth anniversary at San Francisco. Not a single one but could have been accomplished in the usual diplomatic channels, probably easier because of the less fanfare.

Draper, Sears Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Milton L. Brown, Jr. is now connected with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Joins Palmer, Pollacchi

(Special to The Financial Chronicle)

BOSTON, Mass. — Harold E. LaMarche is now with Palmer, Pollacchi & Co., 84 State Street.

Bear, Stearns Adds Uhrbrock to Staff

Bear, Stears & Co., 1 Wall St., New York City, members of the New York Stock Exchange, have announced that E. Frederic Uhrbrock, Jr. is now associated with the firm. Mr. Uhrbrock was formerly with Vilas & Hickey.

Courts & Co. to Admit Three Partners

ATLANTA, Ga.—Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange, on July 1 will admit Frank J. Henry, John B. Ellis and Joseph E. Brown to partnership. All have been associated with the firm for many years.

With Coombs & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Emory A. Jackson has become affiliated with Coombs & Co. of Los Angeles, Inc., in their branch at 340 Pine Street. Mr. Jackson was formerly with Samuel B. Franklin & Co. and Hill Richards & Co.

Joins Eastland, Douglass

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Merritt R. Olds has become affiliated with Eastland, Douglass & Co., Inc., 100 Bush Street.

Hannaford Talbot Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Belden S. Gardner, Jr. is now with Hannaford & Talbot, 519 California Street.

Basic Forces Underlying Further Economic Progress

By ARTHUR R. UPGREN*

Dean, The Amos Tuck School of Business Administration
Dartmouth College

Dean Upgren lists as forces offsetting and overcoming a slowing up of the rate of housing and automobile construction: (1) a population growth of 28 million in next decade; (2) a high ratio of bank liquidity; (3) low and stable interest rates; (4) high outlays for industrial research; (5) remarkable price stability and a built-in flexibility in the Federal tax structure.

The people of the United States are learning to understand the economic forces that determine their economic well-being. Take for example, a hind-sight look at the economic recovery immediately following the second World War. During the war we doubled the monetary amount of our national income. But since half of our total production was used in the war effort, there was at the war's end twice as much money income for spending as had ever been spent on goods. One-third was probably "wasted" in the ensuing rise of prices and probably two-thirds was used to stimulate production. Even the "wasted" one-third conveyed an unmistakable signal to business in 1946, a doubtful year, that the times would be profitable and economic expansion and growth was in order. This remarkable situation was buttressed by an increased accumulation of additional liquid assets amounting to substantially more than $200 billion. Finally there was the starved demand built up during the war years. This was the demand for all the automobiles, radios, electric ice-boxes which had not been made during the war years.

Arthur R. Upgren

The ensuing rush of money income into goods brought about a great recovery. By the end of 1948 the period of "catching up" was largely finished and there was a most modest decline in economic activity in 1949. Even though consumer demand continued to grow, the businessman thought inventories should be liquidated because *he* anticipated a reduction in consumer purchasing.

Because consumer buying surge was by no means completed, the business community, as the National City Bank of New York so carefully pointed out at the time, had to re-accumulate inventories to meet demands. Then we learned how to get houses built by passing a liberalized housing law providing for minimum down payments and longer terms. In fact, it was in this period that the first "no down payment" plan was devised.

Finally, a substantial and well-timed G.I. insurance dividend refund was paid. The net result was that the economy surged forward to new high level before the outbreak of the Korean conflict. Then came the conflict in Korea. Consumers rapidly increased their purchases and in fact, their rate of annual purchases rose by $21 billion from the quarter immediately preceding the outbreak of the Korean conflict to the first quarter of 1951. Businessmen increased their purchases for inventory by almost $10 billion. In fact, from the low point in 1949 businessmen increased their purchases for inventory by more than $20 billion.

*An address by Dean Upgren at the 50th Annual Convention of the Massachusettts Bankers Association, Swampscott, Mass., June 10, 1955.

The Wise American Consumer

The American consumer is a wise person these days. The banks have learned that, of course, in their extensions of credit to this worthy person. For example, when the consumer saw that his increased purchases were being readily supplied during the Korean conflict and that there were substantial increases in accumulation of inventories as well, he relaxed his purchasing effort. Moreover, the country was so willing to tax its income to stop inflation that the total level of tax receipts of the Federal Government rose 50% above the peak rate of the years of World War II. Finally, credit was brought under control through Regulation X affecting borrowing terms for the purchase of housing and Regulation W affecting terms for the purchase on credit of consumers durable goods. As a result of these and a very greatly increased rate of personal saving, inflation was brought under control by 1951 and there has been none since. In fact, I see little prospect of rising prices in the next ten years and believe that generally deflation, not growing inflation, is more likely to be our problem.

In 1954 there came a modest 3¾% recession. This came because the Federal Government reduced its expenditures for defense after the Korean truce by the annual rate of no less than $14 billion. As a result, business naturally reduced its inventories to accommodate the greatly reduced rate of defense goods purchasing by the Federal Government. In fact, such purchasing declined by $10 billion.

At this same time, namely with the beginning of 1954, we had very substantial tax reductions and an increase in the rate of payment of unemployment compensation. These two amounted to $7.4 billion and $2.2 billion respectively, and they "engineered" an increase in personal disposable incomes. As a result, consumers purchased more in every quarter of the recession, we built more houses in every quarter of the recession and only the purchase of durable equipment by industry declined. In these ways half of the decline in purchasing for inventory was offset. Consumer demands continued to rise, and starting with the final quarter of 1954, the economy has been in so sharp a recovery that by the end of the first quarter of 1955 all of the ground lost during the previous six quarters was regained. In the present quarter, and the present month, new high records are being set for total national production and total personal incomes.

Basic Facts for the Future

What of the future? For the short run there are many pressures toward economic advance and two pressures which may subside. It is difficult to believe that housing expenditures can increase from the present intense rate of 1,310,000 housing starts a year. It is even more certain that automobile production which has been running recently at the annual rate of more than 10 million automobiles and trucks a year can keep up to that rate. Here will surely be a decline in the second half of the year.

Will that decline be serious? I think not. The ever-widening circle of enlarged personal incomes in the United States and improved corporate earnings will cause a larger buying of all goods. We have seen this in business purchases for investment when an expected decline of last fall has been turned into a 4% increase so far this year. The estimaters of total business construction expect this increase to continue through the remainder of the year and probably through 1956.

Consumer spending has increased by more than $12 billion from the level of two years ago and is expected to continue to gain during the next year and one-half.

What of the longer run? President Eisenhower has estimated that the United States can produce a total flow of goods and services of all kinds amounting to $500 billion by 1965. This is to be compared with total production at the present time running at the annual rate of $370 billion. President Harlow H. Curtice of General Motors has made the estimate that the $500 billion figure can be reached by 1962. The economists with the joint Senate and House Committee on the Economic Report of the President have estimated that total production in 1965 would amount to $525 billion.

I would now like to list the basic conditions and forces which underlie these prospects for remarkable economic advance in the next ten years.

(1) Where the population of the United States grew 8 million from 1930 to 1940, we can expect a growth of 28 million in the next ten years.

(2) Where following 1930 many banks failed and 25% of all demand deposits in the United States were destroyed, we have today a 62% bank liquidity and no expectation of bank failure. Indeed conservative bankers now expect deposit growth at a rate ranging from 3% to 5% a year.

(3) Twenty-five years ago there were extremely high interest rates and lump sum mortgages. Today we have low stable interest rates and mortgages amortized over a long enough period to give us assurance of a high expanding amount of residential construction.

(4) In 1930 our average tariff effective level on imports was 48%. Today it is barely a quarter of that level. We were in 1930, led by Messrs. Smoot and Hawley, imbued with a high tariff philosophy and today we defend a low tariff philosophy.

(5) Twenty-five years ago the outlays of industry for research were low and today they are many times as high.

(6) After 1929 we had very substantial price declines whereas today we have had for four years a most remarkable price stability.

(7) In the earlier period our fiscal policy was dependent upon the narrow flow of public works and upon state financing. Today we have competent businessmen studying and agreeing to our needs on public works and explaining the type of fiscal policy which can manage the payment of the needed public works. We also have today a built-in flexibility in the Federal tax structure which has been remarkable in maintaining personal disposable incomes, despite a small recession, and been equally remarkable in sustaining corporate earnings sufficiently throughout every quarter of the recession so that corporate expenditures on new plant and equipment have been maintained without any diminution.

Finally we have meetings such as this which objectively explore the works of our economic system. In the early period we had mostly large pockets of economic illiteracy.

I am sure we are going to do very well indeed, and the managing of it is mostly up to you.

A. M. Kidder Adds

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla. — John T. Tooker is now with A. M. Kidder & Co., 316 South County Road.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

AUGUSTA, Ga. — Robert A. Goode is now affiliated with King Merritt & Co., Inc.

Industry's Responsibility for Job Creation and Job Security

By ROBERT E. WILSON*

Chairman of the Board, Standard Oil Company (Indiana)

Pointing out "only a profitable business can provide steady jobs," Mr. Wilson discusses the Guaranteed Annual Wage and its dangers. Says industry has made great progress in improving steadiness of employment and business managers seek steady business operations just as earnestly as employees seek steady jobs. Stresses as a chief danger of GAW the discouragement it gives to taking on new employees, thus intensifying unemployment. Calls automation a timely blessing.

This meeting here today should be an effective answer to those critics of our business system who charge that we, as employers, are indifferent to the needs and aspirations of the people we employ. Such critics would have our employees believe that the good things of life they and their families now enjoy are not because of our competitive enterprise system but in spite of it. Some of them like to picture themselves as latter-day St. Georges who go forth to win new victories over the reluctant dragon of business.


Robert E. Wilson

By erasing any such misconception from the public mind, we can make a great contribution to the national welfare and to our individual communities. In its place, we must make the public realize that we fully appreciate the importance of steady employment and have made great progress in providing it, but that we would not be serving either our employees or the public well if we jeopardized a business by making heavy future commitments of uncertain cost. Some very strong companies might justifiably assume such burdens, but most companies could not.

Only a profitable business can provide steady jobs. We must spread recognition of the fact that when a business fails, or meets reverses, everyone—the employee, his family, the whole community, in fact—also suffers, as a result. In making every effort to avoid danger of insolvency, the management is by no means serving a merely selfish interest.

Our free enterprise system cannot expect to stay in public favor if a majority of individuals do not agree that the system has treated them well. Therefore, the National Association of Manufacturers, in helping to assure the popularity of the free enterprise system, should recognize the reasonableness of the desire for more security on the part of the workers. Industry must endeavor to find sound and workable solutions to the difficult problems arising out of irregularity of work which will protect the long range interests of the worker as well as the consumer.

It is a task worthy of our best thinking and most energetic efforts. Progress must be shared by workers and customers as well as shareholders who supply the needed capital — but to share further progress, we must continue to make progress.

Industry's Progress Toward Job Security for Employees

By way of preface, I should like to make note of the fact that far-sighted business leaders have long been aware of the pre-eminent importance of steady work at steady pay. Good management has always recognized stable employment as being good for business, good for employees, and good for the community.

Continuously, over the last two decades, the National Association of Manufacturers, as the voice of industry, has given priority attention to the need of stabilizing the work flow.

As far back as 1940, NAM issued a comprehensive study on "Employment Regularization." It was based on a survey of the entire Association membership. It told of the progress being made, even then, by industry in reducing the peaks and valleys of production and employment.

In 1946, NAM launched its "Steady Work and Steady Pay" program, setting a challenge to mangement to make a frontal attack on all the controllable factors that prevented regular work. More than 500 clinics were held throughout the country to reach every employer with this message and to provide a forum for the study of methods effective in the control of job fluctuation. In his study, "Guarantee of Work and Wages," the late Professor Joseph L. Snider described this effort as "the most significant current action by businessmen with regard to the stabilization of business and employment."

The years since 1950 have witnessed further discussion clinics, workshops, and publications — among the latter, notably, "The Guaranteed Annual Wage and Its Implications To A Free Economy," and "Industry's Progress Toward Steady Work and Steady Pay." In recognition of the Association's work on this score, the United States Department of Commerce invited NAM to participate in the preparation of a government study of techniques to assist in stabilizing production and employment. Much of the work done by NAM was published in 1954 in a book entitled, "Steadier Jobs—A Handbook for Stabilizing Employment."

The Guaranteed Annual Wage and Its Dangers

Obviously, industry has long recognized the basic human desire for security that gives guaranteed annual wage proposals their emotional appeal, and industry has not only talked and written about it, but it has made great progress in improving steadiness of employment.

Business managers seek steady business operations just as earnestly as employees seek steady jobs. There are basic advantages for both.

The objectives of both—and of the public as well—are practically identical. Under the circumstances, it should be a matter for cooperation and not for industrial strife. Unfortunately, however, management has the unwelcome but inescapable job of deciding what is sound and feasible business policy from the standpoint of consumers, stockholders, and the public generally. If they oppose the extreme demands of some labor leaders, they are immediately charged with being selfish and narrow-minded, even though their position may well be in the long-run interest of labor as well as that of the general public. Inflationary actions may seem to solve some problems, but we must not forget the resulting injury to the millions whose incomes are static, or of farmers whose incomes have been declining.

While some reasonable unemployment compensation is justified, it is, to my view, unthinkable that a man should be paid as much, or nearly as much, for not working as he is for working. Some of the proposed guaranteed annual wage plans create this and other problems. They would mean, in practice, that newer employees would be paid nearly full wages when they were laid off, while longer-service employees would still have to work for their wages. Or else our senior employees would demand to be laid off first and thus get a long paid vacation. Also, many such plans would create undesirable conflicts and complexities in current plant seniority and state unemployment compensation systems.

But, over and above all these difficulties, such plans pose an even greater danger. This danger is described well by the well-known management consultant, Peter F. Drucker, in a recent issue of "Harper's Magazine." Mr. Drucker states, and I quote: "Any such absolute guarantee of income for all, or most, of the men on the payroll could simply keep management from hiring new workers. It could actually create unemployment, and on a large scale."

Mr. Drucker then goes on to cite the present situation in Italy as a horrible example of the economic rigidities forced on a nation by such plans. He declares that a state-imposed guaranteed annual wage law is the cause of a quarter, if not a third, of Italy's chronic mass unemployment problem, the worst such problem in all of Europe. Employers think a long time before taking on the responsibilities of hiring new workers for a speculative venture. As Mr. Drucker points out, the manufacturer of Italy's fast-selling new motor scooters refuses to hire new workers to meet the tremendous demand for his new product. He prefers, instead, to pay 10 hours overtime a week at double and triple wages. For, once employees are hired, they must be kept on the payroll, no matter what kind of business the future brings. In another instance, Italy's largest power company is stretching a five-year building program over 10 or 15 years to avoid the liability of hiring new crews. Meanwhile, the power shortage is acute and "brown-outs" are a constant occurrence.

We may well ask, what price security, in the form of a guaranteed annual wage? Security for some at the expense of the joblessness of others? Security for some at the cost of higher prices for the 160 million consumers who would inevitably finance such plans? Security for some at the price of slowing up the rapid economic progress we have had under our present system?

And surely anything approaching a real guarantee of annual wages, bringing with it rigid, fixed costs, heavy and uncertain future liabilities, increased labor costs, and, hence, higher prices, would effectively weaken industry's ability to provide more and better jobs. A company saddled with such a guarantee would be discouraged from expanding or introducing new products, and jobs that might have been created thereby would never come into being. Any such employers would be especially reluctant to take on defense business which is bound to come to an end, and usually a sudden one. One moderate-sized Chicago company, at strong government urging, nearly doubled its employment to handle $60 million worth of defense orders in 1953. That dropped to $37 million in 1954 and about $18 million this year. Where would that company be if it had a guaranteed annual wage? Of course, the answer is that they would never have taken on the contract.

The small business, more than the large one, would be first to

Continued on page 52

*An address by Mr. Wilson at the Open Management Conference sponsored by the National Association of Manufacturers on "America's Economic Crisis —The Guaranteed Annual Wage," Chicago, Ill., June 15, 1955.

Foreign Tax Laws Applicable To American Enterprises

By WALTER H. DIAMOND*
Editor, McGraw-Hill American Letter
Economist, McGraw-Hill International Corporation

Mr. Diamond, citing steps for attracting U. S. capital, offers country-by-country study of 44 nations of their recent tax and investment laws, to guide American investors in placement of new capital and in administrative decisions. Concludes most promising opportunities lie in those nations where governments themselves have adopted modern technique to lure foreign capital; with low tax structures by themselves not being sufficient to accomplish the trick.

Underdeveloped nations all over the globe reached maturity in one way during the past 12 months. At last they have realized that to attract private capital from other lands they must have something to offer. For this reason the 1954-55 fiscal year now ending for most countries may well go down in history as the turning point in the survival of the less industrialized nations. Over 35 countries, representing every Continent of the world, either passed laws or proposed legislation to encourage investment by American companies.


Walter H. Diamond

This sudden and far-reaching trend surpasses in significance the continuing tendency of many powers, especially in Western Europe, to lower taxes on corporate enterprises. Since my last analysis of the tax laws of selected countries presented at the University of Illinois Institute on Trade a year ago, taxes have been cut in such key nations as United Kingdom, Netherlands, Germany, Union of South Africa and Canada. However, most of the advantages to the U. S. investor from the reduced tax levies have been offset by the resurgence of inflation and the rising cost of money resulting from action of the Central Banks abroad in hiking discount rates.

Moreover, several Latin American Republics were forced to raise corporation taxes because of precarious budgetary problems. These include Brazil, Costa Rica, Cuba and Uruguay, all places where American firms have found it extremely profitable to operate in the past because of low corporate rates averaging about 30%. At the same time, a few nations such as India, Pakistan and the Union of South Africa, have added new flat supertax or undistributed profits assessments.

Of the estimated 300 U. S. companies which made investments in new overseas plants in the past year, over 150 were in the countries where a program of tax incentives to induce foreign capital has been recently initiated. Such small and generally neglected markets as Egypt, Jordan, Lebanon, Liberia, Nicaragua and Panama are among those drawing new interest from American concerns because of these investment encouragement decrees.

The majority of foreign government measures are designed to lure manufacturing industries. Almost all the tax inducements apply only to those new industries "fundamental to the economy." This is why manufacturing investments of U. S. companies placed overseas have jumped nearly 40% in recent years. Today, over $7 billion of the total $16.5 billion in direct foreign capital invested by American firms is in manufacturing operations.

Two Encouraging Events

Two important events since last Fall have contributed considerably to the decisions by many countries to take steps attracting U. S. capital. First, as a result of the Inter-American Economic Conference held in Brazil last November, the Eisenhower Administration is committed to the 14% tax reduction on income earned from abroad. Second, the Inter-American Investment Conference in New Orleans earlier this year lifted the hopes of many Latin American businessmen that private dollars would be forthcoming if real incentives to invest were approved by their governments.

But the Conference also flashed a warning signal. It proved that American business will not rush to spend funds overseas until U. S. taxes are lowered on foreign earnings. Over 100 American firms are ready with plans to set up plants abroad if and when the 14% reduction is passed by Congress. Actually the 350 proposals submitted by the Latin Americans at New Orleans would require $250 million of financing. It is doubtful whether private investment will be increased by more than $25 million as a direct result of the Conference.

A country-by-country study of these recent tax and investment laws should help to bring you up-to-date on where to invest your new capital abroad and to guide you in making administrative decisions where you already have investments.

Improving economic activity in Canada inspired a 2% drop in the corporation tax rate to 45% this year. The Ottawa Government believes it can afford to sacrifice $148 million through the tax slash. In addition to the lower tax, narrowing of the premium of the Canadian dollar over U. S. currency adds to the inducement for American business to invest in Canada. Chances are the exchange premium will be eliminated altogether before 1956.

On $1 million of earnings, a Canadian subsidiary of a U. S. corporation now pays a tax of $444,600, compared with $514,500 here on the same profit. However, the new law no longer permits a reduction from 15% to 5% on dividends paid out of "designated" surplus by Canadian resident corporations to a non-resident corporation. Because there is no capital gains tax in Canada, it is significant to note that many American firms are investing in non-resident-owned Canadian securities. Tax advantages by buying into this phase of investment trust organization became effective a year ago when the U. S. Government allowed sale of such Canadian funds to investors in this country. Profits are subject to the maximum 15% dividend tax.

UK's Surprising Reduction

The top tax surprise in Europe during the past year undoubtedly was action by the United Kingdom to reduce the standard rate for buisness enterprises. In view of the deteriorating economy and dip in gold and dollar holdings, the second corporate tax cut in as many years was certainly not expected, and perhaps not warranted. However, the Board of Trade appears to have moved in the right direction in halting the rising pace of instalment purchasing. This will reduce the heavy import surplus and help expedite the day for non-resident sterling convertibility—now predicted for early in 1956.

As a result of the drop in the basic tax rate to 42½%, an American branch or subsidiary in England that distributes all of its dividends pays a maximum levy of 59.2%. This includes the 22½% tax on distributed profits and the surtax ranging from 10% to 50%. One American machinery manufacturer which estimates earnings of $1 million in 1955-56 will pay a net tax of $353,000 if the firm distributes two-thirds of its earnings in dividends. This is generally about the usual amount paid out to stockholders in Britain.

Actually, the corporate profits tax, including the 2½% assessment on undistributed earnings, comes to roughly $537,000. But because payments to stockholders are credited against personal taxes, the net tax to the subsidiary is reduced to $353,000. It is also well to remember that the parent firm here does not have to pay the 22½% tax on distributed profits on funds remitted to non-resident companies under the clause exempting a non-resident from paying tax on dividends received from another non-resident company.

Another advantage given American enterprises is British exchange control procedure permitting authorized commercial banks to grant loans of over 50,000 pounds ($140,000) to companies resident in the sterling area but controlled from outside it. Previously, loans exceeding this sum required approval of the Bank of England. The limitation was designed to encourage companies to use funds from the foreign concerns that were responsible for them. Relaxation in no way permits the companies to raise money in the sterling area in order to transfer it abroad. However, it should facilitate the financing of business within the sterling area.

Belgium Wooing American Capital

Belgium is offering a series of favorable conditions to woo American capital. Among the many steps to attract U. S. investors is a plan to give substantial subsidies for construction of industrial plants. Profits up to 30% of new capital invested in productive equipment are now exempted from taxation. Several U. S. firms are taking advantage of this allowance to offset the rather heavy tax bite on foreign corporate profits. These amount to the 40% flat rate, the 20% National Crisis Tax on profits distributed and the 30% Invested Capital Tax on dividends paid to shareholders. Belgium, by the way, will be the first country in the world to have industrial power from atomic energy. A plant will be in operation there within two years, thus dispelling beliefs of leading American businessmen that Belgian Congo would have the first industrial reactor working.

Less than a year ago France was one of the most profitable of all Western European nations for operation of an American enterprise. But the situation has changed abruptly and now scarcely any new investments are being made there by U. S. firms. Protests and strikes because of French antagonism to taxes have continually disrupted industry in recent months. The value of the franc is more unrealistic than ever, forcing the cost of imported raw materials way out of line with other countries.

To make matters worse, the 8½% royalty tax on earnings from French companies operating under U. S. license arrangement is being collected by the authorities. This has brought repeated protests from American firms and associations here. For nearly 30 years French tax officials ignored legislation authorizing such royalty taxes. Beginning in 1951 the government started billing American investors. Chances are French officials will not change the ruling despite sharp criticism by the American Chamber of Commerce in France. A formal protest may be lodged by the U. S. Treasury since Washington regards the French action as anything "but conducive to a good investment climate."

American enterprises will now have to pay France an estimated $2 million from revenue in addition to the $30 million collected from the 38% corporate tax—up 4% since last June—and the 18% levy on distributed profits. The Paris Government has also tightened controls on the establishment of branches by U. S. parent companies. The goal is to reduce the number of American branches entitled to the 25% tax allowance on dividends remitted here under the tax treaty with the U. S. Subsidiaries were never permitted to take the 25% credit.

U. S. Capital Flow into Holland

American investors have started three-fourths of all the subsidiaries of foreign concerns established in the Netherlands since 1945. One of the chief reasons for the steady inflow of U. S. capital into Holland is the most liberal depreciation allowances probably found any place in the world. These deductions, which include the normal 10% depreciation, the 33⅓% accelerated depreciation and 4% annual deduction for investments, bring the total allowance over a five-year period to between 85% and 90%.

An American chemical firm, which made a 90,000 guilder ($23,700) original investment, took the permissible 39,600 guilder deduction the first year. In the next four years, it was allowed 38,400 guilders and from the sixth through the tenth year another 30,000 guilders, or a grand total of 108,000 guilders. This is 10,800 guilders more than the original cost of investment. However, if the U. S. manufacturer had sold the equipment at the end of the fifth year for 40,000 guilders against the designated book value of 30,000 guilders, a profit of 10,000 guilders ($2,630) would have been registered.

The current corporate tax rate for the American subsidiary in the Netherlands is 46%, but the reduction to 43% now before Parliament will undoubtedly be approved. It will be made retroactive as of Jan. 1, 1955. Moreover, high officials of the Dutch Government told the McGraw-Hill "American Letter" that as soon as the U. S. lowers taxes on corporate foreign income to 38%, (52% minus the 14% differential), you can be certain Holland will cut her corporation taxes to 36%. In 1952 the Netherlands quickly slashed her tax rate from 52% to 46% when the U. S. Congress passed a bill lowering the corpor-

*A paper by Mr. Diamond presented at University of Illinois Institute on International Trade, June 9, 1955. Mr. Diamond is the author of Foreign Tax and Trade Briefs, the Matthew Bender Publishing Company Foreign tax service.

ate tax to 48%, even though the 52% rate was later reinstated. U. S. companies receive equal treatment with domestic investors and are never delayed in withdrawing profits, although the healthy gold and dollar holdings are now beginning to recede for the first time since 1949.

Denmark's tax laws will be simplified and trusts supervised in an effort to improve the country's foreign exchange position and stabilize the economy. The Lower House wlil soon enact legislation along the lines recommended by the Danish Prime Minister. Meanwhile, American companies continue to find Denmark's lenient taxation schedules, which drop in assessment the longer the time of the investment, one of the most remunerative in Europe. Paying only 12% to 20%, depending on the income return in relation to capital, plus the 25% Defense Tax, they now find remittances easier to get as gold and dollars climb and the krone strengthens.

Despite serious efforts by the Scelba Government to draft a law favoring foreign investment in Italy, opposition from Leftists and other political groups will continue to stymie the entire program. During the past two years private American capital going to Italy has averaged only about $20 million annually so that the U. S. Government is cooperating intensely with Rome to get a workable law. Nine U. S. firms entered into licensing arrangements with Italian companies in the past year. But the recently-applied 22½% withholding tax on two-thirds of royalty payments, which amount to 15%, is bound to discourage more companies from similar setups. This levy is in addition to the regular 26½% direct corporate tax, and the ¾% levy on taxable assets plus 15% on profits in excess of 6% of assets. The 3% turnover tax is also being imposed on royalty payments.

Italy's oil situation best emphasizes U. S. investors' difficulties there. The Italian state oil monopoly known as ENI passed a law prohibiting foreign oil firms from exploiting ENI concessions in the Po Valley. Pressure is also being placed on government officials to restrict Sicilian petroleum, where Gulf Oil has four wells. It is even rather doubtful that the newly-signed double taxation treaty with Italy, which follows the pattern of Washington's other 17 income tax conventions, will give U. S. companies the needed impetus to start new plants. Under the treaty, taxes on corporations not having a permanent establishment in either country cannot exceed 15%. They are reduced to 5% on dividends paid to parent companies owning 95% of the voting power or if not more than 25% of gross income is derived from interest or dividends. However, you can count on a slight increase in the 6% limitation on dividend remittances by the Scelba Government.

West Germany's New Era

West Germany's three momentous steps during the past year to attract U. S. investment places her on the threshold of a new era for obtaining industrial foreign capital. For the first time in history, and in direct contrast to the hazardous conditions existing less than a year ago, Germany is a healthy place for an American subsidiary to operate.

First, the slash in corporate taxes from 60% to 45% as of last October is the largest single postwar tax cut anywhere in the world. Second, ratification by the U. S. Senate of the tax treaty with Bonn avoids double taxation on Federal income taxes, including surtaxes and excess profits tax; reduces the tax on dividends to 15% when paid to American corporations; and exempts at the source bona fide interest on bonds, securities and royalties. Third, new measures issued by the Ministries of Economics and Finance permit all earnings to be freely transferable on approved investments. With the Germans becoming more receptive every day to American consumer hard goods, U. S. firms would be wise to investigate this market for licensee or branch operations without delay. Germany will buy over 400,000 television sets alone from America in 1955.

Sweden's attempt to institute a general 12% levy on capital investments in buildings and equipment, as now before Parliament, is another example of the unwelcome attitude there for U. S. capital. A special purchase tax on autos and other vehicles also has been proposed and a 10% hike in the profits tax is contemplated. Despite the reduction in the 20% Coupon Tax to 10% on dividends paid to American residents, the 47% corporate tax on joint stock companies is already high enough to hinder private U. S. companies when combined with other drawbacks. Switzerland, too, has never relished large investment by American firms, even though corporate taxes are relatively low. A 20% surtax has been added to the 12% Federal tax, but Cantonal and Communal levies come to another 25%.

Turkey's series of investment-encouraging measures in the past few years has not yet begun to show real results. However, it may become the pattern for future decrees by other nations. Washington has advised nine countries—Afghanistan, Austria, Egypt, Formosa, Iran, Italy, Korea, Paraguay and the Philippines—to use the liberal Turkish legislation as a yardstick in overhauling their foreign capital laws if they intend to lure U. S. dollars. The burdensome deficit at the European Payments Union still demands the bulk of Turkey's gold and dollars in settlement. American enterprises contemplating buisness there should be wary of a devaluation of the Turkish pound sooner or later. Goodyear Tire started a licensee project recently while a large U. S. match firm and a nut and bolt manufacturer made direct investments during April.

American private capital is showing interest in Greece for the first time since the Thirties. One U. S. investor intends to build a match factory and a 400-room tourist hotel. A Canadian trust is also considering establishment of an aluminum plant, while the Dutch have offered to build a large shipbuilding yard. Taxes are lenient, with the rate 35% on both undistributed and distributed profits.

Focus on Middle East

In the Middle East, greatest focus has been on Iran during the past 12 months. To attract investors, the Teheran Government has drafted a bill offering safeguards and inducements for foreign capital. Parliament is expected to approve the decree before July. One of the measure's most significant clauses is a guarantee against expropriation or nationalization. With revival of her oil industry, which will net her $134 million in 1955, Iran now feels she can underwrite large-scale foreign investments from oil income. Seven U. S. oil companies already have invested funds since settlement of the Anglo-Iranian dispute. Beside garnering additional petroleum capital, you can expect other American industries, especially in the capital and electrical equipment fields, to start branches in Iran before long. Companies pay a heavy 50% tax, plus a 10% levy on dividends. In contrast, the corporate tax is only 25% in Iraq while manufacturing industries with initial expenses over 30,000 Iraqui dinars ($84,000) are temporarily exempted from taxes. However, absence of a wide consumer market indicates it is still more advantageous for you to export there than produce directly within the nation.

Lebanon Number One Attraction

Lebanon remains the number one attraction for licensee arrangements in the Middle East. U. S. manufacturers of machine tools and consumer durables are now in the process of concluding agreements to license their products. These are in addition to the already successfully proven operation worked out by Westinghouse Electric over a year ago. American enterprises directly established in Lebanon are exempted from the regular 30% corporation tax for six years.

Jordan has just drafted a "Law for the Promotion and Encouragement of Industries" which will

Continued on page 58

Washington . . . And You

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

WASHINGTON, D. C. — A demagogic political wolf is never so shy as to pass up a meal of banker hide if there is one loose around the neighborhood to be brought down. This year, however, such wolves have increased tremendously in numbers. Their hunger is even more violent than usual and their aggressiveness in the hunt for banker hide is terrible.

On almost every front, bankers are being attacked by politicians of both parties, and the lust for banker hide is keen.

There is, for instance, the Hon. Wright Patman (D., Tex.). Nobody should call Mr. Patman a banker hater. He often tells the House he just loves banks. A strong independent banking system is absolutely necessary to the country, he says. Nobody protests more loudly or more frequently than Mr. Patman that he is on the side of a strong, independent banking system. In fact, you even get the idea that among the Texas Congressman's best friends, he admits one or two who may be bankers.

All that Mr. Patman objects to, however, is such things as banks collecting interest on government bonds. Or if the government wants the banks to channel myriads of loans to a proliferation of farm, veteran, and other welfare programs under guarantees and insurance, the banks should not consider any such thing as a selfish return.

They should expect to do it for a rock bottom wage. The wages of labor, agriculture, and management may rise. But if the FHA loan rate or the VA loan rate rises by ½ of 1%, something ought to be done about it, like having the government take the money from banks at 1% and itself lending the money at 4%, or as cheaply as possible.

Mr. Patman is far from being the only Congressman to hold such views. He is just the loudest in voicing them. Mr. Patman is rated as a smart gent who knows his onions, but if he has discovered that 93% of the average commercial bank's resources are owned by the depositors and only 7% by the owners of the banks, and that any rise in the return on the hire of money could benefit depositors, he has kept it a dark secret.

Would Hit Profits on Securities Sales

This Texas gentleman revealed on the floor of the House the other day why he wanted a public "grand jury" investigation of the Open Market Committee of the Federal Reserve system. Mr. Patman had hit on a spectacular fact.

Insured, commercial banks had made the enormous percentage increase of 966.7% in profits from sale of securities, largely governments, in 1954 as compared with 1953. This, of course, was a fluke. It won't likely happen again, so Mr. Patman had better exploit it before the bank earnings figures for 1955 come in.

What happened was that in 1953 the Eisenhower Administration temporarily determined to cut off the manufacture of credit, leave money on a supply and demand basis, and even put out a token amount of long-term bonds at 3¼%.

The howl was awful. Veterans' loans in due course went up ½ of 1%. The nation was being thrown over the abyss of depression, it was charged, all by a banker Administration interested in nothing but profits for bankers. Not even Mr. Patman, who bayed loudest, accused the Eisenhower Administration of giving millions of savers a chance for the first tiny break in 20 years of a tight control over the price of money.

So the Administration retreated half way back from its "honest money" policy, and government securities, which had initially fallen considerably below par, worked back and up to some premiums.

Mr. Patman, of course, did not point out this background. Likewise, he did not point out that if bank operating earnings had only increased by 10%, not a spectacular percentage rise for the hire of money compared with the hire of protected CIO labor or legislated government employee pay raises, the resulting boost in earnings would have been substantially greater

Continued on page 72

Objectives and Attainments of The Eisenhower Administration

By SHERMAN ADAMS*
Assistant to the President of the United States

Administration's spokesman recounts briefly its objectives and mentions some accomplishments. Says struggle for a peaceful world is the great goal, and its attainment lies in maintaining our military and economic power. Calls on all groups to further nation's peaceful objectives.

I should like to speak of some objectives of the Eisenhower Administration and how we have sought to attain them. You know that while slogans and literature help to sell, you nevertheless have to have a product. Sooner or later the public is going to have to have confidence in that product. We know that this is an important part of our job, too.


Sherman Adams

In 1953 a vast majority of the voters of America asked my party for a new demonstration of fundamental Americanism. You sales executives know that results are what count. We are past depression and inflation. We have controlled the cost of living, brought the public debt under prudent control. We are going to balance the budget, we have inaugurated new tax policies for added incentive to investment, we have removed injustices from the overburdened, and advanced policies of social research to care for the poor, the afflicted, and the aged. We are taking government out of competition with its own citizens.

These are by no means all, but they are measurable in results, in facts and statistics. Do they really carry the promise of continued prosperity? It is evident in public opinion polls, stock market trends, in countless barometers, that they reflect what people are thinking. That confidence finds its chief expression in the devotion of the people of this country to their President.

The struggle for a peaceful world is the great goal of our era. We shall not allow ourselves to be plunged into war. We reject a policy of weakness. If there is one idea I would leave with you, it is the indelible impression that your government is solemnly dedicated with its every resource to gain peaceful goals.

A year and a half ago the President outlined a program for putting atomic power to work for peaceful purposes. We have reached agreement with eight nations for the exchange of information to enable them to earn the same privileges. In the long run our efforts for peace will be strengthened by a plan to help other free people to help themselves. In the field of foreign trade, too often people think of reciprocity as a one-way street. Yet about 7% of the employed people in America's labor force produces for foreign markets. The programs for military and economic assistance for our allies have strengthened resistance to Communism.

We still find among free and neutral nations the belief that we are getting ready for war. We think our best chances to deter war are in a strong military program. The preservation of freedom has to be worked for. While disarmament is but one facet of the objective, it is the first and most important facet of the approach.

This effort has brought us a greater prosperity and is bringing us closer to a peaceful world. I am often asked what can I and my organization do to help. No group in the nation is in a position to make a greater contribution, each in his own capacity. If you believe that peace with prosperity is worth your effort, do what you can to support the policy you believe best designed to achieve it.

*A statement of Mr. Adams as guest speaker at 20th Annual International Distribution Congress Banquet, New York City, June 10, 1955.

Joins Phillips Secs.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Eugene A. Wulff has become associated with Phillips Securities, Inc., 5856 North Port Washington Road.

Elected Directors

Herbert Allen, partner, and Marvyn Carton, an associate in Allen & Company, New York City, have been elected directors of Wrigley Stores, Inc.

N. Y. Hanseatic Corp. 35th Anniversary

The New York Hanseatic Corporation, 120 Broadway, New York City, a firm which played an important part in the re-establishment of the German economy following World War I, is today celebrating the 35th anniversary of its founding. Organized shortly after the signing of the armistice which terminated World War I, the company has risen to a position of prominence among the over-the-counter securities dealers. New York Hanseatic is also a leading underwriter of corporate and municipal bonds and is one of the primary dealers in bonds of the United States Government and its principalities.

The company came into being when a group of American businessmen organized for the purpose of alleviating the havoc and privation engendered in central Europe by the blockade of World War I. They planned to export vital food stuffs and raw materials to Central Europe and to provide proper arrangements for ultimate settlement. The name of the corporation selected by the founders, many of whom stemmed from the "Hanseatic Towns," was chosen because of the parallel purposes of the company and the historic Hanseatic League formed in the Middle Ages for the protection of commerce and trade in an insecure world.

Several years later when the large established food packers began to revitalize their Central European business, New York Hanseatic assumed an important role in supplying European industry, trade and its public bodies with capital funds for long term loans.

During the depression years when international business was difficult, New York Hanseatic became more active in domestic business. The company became active as dealers in short-term, high-grade securities, such as bank acceptances, commercial paper and U. S. Treasury bills.

Early in the 1940's the company re-entered the field of foreign trade, focusing its attention on the Americas while continuing to maintain its contacts in Europe. Since the close of World War II New York Hanseatic has further expanded its operations particularly in the field of investment banking and participation in underwritings of leading corporations.

Today this company, which was formed to revitalize European industry, is instrumental in providing the capital for the expansion of many American companies. With offices in Boston, Chicago, Philadelphia and San Francisco, as well as New York, it has a staff of 175 officers and employees and operates a nationwide wire system. It also has close correspondents in Europe, Central and South America, Canada, the Far East and Australia and its activities in finance and commerce are now world-wide.

Newling & Co. in New Quarters in NYC

Newling & Co. Ltd. have taken the entire building at 65 West 44th Street, New York City. The firm is a member of the Toronto Stock Exchange and specializes in Canadian mining, oil and industrial securities. The New York office is managed by Paul Sarnoff.

With William R. Staats

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph W. Alexander has joined the staff of William R. Staats & Co., 640 South Spring Street, members of the New York and Los Angeles Stock Exchanges. Mr. Alexander was previously with Davidson & Company.

THE MARKET... AND YOU

By WALLACE STREETE

There was little change in the stock market pattern this week. Industrials continued to push to record levels, rails lagged with stubborn determination, and backing and filling was the rule for a rather large group of issues.

* * *

Cement issues, paced by Lehigh Portland with a string of appearances on the daily new highs list, were back in action after several weeks of consolidation after their last group outburst. Lehigh occasionally was prominent among the sprinters able to pile up multi-point gains.

* * *

Paper Progress

Rotating leadership continued in the paper stocks which continued to make progress overall. Rayonier and Great Northern Paper took up the cudgels in the sessions this week, while Minnesota & Ontario Paper rested from its recent good action. Rayonier, which more than doubled in value last year, now shows an appreciation of more than 50% so far this year. A stock split proposal was no handicap.

* * *

The picture is far different in the common stock of the bankrupt Third Ave. Transit. A reorganization plan was filed this week, offering nothing to the common. The issue that had been third best acting last year, more than tripling in price, slumped to new lows with conviction, shearing two-thirds of its value away which wipes out virtually all of the work of a year and a half.

* * *

Split Enthusiasm

General Motors and Sears among the old-time bellwethers were able to put on a couple of spirited shows, both racing to all-time highs. The excuse in each case was the same—talk of stock splits. General Motors has had a good string of capital adjustments, most of them before 1929 with a 2-for-1 split in 1950. The others in the Twenties included 2½-for-1, 2-for-1, 50% stock, 1-for-4 and 10-for-1 in that decade. Sears' history in this department is a bit tamer, including 40% stock and 4-for-1 between 1920 and 1926, with a rather long period of inactivity until its last 4-for-1 split in 1945.

* * *

Coca-Cola is another of the old-line favorites that was among the brighter features of the week in making the new highs lists. To most market observers Coke has been lagging badly in recent markets, considering the massive strides made by the industrial average. The issue sold in the exclusive $200 Club in 1946 but in the general squeeze of rising costs it has been anything but a wonder-worker since. It was nearly down to the $100 level as recently as 1951.

* * *

The fact that the issue has been able now to forge through the 125 level which represented its peak for 1954 and 1953 heightened investor interest, and its performance has been above average since. The company's difficulties stemmed from a rather novel perpetual contract under which it operates. The price of its syrup is keyed only to the price of sugar, which is less than half of the total cost. The company has had to absorb the fluctuations in the remaining 60% of the total cost. Some talk of renegotiating the contracts helped the issue along.

* * *

Oils were far from unanimous, a couple of weaklings around on most buoyant periods to keep the better-acting issues restrained. Probably no issue has been more neglected than Monterey Oil which is still in losing ground on the year despite the gains made elsewhere in the half year so far. The issue, in fact, has been toying with its poorest price since it was listed in 1953 rather than attempting to do joust with its peak of last year some 20 points higher. Amerada subsided after it had built up some brief popularity.

* * *

Irregularity in Defense Department

For the aircrafts the week's story was one of hopes and despair mixed up with no regard for a united front. New allocations of defense contracts were primarily responsible for the good action some of the issues went into sporadically. But it was generally short-lived exuberance with little real progress. Chance Vought, which was one of the better acting of the group this week, has been able to be nudged to the 40 line but its high earlier this year was 68.

* * *

In the other defense issues, Bath Iron Works was among the more persistently soft issues. Newport News Ship also showed signs of unpopularity. The Sperry-Remington group continued in an erratic pattern with an occasional fling on sharp upward moves. Sperry Corp. is still among the better acting issues for the first half year with a price appreciation of more than 100%. Remington, available last year at less than $15 has reached a level nearly four times as high for an all-time record peak.

* * *

Steels were undistinguished. With the dividend meetings and the half-year earnings reports still a month away, the various estimates of earnings keyed to the higher operating rate had no galvanizing effect and the issues swayed in tune with the general market in a somewhat listless fashion. Youngstown Sheet was among the better acting members of the division with an occasional nudging of its high a notch or so higher, but it was done in a calm, almost accidental, manner.

* * *

Chemicals continued to show a mixed air more times than not with Monsanto occasionally slipping somewhat badly while duPont featured when it was in the mood on some good gains. Allied Chemical had settled down to a quiet show of fair stability. The occasional sprinter in the group was Hercules Powder but the performance more times than not lacked follow-through so the overall progress was minor.

* * *

Summertime Brightens Again

Whatever else has been accomplished, the traditional "summer" rally is again inscribed on the charts. The industrial average at least has been able to make enough progress this month to confirm this seasonal runup whatever happens from here out.

* * *

Market spectators were pretty evenly divided over whether the rally can continue or whether a correction is necessary to set the stage for a new, strong uphill surge. The strength has been getting more selective, if anything, which is seen in a good many quarters as a sign for caution. But since the selectivity has been pinpointed largely in the issues used in the industrial average the appearance of a general rise could be maintained even in the face of unrest elsewhere.

[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.]

Goodloe Director

Thomas Goodloe, Vice-President of Equitable Securities Corporation of Nashville, has been elected to the Board of Directors of Morton Packing Company of Louisville.

Light on N. J. Municipals

Boland, Saffin & Co., 20 Pine Street, New York City, distributed book matches to all those attending the outing of the Bond Club of New Jersey. A handsome blue, it had a most attractive map of New Jersey on the cover and proved a most useful souvenir.

E. T. Reel Co. Formed

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — E. T. Reel has formed E. T. Reel & Co. with offices at 19757 Wellworth Avenue to conduct an investment business. Mr. Reel was formerly with Fairman & Co. and Jackson-Anderson Co.

Proposed Curbs on Bank Mergers

By WILLIAM McCHESNEY MARTIN, JR.*
Chairman, Board of Governors
The Federal Reserve Board

Federal Reserve Chairman gives data regarding recent bank mergers, and discusses present responsibilities of the Federal Reserve in this matter as provided by law. Recommends that the approval of a Federal agency should be required before any mergers or consolidations of banks, whether State or national, should be permitted, and holds enforcement of the law should be put into hands of the Attorney General.

It is our understanding that one of the purposes of these hearings is to explore possible legislative measures for restricting the development of monopolistic tendencies in the banking field. According to our information, a total of 100 bank mergers, consolidations and absorptions took place in 1952, the largest yearly number since 1939. The number grew to 116 in 1953 and 207 in 1954. For the first four months of 1955, the figure was 81, indicating that if growth continues at the same rate, this year's total may reach around 240. Since 1933, the merger movement has been the major factor in the gradual decline in the total number of banks. This is in contrast with the 10-year period just prior to 1933 when bank suspensions were more numerous than mergers and were the major factor in reducing the number of commercial banks by about one-half.


W. McC. Martin, Jr.

In general, consolidations have taken place between relatively small banks or through the absorption of small banks by much larger banks. In the 5-year period from 1950 to 1954, both inclusive, there was a decrease of 598 banks as the result of mergers, consolidations, and absorptions. Of this number 274 were absorbed by large banks having total assets of $100 million or more; and of the banks so absorbed 153 had total assets of less than $10 million, 88 had assets of from $10 million to $50 million, and 33 had assets of more than $50 million.

The reasons for which banks in recent years have decided to merge or consolidate have varied widely. However, we understand that frequently the reasons have been the favorable prices at which the smaller banks may be purchased, the desire by large city banks for banking outlets in suburban areas, and the need for stronger successor management in the case of many relatively small banks.

Whatever the cause, the current trend in bank mergers and consolidations is a matter which deserves careful consideration and one to which the Board of Governors has given much thought in recent months. Before indicating the views of the Board regarding this problem, it may be helpful to describe briefly the nature of the Board's responsibilities and experience in this general field under existing provisions of law.

Present Responsibilities of the Federal Reserve

At present the Board is vested with authority to enforce the provisions of the Clayton Antitrust Act where applicable to banks. Section 7 of that Act prohibits any corporation from acquiring the stock of other corporations engaged in commerce where, in any line of commerce in any section of the country, the effect may be substantially to lessen competition or tend to create a monopoly. However, as far as banks are concerned, this section applies only to acquisitions of stock. It does not apply to acquisitions of bank assets and does not cover bank mergers and consolidations.

National banks and State banks which are members of the Federal Reserve System are prohibited from purchasing corporate stocks and many States similarly prohibit stock purchases by State banks. Consequently, this provision of the Clayton Act as presently in force is of little significance as applied to banks. As a practical matter, it applies only where a nonbanking corporation— a bank holding company — acquires the stock of banks.

In only one case has the Board instituted proceedings under the Clayton Act. This proceeding was brought because of the acquisition over the years of numerous banks by Transamerica Corporation in the States of California, Oregon, Washington, Arizona and Nevada. After extensive hearings, in which it was shown that Transamerica banks had 40% of all bank offices in the five-State area and held 40% of all deposits in that area, the Board entered an order requiring Transamerica to dispose of its stock holdings in all but one of these banks. Upon review of this matter, the United States Court of Appeals for the Third Circuit set aside the Board's order, holding that there had not been a determination of the five-State area as the effective area of competition and that there was insufficient evidence of competition or lessening of competition between the banks which had been acquired by Transamerica. Petition for certiorari was denied by the United States Supreme Court.

Apart from the Clayton Act, the Board has other functions under present law which involve consideration of the competitive aspects of banking and possible tendencies toward monopoly in the banking field, although such considerations are not specifically mentioned in the law itself.

In the first place, under legislation enacted in 1933, the Board exercises some, although not extensive, functions with respect to bank holding companies. If a bank holding company controls a bank which is a member of the Federal Reserve System and wishes to vote its stock in that bank, it must first obtain from the Board a voting permit and comply with certain requirements and conditions. However, this law does not prevent or limit the acquisition of bank stocks by holding companies and does not effectively restrict the ability of such companies to expand the number of banks controlled by them. Bills to provide more effective regulation of bank holding companies have been under consideration for some years and the latest such bill has recently been reported by the House Banking and Currency Committee. Under that bill, a bank holding company would be required to obtain the prior consent of the Board of Governors before acquiring additional bank stocks and, in determining whether to give its consent, the Board would be required to consider certain factors including the effect of the proposed acquisition upon the preservation of competition in the field of banking.

Other provisions of existing law which vest limited authority in this general field in the bank supervisory agencies are those of section 18(c) of the Federal Deposit Insurance Act. Under that section, the Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, in their respective areas of authority, are required to pass in advance upon mergers and consolidations of banks, but **only** in cases in which the capital stock or surplus of the resulting bank will be less than the aggregate capital stock or aggregate surplus, respectively, of the banks involved. It should be emphasized that, in view of the limited nature of this authority, many mergers and consolidations do not have to be passed upon in advance by any Federal bank supervisory agency. A notable recent example was the merger of The Chase National Bank and the Bank of the Manhattan Company of New York City where the capital and surplus of the resulting bank were such that prior approval of the merger was not required under section 18(c).

Still other provisions of existing law require the advance approval of the establishment of branches by national banks, State member banks, and nonmember insured banks by the Comptroller of the Currency, the Board of Governors, and the FDIC, respectively. Although many mergers and consolidations do not as such require prior approval, it is frequently the case that a merger or consolidation involves the acquisition of one or more branches by the resulting bank; and in cases where the resulting bank is a State member bank, the acquisition of such branches must be approved by the Board. The Chase-Manhattan merger was a situation of this kind. While the merger itself was not required to be approved by the Board, it was necessary for the Board to pass upon the establishment as branches of the resulting institution of the offices previously operated as branches of The Chase National Bank.

Having in mind the policy of Congress as evidenced in the anti-trust laws, the Board of Governors, in passing on the types of transactions above mentioned, considers the possible existence of any undue lessening of competition among banks. In transmitting to the Board applications for branches of State member banks, the Federal Reserve Banks are expected to consider whether the establishment of a particular branch will tend to create a monopoly or an undesirable competitive advantage in relation to other banks in the area involved. The Federal Reserve Banks likewise consider the competitive factors in transmitting to the Board applications for approval of mergers and consolidations and for voting permits of bank holding companies.

At the same time, it is important to bear in mind that lessening of competition and tendency toward monopoly are not the only factors which must be considered in connection with various banking transactions including mergers and consolidations. There are other factors which also have an important bearing upon the public interest and which must be taken into account in such cases, such as the adequacy of a bank's capital structure, the competency of its management, its future earnings prospects, and the needs of the community. The Board must, of course, give proper weight to these factors in discharging its functions under the law; and it is understood that similar factors are considered by the Comptroller of the Currency and the FDIC in performing their respective statutory responsibilities. There have been in the past and there can well be in the future instances in which the over-all public interest would clearly be served by a merger or consolidation even though it may incidentally tend to lessen competition.

It should also be borne in mind that, in the light of existing provisions of Federal law relating to bank mergers and consolidations, Congress has apparently contemplated that not all such mergers and consolidations are objectionable but, on the contrary, that there may be many such transactions which, subject to supervisory approval, are justified and desirable in the public interest.

Pending Proposals

Various proposals have recently been made in Congress for the purpose of providing such measures of restraint as may be necessary to prevent monopolistic tendencies as the result of bank mergers and consolidations.

One of these proposals is represented by the bill H. R. 5948 which is pending before this Committee. That bill would amend Section 7 of the Clayton Act to make it applicable, not only to acquisitions of bank stocks, but also to the acquisition of bank assets where the effect of such acquisition may be substantially to lessen competition or to tend to create a monopoly. Another proposal now pending in the Senate along the same lines, although in somewhat different form, would amend Section 7 of the Clayton Act to cover acquisitions of bank assets but would further provide that, if any of the banks involved have capital, surplus, and undivided profits aggregating more than $1 million, the transaction could not be consummated until 90 days after advance notice to the Attorney General and the Federal Trade Commission. Under this proposal the failure of the Attorney General or the Trade Commission to interpose objection to the proposed transaction within the 90-day period would not constitute a bar to the subsequent initiation of any proceedings with respect to the transaction under any provisions of law.

Other proposals on this subject would follow the approach of amending section 18(c) of the Federal Deposit Insurance Act so as to make the prior consent of the bank supervisory agencies necessary in all cases of bank mergers and consolidations, whether or not the capital or surplus of the resulting bank is less than the capital or surplus, respectively, of the banks involved. One of these proposals would require the banking agencies to consider, among other factors, whether the proposed transaction would unduly lessen competition or tend unduly to create a monopoly. Another such proposal would make it mandatory upon the appropriate bank supervisory agency to refuse its consent to any proposed bank merger or consolidation if its effect would be substantially to lessen competition or tend to create a monopoly.

Enforcement of Authority Under the Clayton Act

The Board feels that section 7 of the Clayton Antitrust Act in its present form is not an appropriate and practical means of controlling or restricting monopolistic tendencies in the banking field. This view is based not only on the result of the Transamerica proceeding but more particularly on the fact that the present law applies only to acquisitions of bank stocks and not to mergers and consolidations and upon the fact that more effective control in this matter, the Board believes, can be obtained through a requirement of advance approval by some Government agency of all mergers and consolidations of banks.

The Board favors the general objective of recent proposals to amend section 7 of the Clayton Act to make it applicable to acquisitions of bank assets. However, these proposals would leave unchanged those provisions of the Clayton Act which now vest in the Board of Governors authority to enforce the provisions of section 7 where applicable to banks, banking aessociations, and trust companies. As previously indicated, that authority is now limited by reason of the law's applicability only to acquisitions of stock. Under the present proposals to amend the Clayton Act, the Board's responsibilities would extend to all types of bank mergers and consolidations, whether carried out under Federal or State statutes or effectuated through purchases of assets or assumption of liabiilties. This would result in a substantial enlargement of the Board's responsibilities in the anti-trust field; and the Board would be called

*A statement by Chairman Martin before the Anti-Trust Sub-Committee of the Committee on the Judiciary, House of Representatives, Washington, D. C., June 13, 1955.

upon to consider the competitive or monopolistic aspects of all such transactions, even though they had previously been approved by the other bank supervisory agencies, the Comptroller of the Currency and the FDIC, after consideration by those agencies of other aspects of the particular transactions.

The principal responsibilities and functions of the System lie in the fields of monetary and credit regulation and bank supervision. The prosecuting and adjudicatory functions incident to the enforcement of the antitrust laws are only indirectly related to the Board's principal responsibilities. Such functions are of a character quite different from the administrative functions normally exercised by the Board in passing in advance upon particular transactions in the bank supervisory field. In other words, the enforcement of the antitrust laws and the function of bank supervision represent, we believe, different spheres of governmental operation.

In the circumstances, the Board recommends that the enforcement of the provisions of section 7 of the Clayton Act relating to the acquisition either of the stocks or assets of banks should not be vested in the Board. At present the Attorney General, under section 15 of the Clayton Act, has a concurrent jurisdiction with the Board in the enforcement of the provisions of that Act insofar as they relate to banks. He is vested with authority to direct the various United States District Attorneys to institute proceedings in the courts to prevent and restrain any violations of that Act. It would be the Board's proposal to vest in the Attorney General exclusive authority for the enforcement of all aspects of section 7 of the Clayton Act relating to banks.

Advance Consideration of Mergers and Consolidations

At the same time, the Board believes that the possible competitive and monopolistic effects of bank mergers and consolidations should not be left solely for after-the-fact consideration, but that there should be an opportunity to consider this matter in advance in each particular case.

As previously indicated, the three Federal bank supervisory agencies under section 18(c) of the Federal Depoit Insurance Act are now required to pass in advance upon mergers and consolidations of banks where the capital or surplus of the resulting bank will be less than the aggregate capital or surplus of the merging banks. It is the Board's opinion that the objectives of legislation on this subject would be more effectively accomplished if this requirement were extended to apply to all bank mergers and consolidations, whether or not they result in a diminution of capital or surplus. This might be done either by amending the provisions of the Federal Deposit Insurance Act or by an appropriate amendment to the Clayton Act, which would require the prior approval of any bank merger or consolidation by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation, depending upon whether the resulting bank will be a national bank, a State member bank, or a nonmember insured bank.

In addition, however, the Board would recommend a further provision in order to allow due consideration of the possible monopolistic effects of bank mergers and consolidations. Each of the bank supervisory agencies should be authorized in its discretion to request the views of the Attorney General in any particular case coming before it, if the banking agency feels that there is a substantial question as to whether the proposed merger or consolidation would bring about an undue lessening of competition or tendency to monopoly. If the Attorney General should then indicate his view that the proposed transaction would have such a monopolistic effect, the Bank supervisory agency would be precluded from giving its consent to the merger or consolidation in question. However, it should be clearly provided that, if the Attorney General has **not** been previously consulted by the appropriate bank supervisory agency and has not indicated an absence of objection on his part, he would continue to have full authority to institute proceedings under the Clayton Act, if he should deem it desirable, with respect to any situation resulting from the particular merger or consolidation.

There is one other point we would like to mention. Existing law as well as some of the proposals under consideration use the phrase "substantially to lessen competition or to tend to create a monopoly." The Board would suggest that in any bill relating to bank mergers or consolidations the test should be whether the transaction would "unduly" lessen competition or "unduly" tend to create a monopoly. If there were a town in which there were only three or four banks and there were a merger between two of them, it seems obvious that there would be a substantial lessening of bank competition, but it might well be that the merger was desirable or necessary in the public interest because of other reasons. The use of the word "unduly" instead of "substantially" would permit such a desirable merger to take place.

It is the Board's belief that legislation along the lines here suggested — transfer to the Attorney General of exclusive jurisdiction for enforcement of section 7 of the Clayton Act with respect to banks and provision for prior approval by the banking agencies of all bank mergers and consolidations as outlined above — would provide effective safeguards against the development of undue monopolistic tendencies in the banking field and, at the same time, continue in the bank supervisory agencies, in accordance with the pattern of present law, responsibility for consideration of all the ordinary banking aspects of mergers and consolidations.

Marshall-Berger Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Berthold Berger and Mary Marshall Berger have formed Marshall-Berger Co. with offices at 2625 Wilshire Boulevard to engage in a securities business.

Roger Marshall Opens

Roger Marshall is conducting a securities business from offices at 15 West 44th Street, New York City.

Form Wall Street Secs.

Robert W. McLaughlin has formed Wall Street Securities Company with offices at 19 Rector Street, New York City, to engage in a securities business.

Belock Instrument Common Stk. Offered

Carl M. Loeb, Rhoades & Co. yesterday (June 22) offered 200,000 shares of common stock of Belock Instrument Corp. at $11.50 per share.

Net proceeds from the sale of these shares will be added to the company's working capital and will be available for any proper corporate purpose. Additional working capital is required to finance increased inventory requirements accompanying the continued growth in production and sales now being experienced by the company and for the manufacture of new products recently developed.

Belock Instrument Corp. was incorporated in 1950 to develop, design and manufacture mechanical, electro-mechanical and electronic precision components, equipment and systems. The company has two wholly-owned subsidiaries, Instrument Components, Inc. and Hugenot Machinery Corp.

The company plans to apply for listing its outstanding shares of common stock on the American Stock Exchange as soon as practicable after this offering is completed.

For the six months ended April 30, 1955 the company reported a net income of $345,711, or 63 cents a share of common stock.

Paul Murray Opens

Paul Murray is engaging in a securities business from offices at 15 West 44th Street.

H. G. Stolle Opens

Harold G. Stolle is conducting a securities business from offices at 101 Park Avenue, New York City.

Melvin Whitney Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Melvin Whitney is engaging in a securities business from offices at 607 South Hill Street.

Joins Makris Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Martin Sinsley has been added to the staff of Makris Investment Bankers, Ainsley Building.

M. W. Beckman Opens

(Special to THE FINANCIAL CHRONICLE)

LODI, Calif.—Millard W. Beckman is engaging in a securities business from offices at 119 West Oak Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is going through its usual pre-financing adjustment, with the longer end of the list getting most of the rearrangement. The belief that the longest issue, namely the 3% due 2/15/1995, will be reopened by the Treasury in order to raise new money has not only brought down the price of this bond, but also the quotations of all the other more distant obligations. The 3% due 1995 had moved up rather sharply in the past few weeks, due mainly to buying by public pension funds. The fact that the market has been and still is very thin in this bond, and the other longer-term Treasury issues, is responsible for the erratic price movements in both directions.

Because the impending financing by the Treasury is the ruling force in the money market, this keeps the demand very sizable for the shortest most liquid issues. Corporations and private pension funds continue to be the leading buyers of Treasury Bills.

Guessing on Change in Reserve Requirements

It is evident that the old guessing game is again being played by the money markets, which is the usual development when the time is not far distant for the Treasury to undertake financing operations. "Open mouth operations" are among the most important forces in the picture at this time, because there is no end to rumors about what will or will not be done by the monetary authorities to ease or keep tight the flow of funds. It is indicated that there is no substantial area of agreement among money market specialists yet, as to what should be expected in the way of future action by the powers that be.

It seems as though one segment of the money market is very strongly of the opinion that there will be a lowering of reserve requirements in the not distant future, in order that funds will be made available to the commercial banks so that the needs of business can be taken care of. There is talk that there will be a 1%, across the board, decrease in reserve requirements, freeing about $1 billion of funds, with the Central Reserve City banks likely to get more favorable treatment. It is being pointed out by this group that with business and consumer credit demands at such high levels, something will have to be done to put money in the market in order to take care of these requirements. Also, the Treasury will have to raise new money, and the deposit banks are in no position to help in this operation unless there is an easing in money conditions.

On the other hand, there are those in the money market who hold the opinion that there will not be a reduction in reserve requirements, and the tightness will not be eased. It is the belief of these money market followers that only small amounts of needed funds will be fed to the market from time to time in order to help take care of the needs of business. This will keep interest rates on the high side with prospects that the prime rate will increase in the not distant future. As far as the government financing is concerned, it is the opinion of these money market followers that the commercial banks will not be too important in the coming operation even though they can be counted upon to absorb a limited amount of securities that will meet their needs.

Reserve Buying Policy

The Federal Reserve policy of buying only short-term securities in open market operations is still a point of considerable discussion among money market specialists. It is being pointed out that under existing conditions, and with the prevailing open market policy, the Federal Reserve Banks could buy enough Treasury bills to build up bank reserves. However, in carrying out such an operation, the yield on the shortest government obligation would be pushed down to levels which would be out of line with the return available in other government issues. This would tend to aggravate existing money market problems.

Will the Long 3s Be Reopened?

According to advices, discussions have been and are being held between Treasury officials and money market specialists about the coming financing by the government. It is evident that in spite of the tightness of the money market the Treasury will be able to raise the needed new funds, estimated to be in the neighborhood of $4 billion. Likewise, arrangements must also be made for the refunding of $8,476,000,000 of certificates which come due on Aug. 15. That there will be issues in the impending operation to meet existing conditions is evident, with the belief very strong new that a long-term bond will be part of it.

A reopening of the 3s of 1995 would not be unexpected, with some money market followers of the opinion that it would not be adverse as far as the Treasury is concerned, if a billion or so of new money were raised in this manner.

James McKenna Partners

On June 30 James McKenna & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, will admit John S. Finucane to general partnership and Dorothy E. Gillespie and Rita A. Ferguson to limited partnership. Mr. Finucane will acquire a membership in the New York Stock Exchange.

ASE Golf Tournament

Henry C. Hagen, with a score of 79, was winner of the Chairman of the Board's trophy, at the golf tournament of the American Stock Exchange Five and Twenty Club held June 16. Benjamin J. Kallen with a score of 82 received the President's Cup. The golf tournament and dinner took place at the Sunningdale Country Club at Scarsdale, New York.

How Much Inflation Have We Had?

By IVAN WRIGHT

Dr. Wright maintaining long series of inflations have far outrun legitimate money or credit needs, warns of serious consequences ensuing from further anti-recession expansion. Discounts anti-inflation implications of commodity price stability. Terming recent inflation curbs ineffective, concludes intensified intervention by the money managers will be found indispensable.

After the depression of the early 30's the money supply was inflated by about every possible means to stimulate recovery. [In my opinion the inflation retarded recovery.] The dollar was devalued. Government and other securities were monetized. Lending regulations of the Federal Reserve banks and the member banks were relaxed in about every way possible. The sound banking practice of providing elastic currency and credit for seasonal, and expanding business needs secured by actual goods, was abandoned for the management policy of expanding money and credit secured by government and other securities. The money supply was increased sharply before World War II began. The amount of the increase depends on the date used as a base, but it was at least 50% or more. In addition, the quality and value of the dollars had been depreciated by the reduction in gold content.

Dr. Ivan Wright

The war brought further inflation in the supply of money, made easy by the unsound money and credit policies which had been established as excuses to promote recovery from the depression. The total amount of the inflation of the money supply during the war was about 150%, depending again on the base used. After World War II the money supply continued to increase but not so sharply, perhaps about 20%, until the Korean War which brough an increase in the money supply of more than $20 billion through 1952. In 1953 the money supply increased about $5 billion and in 1954 about $9 billion.

This series of inflations heaped upon inflations over a long period of years with rising demands made upon the financial system, and the growing production, and population of the country obscure the outline of inflation and the relation of the money and credit needs to the business of the country. From any examination of the facts available it seems that inflation has far outrun the needs of the country's growth for money supply. Depending on the base used, it appears that the money supply has increased some 600% since the days of the depression. In spite of the great progress made in production, the money supply is excessive by any comparison. Under these conditions further inflation of the money supply as a weapon to hold up prices and stop a recession seems open to the question of the serious consequences that may follow. The speculative boom of the 20's was financed by bank credit inflation.

Ensuing Speculation

There can be little doubt that the unprecedented speculation that has broken out in all directions from second hand goods, to

	U. S. Securities held by the Fed. Res. Banks	Reserve Bank Credit	Money in Circulation
	(Millions of Dollars)		
June 1929	216	1,400	4,459
June 1933	1,998	2,220	5,434
Dec 1939	2,484	2,593	7,598
Dec 1949	18,885	19,499	27,600
Dec 1953	25,916	26,880	30,781
Dec 1954	24,932	25,885	30,509

Loans and Investments and U. S. Government Securities Held by All Commercial Banks

	Loans and Inv.	Loans	U. S. Sec. held	Deposits all Com. Banks
	(Millions of Dollars)			
1939 Dec. 30	40,668	17,238	16,313	57,718
1947* Dec. 31	116,284	38,057	69,221	144,103
1953 Dec. 31	145,087	67,593	63,426	176,707
1954 Dec. 29	156,850	71,150	69,464	182,940

*The year 1947 is used here because 1949 is absent from the March Federal Reserve Bulletin of 1955 from which these figures are taken.

Ownership of U. S. Government Securities

	Federal Reserve Banks	Commercial Banks	Mutual Savings	Insurance Companies	Other Corps.
	(Million of Dollars)				
1950 Dec.	20,778	61,800	10,900	17,100	20,000
1952 Dec.	24,746	58,800	9,500	16,000	18,900
1953 Dec.	25,916	63,700	9,200	15,800	21,500
1954 Nov*	24,888	69,500	8,800	15,000	19,500

*November is used in 1954 because December holdings are not available.

Year End Unadjusted	Industrial Production 1947-49=100	Freight Car Loadings 1947-49=100
1950	112	97
1952	124	95
1953	134 preliminary	96
1954	125	86

Instalment Credit

	Total	Auto. Pap[illegible]	Personal Loans	[illegible]e Debts
	(Billions of Dollars)			
1947	12.713	3.692	3.816	48.9
1950	21.256	8.928	5.044	[illegible]8
1952	28.397	12.306	6.889	9[illegible].2
1954	29.304	12.532	7.827	11[illegible].6

Annual Rate of Turnover of Demand Deposits Except [illegible] Bank and U. S. Government Deposits

	[illegible]ew York City	6 Other Cities		New York City	Other [illegible]ities
1947	23.8	19.7	1954	41.3	25.8
1950	31.1	22.6	1952	34.4	24.1

building lots, securities, and wage demands with no relation to productivity are consequences of the unprecedented inflation of money and credit. Even in the year 1954 when there was a mild business slowdown loans and investments of the commercial banks increased some $11.8 billion. This increase in the loans and investments and in the deposits of the commercial banks when loans to business were declining was admittedly a direct result of the easy money policy, and the reduction of the reserve requirements of the member banks which was of course part of the easy money policy. The increase in the deposits of the member banks with the accompanying increase in investments account for the large increase in the money supply in use for the past two years.

The capacity of the banks to increase investments resulting from the reduced reserve requirements and the decline in loans to business was quickly employed in the purchase of government securities and other securities in which banks invest. The sources of the supply of all these investments purchased by the banks would be difficult to trace but some indications of where they came from are readily available. For example the holdings of government securities by the savings banks, insurance companies, and corporations as reported in the Federal Reesrve bulletin, declined sharply while the holdings of government securities by the commercial banks increased even more sharply. No doubt pension trusts, investment trusts, estates, endowments and individuals seeing the process of money inflation which was reducing the purchasing power of their money and bond investments, sold their government securities to the commercial banks who were quite willing to buy them with their newly increased capacity to increase their investments and deposits.

The sellers of these securities to the commercial banks then had the money to invest in stocks, speculate, buy real estate or expand their businesses. No doubt much of the money that was thus made available to institutions was quickly invested in the favorite 50 common stocks and similar equities. This process provided billions of new money to boost the price of these securities, stocks, and no doubt ignited the demand for these and the speculation in all other kinds of securities with the easy money available.

Other directions in which this vast inflated money supply found an out was in instalment loans and in mortgages.

It should be remembered that all credits are debts.

Commodity Price Stability

The stability of commodity prices, especially food prices, and other consumer goods prices has been pointed to as evidence that the inflation has not been effective in increasing the cost of living. These defenders of the inflation should remember that the law of supply and demand still operates, and in most consumer goods the vast over supply prevents the rise of prices. No doubt the subsidies with inflated money holds the prices up and won't let them go down as after previous war inflated prices and costs. Also the same condition prevailed in the 20's when, as a result of the large credit inflation through increasing bank deposits, speculation broke out in the securities markets and other directions such as foreign investments and real estate speculation, while the costs of living prices continued to recede under the pressure of over supply of consumer goods.

Unfortunately our money inflation practices violate all sound money policies. Once when we had sounder money and banking practices, the supply of money and credit increased and decreased with the increase and decrease of production and marketing, and was elastic to serve these useful purposes. Now currency and bank deposits are just inflated on the collateral of government securities, with reduced reserve requirements, and according to the opinions of the money managers. The elastic currency and credit provided for business in the 20's flowed into speculation through all sorts of schemes but now there is no restraint such as eligible business loan requirements. The flow of the money supply provided to serve business has found a more direct route into speculations of all kinds.

In other countries this unsound money inflation has brought consequences that no one with the best interests of the country in mind could want here. The recent efforts to restrain the inflation seem to me ineffective. They have brought to the front, however, the responsibility of the money managers to control what they have created, and this has placed the money market, inflation and or deflation and the consequences squarely in the hands of the government. The public is helpless. But business investors can not be blamed for trying to protect their values.

A few incomplete tables of figures taken from the March bulletin of the Federal Reserve Board, and stated briefly, may indicate the extent of inflation in recent years and some of the outlets for these funds. (See page 20)

Form United Investors

EAST ORANGE, N. J.—United Investors Company has been formed with offices at 265 South Harrison Street to engage in a securities business. Nicholas S. Gigourtakis is a principal.

Nelson Broms Opens

GREAT NECK, N. Y.—Nelson Broms is conducting a securities business from offices at 205 Schenck Avenue.

H. E. Drake Opens

(Special to THE FINANCIAL CHRONICLE)

HUNTINGTON PARK, Calif.—Hobart E. Drake has opened offices at 7900 Seville Avenue to conduct a securities business.

Form Chester Secs.

Chester Securities Corp. has been formed with offices at 80 Wall Street, New York City, to engage in a securities business.

Form Danenberg Co.

Henry G. Danenberg is engaging in a securities business from offices at 279 Tenth Avenue, New York City, under the firm name of Henry G. Danenberg & Company.

Forms Equity Securities

Robert H. Brennen is engaging in a securities business from offices at 11 Broadway, New York City, under the firm name of Equity Securities Company.

The Shippingport Atomic Power Plant

By PHILIP A. FLEGER*
Chairman of the Board
Duquesne Light Company

Mr. Fleger recounts the origin and progress of the first nuclear power electric plant put under construction. Stresses points it is a developmental project and costs may be higher than under normal conditions, while errors may be more numerous. Cautions at this early stage it is not possible to foresee all the information that will be gained from the construction and operation of the Shippingport plant, but he ventures a few examples of knowledge that might be acquired.

On Sept. 6, 1954, President Eisenhower passed a baton containing neutrons over a block of uranium in Denver, Colorado. With the speed of light a fissionable reaction swept 1,200 miles over the prairies to a picturesque site on the Ohio River near Pittsburgh, Pennsylvania. There, in the presence of Congressman Sterling Cole, co-author of the Atomic Energy Act of 1954, Admiral Lewis L. Strauss, Chairman of the Atomic Energy Commission, and some 1,400 persons, a giant tractor, with no operator at the controls, responded to the President's remote impulse. The tractor moved forward, scooped up a shovelful of earth, and the spectators, sensing the far-reaching significance of the occasion, rose and let out a tremendous cheer.

Philip A. Fleger

Thus ground was broken for America's first full-scale nuclear power plant. Thus, on the outskirts of a tiny town called Shippingport, near the site of Fort Duquesne, an outpost of freedom for the early pioneers, was launched a great venture, a venture which may be destined to mark an historic turning point in the history of the electric power industry, of our country, and, indeed, of the world.

Congressman Cole said: "Now we are at the end of the beginning. Now we translate our hopes and dreams of using the atom for the pursuits of peace into the concrete and steel of a plant producing large amounts of electricity."

Chairman Strauss described the project as "more fundamentally a pioneer venture than the first railroad to penetrate the West or the first airline to span the Continent."

"This ground-breaking," he said, "will surely project its effects into the remotest future for, as we turn the sod for this great new enterprise of the peaceable atom, we are also breaking ground in the area of international friendship and cooperation."

The story of Shippingport is your story as well as ours. In a sense this first full-scale atomic power plant is your property as well as ours. Although the plant will be jointly owned by the Government and the Duquesne Light Company, you are to own with us the knowledge that is gained from it. You are to share with us in the dividends of the answers to the problems to be solved.

An Important Decision

Shippingport is the result of an important decision, namely, that the development of nuclear power should be advanced from the laboratory stage to that of full-scale construction and operation.

Some competent scientists and engineers believed that a full-scale nuclear power plant should be built only after it was more nearly certain the power it produced would be competitive with power produced from conventional fuels. But, as Mr. Thomas E. Murray, speaking for the Atomic Energy Commission, said when he announced the decision to construct this country's first full-scale nuclear plant, "Such a course meant more paper studies and more delays." He added, "We were persuaded that we had much to learn that could only be learned by building and by operating."

The reactor in the Shippingport plant will be of the pressurized water type. When construction of the plant was first proposed there was a natural and desirable difference of opinion as to the relative merits of this type of reactor and certain other types, principally the sodium graphite, boiling water, homogeneous, and fast breeder reactors. The selection of the pressurized water reactor for the first full-scale plant was largely governed by two factors: first, it was the only type of reactor then ready for full-scale construction; and, second, it was the consensus of opinion that the development of all types of reactors would benefit from the information and experience that would be gained in the construction and operation of any full-scale plant, including the pressurized water reactor. These considerations were emphasized in the initial report of the Joint Committee on Atomic Energy on the Five-Year Power Reactor Development Program proposed by the Atomic Energy Commission in February of 1954.

Hence, the Shippingport plant is not being built solely for the purpose of developing the pressurized water reactor; rather, it is being constructed for the purpose of advancing nuclear power technology generally. Accordingly, the entire plant is being built along very flexible lines. The reactor portion will accommodate additional cores of different types and larger size. Multiple components are being made by a number of manufacturers using different designs. And materials of various kinds are being utilized.

Of course, such flexibility will substantially increase the cost of Shippingport. But the larger investment is fully justified by the additional knowledge that will be gained. Knowledge, after all, is our immediate objective, for we have much to learn before we will know how to build nuclear power plants that are competitive with conventional plants.

From time to time estimates of the cost of power at Shippingport have been mentioned in newspaper and magazine articles and in radio and television programs. None of these estimates are authoritative and there is no firm basis for them. On the contrary, as the Atomic Energy Commission pointed out when it first announced the project, one of the primary purposes of building the Shippingport plant is to provide a firm basis for estimating costs.

Construction Costs in Developmental Plants

In developmental plants such as Shippingport, construction costs will reflect the cost of many things which have been embodied in the plant for research and development. The relatively high cost of components manufactured on a tailor-made or non-tooled basis will also be a distorting factor. True construction cost values will be further obscured by subsidies from firms desiring to be associated with the projects for the purpose of gaining knowledge and prestige. Initial operating expenses will be inflated by manpower costs which will reflect lack of experience, insufficient knowledge of safety requirements, and test work. And, of course, initial operating expenses will also include charges for depreciation based on estimated lives which may or may not prove to be realistic in the light of experience.

Therefore, the actual cost of electricity produced by developmental plants such as Shippingport will be of no significance whatsoever. On the other hand, with the knowledge gained from the construction and operation of these plants it will be possible to estimate the cost of constructing and operating plants of the same type on a nondevelopmental basis and, from this, the cost at which such plants can produce electricity. These estimates will present some difficult questions, especially as to the life of various elements in the reactor portion of the plant and the proper amount to set aside each year for their depreciation. But reasonable accuracy should be attainable after several years' operating experience. Any estimates made prior to this will have to be based upon many arbitrary assumptions and will be in the nature of guesswork.

The beginning of test operations at Shippingport was originally scheduled for mid-1957. That is still the target date, but manifestly for such a revolutionary plant the schedule is a tight one. Excavation has been completed and large scale construction is about to get underway.

Role of Atomic Energy Commission

The nuclear part of the plant is being designed and constructed by the Westinghouse Electric Corporation under contract with the Atomic Energy Commission. Duquesne Light is building the turbine-generator portion and will operate the entire plant as an integral part of its system.

In the reactor a light water coolant, under pressure, will serve both to slow down the high energy neutrons and to remove the heat generated in the reactor core. The coolant will then pass to heat exchangers where the heat will be transferred to boiling water with the generation of steam. The steam subsequently will pass to a condensing turbine and then be returned through a regenerative cycle to the heat exchanger boilers.

The reactor is expected to be inherently stable, which means that a rising temperature will reduce the reactivity and tend to reduce the heat output. However, the reactor will be provided with control rods which will be required for certain purposes. The reactor and boilers will be enclosed in large cylindrical steel containers to prevent the escape of radioactive material in the remote case of coolant system failure.

The average temperature of the primary plant water will be maintained at about 525 degrees. The steam pressure at the turbine at

Continued on page 48

*A paper by Mr. Fleger before the 23rd Annual Convention of the Edison Electric Institute, Los Angeles, Cal., June 15, 1955.

Inter-Dependence Of Free Enterprise

By H. C. McCLELLAN*
President, National Association of Manufacturers
President, Old Colony Paint & Chemical Company

In pointing out the interdependence of free enterprise, prominent industrialist calls for all industries to join forces to fight government competition. Warns, however, that, when government takes constructive action, it is just as important to voice approval as it is to oppose government's invasion of free enterprise. Lauds Eisenhower policy of withdrawing government from business, but notes "Uncle Sam" is still largest land owner, largest lender, and largest red tape manufacturer.

May I at once register my profound admiration for you people. The electric light and power industry has been in the trenches, on the firing line, manning the guns, taking the brunt of the attack—yes, holding the fort—in a historic battle against socialism. Your stamina is positively of epic proportion. On behalf of others who can't know the half of it, I say, "Thank you!" From its beginning in the last quarter of the 19th century, the electric light and power industry has been a living example of the American philosophy of freedom.

Harold C. McClellan

Freedom which permits the exercise of personal abilities and ingenuity consistent with the rights of others. This unquestioned tradition made possible the formation of the first company to be concerned with electric power supply as we know it today. It was organized solely on the basis of faith in one man's ability.

Thomas A. Edison foresaw the elements of an electric light and power system, but did not have enough money to develop it as he would have liked. The money put up by investors in the Edison Electric Light Company enabled him to continue his work. Despite skepticism and ridicule from many quarters, he justified the stockholders' trust in him and gave the world the electrical age.

It is ironic that in the field of Edison's first and perhaps greatest triumph—electric light and power—the forces of socialism have made their greatest penetration. Ironical, but, in a sense, understandable.

Generating and marketing a product that is a public utility, private companies early in the industry's history suffered inroads by municipalities, eager to take over. Yet, in the true sense, electrical development traditionally has been free private enterprise. Never did public ownership represent more than 6% of generated power until the early '30s—the depression '30s.

The Instigation to Compete with Private Enterprise

What made possible these governmental gains of ownership and operation, competitive to private enterprise? Were they isolated—confined to your industry alone? Could they have been prevented or, at least, better held in check? To what extent do they represent victory for the forces of socialism and nationalization?

TVA—the Federal Government's first great invasion—was a "depression baby." It was originally a "make-job" project. It was supposed mainly to have to do with the development of navigation and flood control. Its alteration into a power project was "put across" on the taxpayers. Recently a newspaper reporter recalled that the birth pangs of TVA brought forth from Mr. Lilienthal sharp words about the "great power monopolists" who were — and I quote Mr. Lilienthal — "trying to block a flood control and irrigation project just because it had some power plants as a by-product." (Wall Street Journal April 6, 1955: "Poor Little Behemoth.")

In those days the so-called power giants were handy targets. Backers of TVA took pains to explain that they were opposed to monopoly and bigness; that the TVA power plants were being built simply to provide a "yardstick"—and to make their yardstick work they had to eliminate a private utility system. I sometimes wonder whether a better fight might not have been made to halt the building of the incarnate public monopoly that TVA was and is. Couldn't we have fought harder against this undermining of our private utilities? I mean, couldn't a better battle have been waged if industry as a whole had rallied around the beleaguered electric light and power industry?

I seem to remember pleas for help. I seem to recall that your industry based its pleas on the interrelationship of private enterprise. "Can't you see," the electric industry said, "that if the government takes over power, it will be able to do the same in other industries?" Though the pleas did not fall upon deaf ears, they brought few fresh recruits. Why? Because other industries were having troubles of their own —government troubles. Washington was moving in on them on a dozen fronts.

The Business Activities of "Uncle Sam"

And how those fronts have expanded! Today Uncle Sam is the largest landowner—the largest insurer and the largest lender—the largest landlord and the largest tenant — the largest warehouse operator, the largest shipowner, the largest truckfleet operator and the largest manufacturer and user of red tape in the world.

I can speak from close personal experience of the government's venture in the paint industry. Paint is a large and vital business in which I have a small interest. Like you people in the electrical field, paint has its national organization — the National Paint, Varnish and Lacquer Association. Well, in its long, lone fight to get the government out of the paint making business, the paint industry recently won a victory!

And long and lone the fight was, too!

The record shows that way back in 1932 the association urged the Shannon Committee of the House to recommend that the Navy stop manufacturing paint. Though the industry's efforts were unceasing, there was no policing or checking of government paint manufacturing until the Harding Subcommit-

Continued on page 47

*An address by Mr. McClellan at the 23rd Annual Convention of the Edison Electric Institute, Los Angeles, Cal., June 14, 1955.

Reappraisal of Competing Agencies of Utility Regulation

By RICHARD JOYCE SMITH*

Partner, Whitman, Ransom & Coulson, New York City

Mr. Smith traces the growth of Federal regulatory power over utilities and its effect on State regulation authorities. Says present confusion would be eliminated if Congress would require the Federal Power Commission to exempt from its regulatory authority those electric companies meeting the concept of a business "essentially local in character." Notes that Federal regulation was originally enacted as merely supplementary to State regulation, but says "Trojan Horse has been moved into the area of public utility regulation."

Great debates on the regulation of public utilities in this country have usually followed in the wake of dramatic technological advances in a particular type of utility service.

Richard Joyce Smith

The first great debate concerned control of the railroads following their sweep across the country in the eighteen seventies. Out of that debate came the State Railroad Commissions and, in 1887, the Interstate Commerce Commission.

Another series of debates arose in the first decade of the present century when the gas and electric distributing companies and the street railways were in the early stages of pronounced expansion. These debates were on the question of more comprehensive regulation by the individual States. As a result, the old Railroad Commissions of many of the States were streamlined into the modern Public Service Commissions with broader powers to regulate the newer types of utilities.

In these early debates, the question of Federal versus State control did not arise except in the case of the railroads. Even there, the first important constitutional issue decided by the Supreme Court concerned the scope of the authority of an individual State to regulate railroad rates. It was only when the railroads developed into a national system of transportation that Federal rather than State regulation was established.

During this early period, it was generally conceded that the control of what were known as "local" utilities, that is, those engaged in providing gas, electric, water and trolley service, was exclusively a function of the individual State.

As the telephone developed in the early nineteen hundreds, it, too, was a strictly local utility. Its business was primarily to provide communication among the houses and stores in settled communities. Despite the magnificent development of the long-lines telephone service in this country during the past 25 years, and the later flowering of the Federal Communications Commission, the telephone business has retained much of its character as a local utility and the State Commissions still exercise predominant authority.

As the stage was being set for the great debate of the nineteen thirties, the gas companies, rather than the electric companies, produced the first inkling of the conflict. The beginnings of natural gas transmission produced several cases concerning the rights of the State Commissions to control the transmitting companies, notably the decision of the Supreme Court in *Missouri v. Kansas Gas Company*, 265 U S 298. But decisions that gas transmission crossing State lines was immune from State control did not change the generally accepted view that the gas business was strictly a local enterprise. Those decisions were certainly not considered to call for Federal control of the gas industry.

The gap became the "Attleboro" gap, rather than the "Kansas" gap, because the expansion of the electric utilities was more widespread and more dramatic than the growth of the gas business. The gas business was still the *gas light* business—when people were already talking about the electric *power* industry. Moreover, the potentialities of the new power, and the ever increasing capacities for generating and transmitting the power, not only fired the imagination of the American people, as the railroads had done a generation before, they also attracted capital—and they spurred on the engineers to endeavor to make the wonders of electricity more real than ever.

As early as World War I, rapid engineering developments in the power industry in this country had already provided a new, major national resource which was the envy of other nations. It was this dramatic technological expansion coupled with the enlarged corporate organizations for managing the expansion that gave impetus to the drive to have the Federal Government assume primary responsibility for control of the electric power industry as it had in the case of the railroads.

As we all know, the debate on this question was in many respects a major development of the populist movement known as the New Deal, just as the debate on controlling the railroads after the Civil War had been the keynote of the Granger movement in the middle west. But there was an important distinction in the two situations. The movement for the initial state regulation of the railroads came when there was a practical absence of any regulation. The succeeding movement for the assumption of control by the Federal Government arose when, in actual operation, the railroad systems of the country had been forged into a national system of transportation. The debate over the Federal control of the power industry in the nineteen thirties came at a time when, for most practical purposes, regulation by individual States was effective or could readily be made effective and when, despite the growth of interstate transmission, the operating units of the power industry were State rather than National, or regional enterprises.

The Attleboro Case

The facts of *Public Utilities Commission of Rhode Island v. Attleboro Steam & Electric Company*, 273 U S 83, decided in January 1927, bear out this distinction. As early as 1917 Narragansett Electric Lighting Company, the local electric utility serving Providence, Rhode Island, and fringe territory had made a contract to supply to the Attleboro Steam & Electric Company, the local electric utility serving Attleboro, Mass., and surrounding districts, all the electricity required by the latter company. The Narragansett Company agreed to transmit the electricity from its generating plant in Rhode Island to a station of the Attleboro Company in Massachusetts where it was to be metered. The contract was filed by the Narragansett Company with the Public Utilities Commission of Rhode Island. That Commission authorized the special rate involved. For some time, the contract was performed apparently without any trouble. Then, in 1921, and again in 1924, the Narragansett Company tried to get an increase in the contract rate by filing a new special rate with the Rhode Island Commission. The Rhode Island Commission held hearings and decided that the rate under the Attleboro contract was unreasonably low, and unfair to Narragansett's other customers, and that the increased rate should be approved. The Commission's order was appealed by the Attleboro Company to the Rhode Island Supreme Court. That court held the transaction between the two companies to be in interstate commerce and declared the Commission's order invalid as an unconstitutional burden on that commerce. The Supreme Court affirmed the decree of the Rhode Island Court on the authority of its decision in the *Kansas Gas Co.*

Continued on page 45

*An address by Mr. Smith at the 23rd Annual Convention of the Edison Electric Institute, Los Angeles, Cal., June 14, 1955.

Britain Is Counting The Cost of Strikes

By PAUL EINZIG

Dr. Einzig reports that though the rail strike in Britain is over, the dispute, along with other labor stoppages, is by no means over. Says Britain is much more worried about future industrial strife than immediate cost of rail and other recent strikes.

LONDON, Eng. — At last, the strike of engine drivers is over, and the British railways are functioning once more normally. But there is no sign of that nationwide feeling of relief which is usually in evidence after the settlement of a major strike. For one thing, the dock strike is still on at the time of writing, and most British passenger liners are unable to sail because of the unofficial strike of a fraction of their crews. Although less than two-fifths of the dock laborers are affected by the strike, loadings and unloadings are reduced to about a quarter of the cargoes, which shows that even those who are not on strike are not working satisfactorily. As for the strike on the lines, it is liable to cost to the shipping companies and to the nation many millions of pounds in loss of earnings.

Dr. Paul Einzig

Even the rail dispute is far from settled, and it remains to be seen on what terms it will be settled. Although work has been resumed, negotiations continue about the wages increases to the two rival unions. Freight rates have just been raised; in order to cover the additional cost it might well become necessary to raise them, and also passenger fares, once more. The effect on the cost of living and on the cost of production might set in motion another inflationary spiral.

In such circumstances it is not surprising that the termination of the rail stoppage was not followed by a Stock Exchange boom. On the contrary, the immediate reaction was a setback, following the inexplicable rise that was proceeding during the latter part of the strike. Nor is sterling very firm. It is realized that the balance of payments is bound to suffer as a result of the loss of exports, visible and invisible. Moreover, since the number of strikers whose earnings have declined was small, the total decline of consumer incomes was considerably less than the decline in the output. The net result is an excess of demand over supply. Although in respect of most goods this can be met out of stocks, the decline of inventories will tend to cause prices to rise, and in some instances less will be available for export.

What is much more worrying than the immediate costs of the rail strike and the other strikes which are in progress, is the feeling that this is merely a foretaste of things to come. There is a feeling of resentment among industrial workers about the Conservative victory at the general election, and they are in a truculent mood. Possibly this may induce many to decide in favor of strikes in borderline cases when other considerations for and against are more or less evenly balanced.

In this respect there are, however, two conflicting opinions. According to some, under a Socialist Government there is more inducement for the workers and their unions to hold out for higher pay, because they assume that a Government of their own choice is on their side, and employers could not therefore resist too firmly. According to others, there are limits beyond which the workers would not wish to embarrass a Government of their own choice, but there are practically no such limits when a Conservative Government is in office. The latter view is probably nearer the truth, judging by the fact that wages increases were much larger under the Conservative Government (allowing for changes in the cost of living) than under the preceding Socialist Government.

The trouble will begin when the pressure for higher wages will come into conflict with the Treasury's policy of credit restraint. Until now industries could afford to take the line of least resistance by conceding wages demand in order to avoid strikes. But the stage has now been reached at which Mr. Butler has to apply in all earnest the credit restraint which has hitherto been largely ineffective. Even the nationalized industries will have to be told that they would no longer be able to help themselves to unlimited amounts of Treasury-guaranteed bank credit. The banks would feel strongly against a continued unlimited allocation of their resources to the nationalized industries if they are compelled to cut their loans to their customers among the private firms. There is bound to be a strong demand for a more equitable allocation of credit as between the public and private sectors of the economy.

Once the industries find it difficult to increase their bank credits they will have to resist wages demands more firmly. This will mean more strikes, because, owing to the prevalence of overfull employment, the workers are not accustomed to the sound of the word "no." They feel they hold all the trumps. If both sides hold firm there is bound to develop a certain amount of unemployment, not so much through deflationary monetary policy as through an epidemy of strikes, big and small.

Mr. Butler is confronted with a dilemma. He has to strengthen the balance of payments by means of a hard money policy, even if it means strikes and unemployment. Politically the Government can afford a certain amount of unemployment at present, because the next general election is very remote. Economically a hard money policy is a gamble, because the gains achieved through curtailing consumption and imports are liable to be offset by a decline of the output as a result of the strikes.

The incidental effects of the terms of the recent agreements in the American motor industry may perhaps provide some temporary relief to hard-pressed Britain. If the terms accepted by the Ford Motor Co. and General Motors should find wide application in the United States, it would raise American cost of production, and this would help British exporters. At the same time the increase of the American consumers' purchasing power would also help. But British industries would have no cause for rejoicing. For the chances are that, before very long, pressure in favor of the adoption of the same system in Britain would become irresistible. Indeed, in view of the scarcity of labor in Britain, it is surprising that British labor unions have not preceded their American opposite numbers in demanding and obtaining the terms demanded and obtained by the latter. Sooner or later—presumably sooner—British exporters will lose the competitive advantages they may gain through this development. So the problem of having to resist wages demands even at the cost of strikes will have to be faced before long.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Ray D. Murphy, President of the Equitable Life Assurance Society of the United States, has been elected a member of the board of directors of **The Chase Manhattan Bank of New York** it was announced on June 16 by John J. McCloy, Chairman of the bank's Board. Mr. Murphy has been associated with Equitable Life for 42 years. In 1947 he was elected a director and three years later was appointed Executive Vice-President and Actuary. He was elected President of Equitable in 1953. Mr. Murphy is President of the Life Insurance Association of America, a past President of the Actuarial Society of America, Vice-President of the Chamber of Commerce of the State of New York, and a member of the board of the Life Insurance Medical Research Fund.

* * *

Harlow H. Curtice, President of General Motors, issued this week a news release for publication regarding Dr. Lawrence R. Hafstad. Following is a comment from the **Chase Manhattan Bank** regarding this announcement:

John J. McCloy, Chairman of the **Chase Manhattan Bank**, said today that, by agreement, Dr. Hafstad will be available to the bank in a consultative capacity on atomic energy matters "where there is no conflict of interest." Chase Manhattan, he said, expects to continue its program of active participation in the development of peacetime uses of atomic energy.

* * *

Guaranty Trust Company of New York announced on June 16 the election to its Board of Directors of John T. Dorrance, Jr., Assistant to the President of Campbell Soup Company. Mr. Dorrance has been associated with the Campbell company since 1946 and is also a director of that company and a number of its affiliates. His father, the late John T. Dorrance, was also a director of the Guaranty Trust Company from May 6, 1929, until the time of his death in 1930. Mr. Dorrance is active in civic, philanthropic, and business affairs in Philadelphia, Camden, and elsewhere. He is a director of the Pennsylvania and Atlantic RR. Co.; Pittsburgh, Fort Wayne and Chicago Rwy. Co. and the John Wanamaker companies of Philadelphia, Wilmington, and New York. He is First Vice-President of Camden County Community Chest and on its board of trustees

* * *

At the regular meeting of the Board of Directors of **The First National City Bank of New York** held on June 21, two Vice-Presidents and four Assistant Vice-Presidents were appointed. The new Vice-Presidents are: Peyton F. McLamb, Southern District of the Domestic Division, and Joseph E. Wheeler, Caribbean District of the Overseas Division, both of Head Office.

New Assistant Vice-Presidents are: Stephen C. Eyre, Mid-Western District of the Domestic Division; Lawrence S. Heath, II, New England District of the Domestic Division; Homer C. Lathrop, Jr., Park Avenue Branch, and Neil J. Stevenson, 34th Street Branch. A native of Berrien County, Georgia, Mr. McLamb in 1929 joined the **Bank of America** and came to **National City** in 1931. During World War II he attained the rank of Colonel in the U. S. Army and upon his return to the bank was assigned to the Domestic Division. Mr. Wheeler a native of St. Louis, Mo., served in the Dominican Republic for 17 years, and was manager of National City's Branch in Caracas, Venezuela for seven years.

* * *

The appointment of Henry S. Mohr as an Assistant Secretary of **Manufacturers Trust Company of New York** is announced by Horace C. Flanigan, President. Mr. Mohr joined the Company in 1939 and is assigned to the Personal Loan Department at the bank's Main Office.

* * *

Louis Schneider and Edward Ramelkamp of **Central Savings Bank of New York City** have been promoted to Assistant Controllers of the bank. James T. Lee, President of the Bank, made the announcement following a recent meeting of the Board of Trustees. Mr. Schneider has been with the bank since 1917 and Mr. Ramelkamp joined the staff of Central in 1934.

President Lee, of the Central Savings Bank, also announced that for the quarter ending June 30 the Trustees of the bank have declared an extra dividend of ¼ of 1% per annum in addition to a regular dividend of 2½% per annum. This marks the fifth consecutive quarter on which the bank has paid a dividend at the rate of 2¾% per annum.

* * *

Arthur T. Roth, President of the **Franklin National Bank of Franklin Square, New York**, announces the retirement of William Frank Rhinehart from the board of directors and as Vice-President of the Inwood office of the bank. Mr. Rhinehart entered the banking profession in March, 1913, and was affiliated with the **Bank of Long Island** which merged with the **Bank of Manhattan Company**; the National Bank of Far Rockaway; the Peninsula National Bank of Cedarhurst and was President of the First National Bank of Inwood, which, last November, merged with the Franklin National Bank. Mr. Rhinehart was presented with a scroll by the board of directors honoring his 42nd anniversary as a banker, civic leader, etc.

* * *

As of May 27 the New York State Banking Department approved a certificate providing for an increase in the capital of the **County Trust Company of White Plains, N. Y.**, from $4,614,750, in 922,950 shares par $5 per share, to $4,719,750, consisting of 943,950 shares, par $5 per share. On May 27 also the State Banking Department authorized the County Trust Company to open a branch in Irvington, Westchester County, in furtherance of the plans for the merger of the **Irvington National Bank and Trust Co.** into the County Trust Co., to which reference was made in our issue of May 26, page 2414.

* * *

Robert C. Tait, President of the Stromberg-Carlson Company since 1949, has been elected to the board of directors of the **Lincoln Rochester Trust Company, of Rochester, N. Y.**, John W. Remington, President of the trust company announced on June 17. A native of Rochester, Mr. Tait was graduated from Princeton University. After graduation Mr. Tait served as Sales Manager and Vice-President of a manufacturing firm until 1934. He joined the **Genesee Valley Trust Company of Rochester** as an Assistant Trust Officer in 1935 and in 1940 became a Vice-President. In 1945 Mr. Tait moved to Pittsburgh where he joined the **Union Trust Company** of that city as Vice-President, and in 1946 he was elected a Vice-President of the **Mellon National Bank & Trust Company**, where he served until joining Stromberg-Carlson, which is merging with General Dynamics Corporation.

* * *

The Watertown National Bank of Watertown, N. Y., reports a capital of $500,000, as of June 7, increased from $440,000 as a result of a stock dividend of $60,000.

* * *

A further addition to the capital of the **National Newark and Essex Banking Company of Newark, N. J.** has been announced the current month, following the increase which became effective on May 9. At that time the capital was enlarged from $5,350,000 to $5,778,000, reference to which was made in these columns June 2, page 2562. The latest increase resulted from the sale of $772,000 of new stock, the capital thereby having been enlarged from $5,778,000 to $6,500,000, the latter having become effective on June 16.

* * *

Reuben L. Babcock, Jr., founder and President of the **First National Bank of Absecon, N. J.**, died on June 2, at the age of 70 years. In an account of his death, the Newark "Evening News" of June 3 said in part:

"Born in Absecon, Mr. Babcock attended local schools, Peddie Preparatory School, Hightstown, and was a graduate of Lafayette College, Easton, Pa.

"In 1916, Mr Babcock founded the First National Bank of Absecon and became its first President, a post he held until his death. For 35 years until his retirement two years ago, he was active in the real estate firm of Babcock & Conover."

* * *

Announcement was made on June 20 of plans to merge the **Provident Trust Company of Philadelphia** and the **First National Bank of Delaware County** with headquarters in Media, Pa. The joint announcement by William R. K. Mitchell, Chairman, and Benjamin Sawin, President of Provident Trust Company, and Richard G. Burn, President of First National Bank of Delaware County, followed approval of the merger plans by the boards of directors of both institutions.

The merger, which is subject to the approval of stockholders and the regulatory authorities, will provide for the issuance of Provident stock to shareholders of First National Bank of Delaware County. The combined institution, on the basis of Dec. 31, 1954, figures, will, it is stated, have total resources of $241,000,000, deposits of $218,000,000 and capital funds of $21,000,000, excluding valuation reserves. The First National Bank of Delaware County maintains offices in Media, Swarthmore and Springfield, Pa. Richard G. Burn will become a Vice-President of Provident Trust Company in charge of those offices. Merger plans call for the retention of officers and personnel of the First National Bank of Delaware County by the merged institution.

More Action by the Electric Industry Needed!

By ELMER L. LINDSETH*

President, Cleveland Electric Illuminating Company

Utility executive urges more action by electric producing concerns to better the standard of living in American households. Points out electricity contributes more to our modern American standard than any other single factor, yet millions of homes do not enjoy the barest minimum of electrical living. Calls for pooling of efforts of the electric industry with other interested industries and civic and professional organizations.

I

Of this proud nation's 50 million homes, only seven million are in first-class condition. The remaining 43 million are in some degree sub-standard. Eight million are actually in slum or near-slum condition.

Elmer L. Lindseth

It is a strange paradox indeed that we Americans, who boast the highest standard of living in the world, should also have so much of the lowest. Yet our efforts at rehabilitation must not be restricted to the one home in six which is in slum or near-slum condition. Our efforts must be directed at **every** home in the United States. Even the seven million first-class homes must be kept first-class.

It will be a major job to arouse the American people to a sense of the value and importance of their homes. Pride of ownership among home-owners has been on the decline for decades, and we have accumulated a tremendous backlog of decay and neglect. We are long overdue in organizing our industry and others to reawaken Americans to the wisdom —in fact, the necessity—of proper home maintenance, repair, and modernization.

Electrically speaking, the vast majority of America's homes are obsolete. Measured against the living standard which modern appliances make possible, the number of sub-standard homes is truly alarming.

Twenty-two million American homes have ranges over 15 years old. More than 45 million homes lack clothes dryers of any kind. Some 25 million do not have automatic water heaters, either gas or electric. Over 40 million are not just inadequately, but poorly, lighted. twenty-one million do not even have wiring that would permit the use of these improvements, if the occupants were to buy them.

According to a recent General Electric survey, 42% of all homes have only two-wire, 30-ampere entrance capacity. Think of it! More than 21 million American homes in 1955 with only two-wire service!

Yet this is only part—although an important part—of the sorry housing picture which our industry must help set right if our business is to remotely approach our market potential.

II

And let there be no mistake about the great and growing importance of residential usage to utilities. Just 10 short years ago, residential customers accounted for only 15% of all electric energy sold. Last year, that percentage was 26. This is a tremendous increase in just one decade—a greater increase than for any other class of customers. On a revenue basis, it is even more impressive. Residential sales in 1944 totaled \$1.1 billion; in 1954, they were \$2.9 billion—an increase of 160%.

These figures show what has happened despite our severe bottlenecks of inadequate wiring, the general sub-standard condition of housing, and a nationwide apathy regarding home improvement. The results of the past decade are only a fraction of what we can attain if we really organize to tap the potential I have mentioned for ranges, clothes dryers, water heaters, and improved lighting alone.

To gauge that potential, let's make the conservative assumption that "ACTION," (program of American Council to Improve Our Neighborhoods) in its efforts to raise **all** American housing to even modest standards, accomplishes only 10% of that objective.

That 10% success, combined with good sales promotion on our part, can add to our lines 2 million additional electric ranges, 4½% million additional electric clothes dryers, 2½ million additional electric water heaters, and 4 million additional relighted homes.

For the appliance industry, this adds up to about \$2 billion in **increased** potential sales. For the utility industry, it means some \$300 million annually in **increased** residential revenues beyond what we can otherwise expect.

Let me repeat: even that is only a small sample, based on the assumption that "ACTION" achieves a mere 10% of its potential.

We can scarcely imagine the possibilites if we reach 20, 50, 100% of the goal in the residential field, to say nothing of the collateral commercial and industrial benefits. And with the support of other interested organizations, our efforts should be highly successful. In fact, if this country's homes and neighborhoods are to be saved from decay and degradation, our efforts **must** be highly successful.

III

Electricity contributes more to our modern American living standard than any other single factor, Yet we cannot claim to have made more than a bare beginning with today's contribution, impressive though it is.

Millions of homes today do not enjoy even the barest minimum of electrical living.

In part, this failure is due to the fact that those homes are inadequately wired. I mentioned a moment ago that 42% of American homes—21 million—have only two-wire service of 30 amperes or less. Even more disturbing is the fact that of the homes being built today—and this is largely the fault of the utility industry — 20% have an entrance capacity of 30 amperes or less.

In part, too, many homes lack electrical conveniences because our selling campaigns fall on unreceptive ears. The "ACTION" presentation shows that too many people today are not concerned about their domestic housing standards because their interests have been channeled elsewhere. Smart advertising is persuading them to spend their money on things much less vital to their welfare.

For example, millions of Americans have cheerfully spent \$2,500 or more on a new car, while their homes lack an adequate range, a water heater, automatic laundry equipment, or even the barest minimum of adequate lighting. And 4½ million families today own not just one, but two cars. The average income of these families, many of whom would claim they cannot affor a new electric range or dryer, is slightly over \$7,000 a year. The automotive industry estimates that by 1960, the number of two-car families will exceed 7½ million.

Can't our industry do as good a selling job as Detroit? I think we can, if we put our minds and energy to it. Certainly what we have to sell is closer to home, and means more in better living standards, than the autombile, important though that may be.

IV

"ACTION" has a program that can help us. "ACTION" offers our industry a unique opportunity to work with other interested industries and with civic and professional organizations in a co-ordinated, broad-scale campaign. Rehabilitation is their concern. It is also our concern. By pooling our efforts with theirs, we can multiply results.

The task is no easy one. In fact, it's a **mammoth** job, this reconstruction and renovation of America's homes. As Mr. Severin told you, the total bill will be at least \$40 billion. "Nation's Business" estimates that \$15 billion needs to be spent on re-wiring alone.

All this is over and above the \$12 billion already spent each year on home improvement, modernization, and maintenance. Currently, one-half of that \$12 billion is spent by only one-tenth of all householders. Almost half of all home owners spend nothing at all.

This program merits all the strength our industry can muster —moral, organizational, and financial. The results can be worth many times the effort and outlay involved.

We can share in the increased general prosperity that is bound to accompany such broad-scale rehabilitation of America's homes.

We can gain by increased appliance sales and electric usage.

We can enjoy heightened public respect and confidence, because "ACTION" will indirectly act as a public relations force for the entire electric utility industry.

We can share in the reduction of taxes that will follow wide-scale improvement of America's neighborhoods. Slums represent a heavy drain on tax-supported police and welfare services. And in many municipalities, our companies are the largest single tax-payers.

Finally, we can be citizens of a better, sounder, more self-respecting America.

V

Specifically, what should we do, you and I?

First and foremost, let's each of us get informed—become literate—about the whole vast and complex problem of decayed and decaying neighborhoods.

Second, let's publicly endorse "ACTION" and its objectives—both personally, and in the name of the companies we represent.

Third, let's give all possible publicity to the "ACTION" story. Let's stimulate the interest of our local and civic welfare organizations working in this field. Let's tell them what "ACTION" can do for our communities.

Fourth, let's motivate our associates and our employees to take leadership in rehabilitation projects in our areas, and to integrate those projects with the nation-wide "ACTION" campaign. We will be well advised here to look closely into the "foundation" idea. A number of cities—Baltimore, Cleveland, Cincinnati and St. Louis among them—have established development foundations dedicated to improving housing conditions in cooperation with municipal, county, state, and Federal authorities. They are showing impressive results.

Fifth, let's give "ACTION" wholehearted financial support.

If we do these things, we can spearhead the success of "ACTION" in every community we serve. That effort will be repaid many times over, not only in dollars and cents, but in the far richer rewards of a better America. We can help to reduce the toll of crime, disease, delinquency, heartbreak, futility, and broken homes; we can strengthen the very moral fibre of the nation.

These will be the collateral benefits to our normal business gains; they will be ours "for free."

*A paper by Mr. Lindseth before the 23rd Annual Convention of the Edison Electric Institute, Los Angeles, Cal., June 14, 1955.

Geo. Hendrik Now With Blunt Ellis & Simmons

CHICAGO, Ill.—Blunt Ellis & Simmons, 208 South La Salle St., members of the New York and Midwest Stock Exchanges, have announced that George K. Hendrik, Jr. is now associated with their firm. Mr. Hendrik was formerly with the Chicago office of Scudder, Stevens & Clark, investment counselors.

"Time to Fix the Roof Is When the Sun Is Shining"

By C. CANBY BALDERSTON*
Vice-Chairman, Board of Governors of the Federal Reserve System

Noting that state of business is now at all-time high, Mr. Balderston maintains prosperity's continuation depends on quality of executives' present policy decisions. As most important of such questions, lists capital additions, inventories, elimination of waste, and development of new products. Urges following of middle road between caution and daring, and warns that "the time to fix the roof is when the sun is shining."

Business is prosperous. Much of it is on the highest plateau in history. What can executives responsible for policy making do to keep it so? Since the collective health of business reflects the experience of a variety of individual firms, the decisions affecting their future are vital to continued stable growth in consumption, production and employment.


C. Canby Balderston

What are the soundest policies to follow, now that we are on high ground with all the accompanying exhilaration? One approach is to ask what government can do to prevent a descent into whatever valley may lie ahead. It is no longer necessary to argue the importance of the policy decisions made by fiscal and monetary authorities. They are among the important forces influencing the climate in which business firms grow and prosper or decline and die, but climate is only one of the conditions necessary for good crops. Plain hard work and intelligent planning and supervision are needed also. While recognizing the impact on business prospects of monetary policies, of tax provisions and a friendly governmental attitude toward constructive business developments, I prefer to discuss what business itself can do to keep in good condition. When in depression, necessity forces much head holding and soul searching to find solutions. My thesis is that the time to start hunting them is right now while business is excellent.

General Business at All-Time High

The low state of certain portions of the economy, such as coal, dairying, and farms in drought striken areas, is painful to those who suffer from lack of work and income. Though these soft spots exist and give concern to thoughtful citizens, they do not reflect the general state of industry and commerce. Business is not only good; it is at an all-time high.

To gauge how high is the path on which we are now traveling, it is instructive to look backward at the previous peak and the intervening valley. The peak occurred in the spring and summer of 1953 and the valley in the spring of 1954. At the previous peak, Gross National Product was about $370 billion and is now estimated to be over $375 billion; national income was $308 billion and is now estimated to be about $315 billion; personal income was $288 billion and is now estimated to exceed $295 billion; disposable income, $251 billion, now estimated at about $265 billion; the index of industrial production was 137 then and is now at about the same level. Looking down into the 1954 valley out of which we have climbed, industrial production was then lower by 14 points (10%); Gross National Product by about $20 billion (6%); national income by approximately $17 billion (5%); disposable income by more than $10 billion (4%). It is worth noting, however, that disposable income was maintained at its previous high in the early stages of the 1953-54 recession and moved to still higher ground during 1954.

Construction activity is also at a new peak, and steel output is 2% above the previous high of March, 1953. Likewise, as everyone knows, sales of new autos have made a new record this spring. Output of non-durable goods has reached a new maximum—slightly above that of mid-1953 and almost 25% above the average for 1947-49. Another peak has been reached in the retail sales of house furnishings; retail sales in total have also been at an all-time high, nearly 7% better than a year ago. After all, we should be making new records from time to time: our economy has grown larger as the country has grown older.

Quality of Business Decisions

Now I come to the principal point of my discussion: the quality of business decisions is important at all times, but especially so during prosperity. In short, the duration of the current expansion will be influenced by the quality of policy decisions now being made by business executives. I am talking about the heads of manufacturing, mining and commercial enterprises, about farm managers and bankers — and about union officials, too. Unless the quality of this decision-making reflects prudent judgment as well as a reasonably well-founded appraisal of present and future trends, executives will make mistakes for which they and their workers and investors will pay the penalty. What I am arguing for is that executives should risk neither too little nor too much; be willing to venture but still guard against unwarranted optimism.

The Vital Decisions

The most vital decisions are those made by businessmen themselves. Typical among these decisions are those relating to capital additions, inventories, elimination of waste by efficient controls and by mechanization, and the development of new products. No less vital are decisions to acquire other firms through purchase or merger.

Decisions to make capital additions involve many corollary decisions. How will the new plant affect the producing capacity of the company and of the industry and the relation of that capacity to the effective demand for the product? How seriously will the investment of capital in fixed form, in brick and mortar and equipment, cause the firm to be strapped for working capital? Under the spell of the current optimism, are companies becoming, in farm language, "land poor"?

Inventory accumulation does not now appear sufficiently speculative to be of immediate concern. At present there is no such rapid inventory build-up as in 1952 and early 1953. Last year inventories were reduced month by month and quarter by quarter—a salutary process. By late 1954, however, inventory decline had ceased, and some build-up of inventories is now in process. The relative stability of inventories doubtless reflects in part the unusual stability of average prices. While prices of farm products have declined sharply, industrial products have edged up and average wholesale prices (all commodities) have fluctuated relatively little over the past three years. In April, 1952 the index was 112; in the recession of 1953, 109; now, about 110 (estimate). Or, it may be that managers are keenly aware of the losses inherent in swollen inventories and keep them adjusted to the level of new orders. The fact that relative stability of prices has minimized the temptation to take long positions in raw materials and to increase stocks on hand unduly must not blind executives to the risks of speculative excesses if prices should rise sharply.

During a period of recovery such as we are enjoying, the greater volume, the economies introduced during the preceding slack period, and the installation of new equipment cause output per manhour to increase. As one would expect, therefore, last year's rate of manufacturing productivity grew faster than the postwar trend. It should be stressed, however, that as recovery is achieved, continued good times may tend to encourage wastefulness through inattention or imprudence. An attitude of "easy come, easy go" may lead to wastes of materials and manpower—wastes which would not be tolerated in times of adversity. Large volume and the extra shifts occasioned thereby may also cause machines to be run so hard as to preclude adequate maintenance.

As to product development, the period when orders are obtained easily is obviously the time to push the design of new products to the stage where they can be put into production and on the market if and when business declines. Product development is not only one of the great social benefactors of our age because of its impact on the physical basis of a good life, but to the individual firm it may be essential to remaining competitive. Inventive prowess has given American firms new products so useful and appealing to consumers as to form the basis for entirely new industries, such as the automobile and electronics industries. In the future, product development must be counted upon to provide a high and rising standard of consumption, jobs for an increasing labor force, and the competitive strength of manufacturing firms. Both industry and society at large are served by continued emphasis upon research throughout good times and bad.

Merger Questions

Mergers are once again the subject of discussion among businessmen, economists, and government officials. Whether or not mergers may lessen competition is too complex a subject for discussion here, but since we are dealing with the quality of management decisions, it may not be inappropriate to inquire as to the motives prompting the mergers now being consummated. Doubtless many result from a desire to increase efficiency and the company's competitive position. If they add to efficiency by permitting the company to offer a fuller line to dealers and other customers, or to increase the degree of vertical integration so that better coordination may be achieved over procurement, manufacturing and distribution, mergers may provide a social gain and benefit the companies that are combined. But if the consolidation of companies is prompted solely by the desire for speculative profit, or by the urge to increase company size for reasons of personal pride and power, then the merging process is to be viewed with concern.

The central problem we are discussing is how to extend the period of prosperity and to make more gradual any future descent that the periodic undulations of business may bring about.

At the outset it is appropriate to point to certain danger spots. One source of concern—particularly if employment and incomes should decline—is the quality of mortgage and automobile credit. As terms have lengthened, there has been a tendency for quality to decrease. It should be stressed, however, that repayments have so far been excellent. Closely associated is the question as to whether the demand for automobiles and housing will be sustained sufficiently to permit maintenance of current high levels of output. And then there is the stock market, where the rate of climb of prices and credit caused eyebrows to be lifted when its speculative possibilities attracted the attention not only of businessmen but of those less sophisticated.

Offsetting Strength

To offset such potential danger spots are certain strengths for which we should be grateful. One important factor making for stability is business optimism tempered by prudence. Such optimism is evidenced by eagerness to take advantage of expanding markets by large-scale investment in fixed capital. At the same time, however, many businessmen have tended to be wary of speculative over-commitments. Those executives who were active during the thirties do not have to be reminded of depression worries, such as inventory losses, shortages of cash, inability to provide employment, inability to pay dividends, and the threat of failure. Such awareness, combined with greater economic information, adds to our business security and stability. The lessons driven deeply into the consciousness of older executives still provide an effective brake on speculative ebullience. Nevertheless, many executive jobs are now held by those who have reached posts of responsibility in recent time when orders have been obtainable with ease and profitability has been taken for granted. In general, the last decade and a half has been characterized by expanding volume in which private buying was supplemented by heavy governmental spending, and by credit that was adequate for the needs of an expanding economy. Only occasionally during this period has it been necessary for firms to stress rigorous cost reduction. It may be timely, therefore, for each company to take a fresh look at the return obtained from the dollars of out-go. If laxity in spending has developed, the sooner such waste is stopped, the more certain is the firm to remain competitive without drastic retrenchment at a later time when collective retrenchment would only accelerate the forces of recession. The time to fix the roof is when the sun is shining.

While they continue to enjoy the bounty of prosperity, company executives may deem it wise to keep watching cash position. To maintain its strength diminishes immediate earnings perhaps, but so does insurance of any kind. An appropriately liquid condition provides a buffer for the shocks of bad times: protection against bad luck or miscalculation. It permits decisions to be based on what is best for the company and those dependent upon it. A management short of cash finds its decisions dictated by necessity; it cannot be as mindful as it would like of the needs of its employees, customers, suppliers and investors.

The problem, of course, is how to balance insufficient protection against too much; to achieve a proper balance between caution and daring, between conserving and expanding, between the safety of a strong cash position and the growth that borrowing makes possible. One is reminded of the retort made by a manufacturer to a visitor who remarked during a plant inspection that the host's plant did not appear up-to-date: "Come into the office, then, and look at the strength of my cash account." They may have both been wrong.

Proper balance requires that we not be overly cautious when times are bad, nor overly optimistic, to the point of imprudence, when they are good. By and large those who are best equipped to achieve this nice balance between too little risk and too much are those who are intimately acquainted with the affairs of an enterprise. Knowing the company's history as well as its secret strengths and weaknesses, they are in a favorable position to judge what policies to adopt.

The problem is how to keep economic growth so orderly that industry and commerce can provide increased jobs, goods and services without the interruptions that accompany violent dips. Steady, consistent progress calls for decisions of the best quality that business executives can make. Their decisions, if sound, will do much to lengthen the period of prosperity that the country is now enjoying. As Dr. Winfield Riefler has remarked: "A business situation is no better than the quality of the decisions that businessmen make."

*An address by Mr. Balderston before the Dinner Meeting of the Richmond Section of the Virginia Manufacturers Association, Thursday, June 9, 1955.

Col. Troster Elected Head of N.Y. Retreads

Colonel Oliver J. Troster, general partner in the Wall Street firm of Troster, Singer & Company, has been elected commander of the New York department of Retreads, Inc. Membership in this group is limited to veterans who have served honorably in the Armed Forces of the United States during both World War I and II. The New York Department has headquarters at the New York Athletic Club.


Oliver J. Troster

Colonel Troster, a resident of Yonkers, N. Y., began his Army career as a buck private in the Illinois National Guard on the Mexican Border in 1916. One year later he went overseas with the American Expeditionary Forces. At the time of his discharge in 1919, he was assistant chief of staff of the 33rd Division, with the rank of Lieutenant Colonel. Between the two world wars, he was a member of the reserves for 15 years. In 1942, he volunteered for active service and served four years in the Army Service Forces. Among Colonel Troster's decorations are the Silver Star, the Legion of Merit, the Bronze Star and an Army Commendation.

He is a trustee of the Peoples Savings Bank in Yonkers, a director of the O'Sullivan Rubber Corporation and a director of the Southeastern Public Service Company. He is also a member of the Board of Governors of the National Association of Security Dealers.

Joins Kidder, Peabody

(Special to The Financial Chronicle)

BOSTON, Mass. — Nelson D. Hooe, Jr. has become connected with Kidder, Peabody & Co., 75 Federal Street.

We May Be Entering a New Industrial Revolution

By ROGER W. BABSON

Expressing a hopeful view of the years ahead, Mr. Babson holds future may show we are now entering a third great Industrial Revolution. Points to impact of harnessing of uranium, the development of labor unions accompanied by the redistribution of properties, and the possibilities of aviation as creating revolutionary changes. Warns, however, against speculative promotions that follow new inventions and new processes

This world may be entering a new Industrial Revolution commensurate with the two previous great Industrial Revolutions of a century and more ago.

Roger W. Babson

The first was based upon the invention of printing by movable type, upon the development of education combined with Bible reading, and upon the discovery of America. Thus, the three great men of that day were Gutenberg, John Rogers (my ancestor), and Columbus. The second Industrial Revolution was due to the harnessing of steam and steel, the development of democracy, and the building of railroads and steamships. Thus, the three great men of that time were Watt, Washington, and Stephenson.

My purpose this week is to impress upon readers that future history may show we are now entering a third great Industrial Revolution. This could come from the harnessing of uranium, the development of labor unions accompanied by the redistribution of property, and the possibilities of aviation. The three men responsible for these developments were Einstein, Roosevelt, and the Wright Brothers. The first two Industrial Revolutions, with the exception of the discoveries of Columbus, were largely confined to nations and bounded by national lines.

Airplanes Making Great Changes

Let me now state that any third revolution will know no national boundaries, but must be a world revolution. For instance, uranium is found everywhere and can be used anywhere; the masses all over the world are demanding property, education, and opportunity; while airplanes, telephones, and television know no boundaries. They are reducing the size of the world to the size of an average country a generation ago. Today I call London by telephone as freely as I called New York a few years ago. Members of my organization are lunching with me today; and they are having breakfast in London tomorrow morning. Furthermore, the difficulties of communicating with people of other nations, which handicapped the two previous industrial revolutions, have been eliminated by radio and television.

The stock market, of course, will have bad breaks. Then will be the time to buy more of the stocks which will profit from this new Industrial Revolution. The main purpose of this week's column is to get you to become world conscious and to recognize the great possibilities ahead. Some look upon advances in electricity as bringing on a new era; but no, electricity is simply a new method of distributing power already manufactured by coal, oil or gravity. This same applies to electronics and many other inventions which people are going crazy about. Actually, these are incidental. Great new eras are based on the use of a new power; material, spiritual, political, or a combination of all, as "Billy" Graham is preaching.

How to Lose Money

All kinds of speculative promotions followed the inventions of Watt, Stephenson, and especially Columbus. Hundreds of new companies were formed and floated to get gold from Mexico or Peru, to enjoy the Fountain-of-Youth in Florida, to import sugar, spices and slaves from the West Indies, to get timber and ore from Virginia or New England. The settlement of Gloucester — my home city—was undertaken by an English company to make money by gathering the cod, halibut, and mackerel which were said to fill Gloucester Harbor. A few of these companies made money, but most of them, including the Gloucester enterprise, went broke.

Too many investors of those days thought only of themselves and tried to get rich by speculating in individual companies; but they lost out. Those, however, who did not attempt to speculate in these new companies but who got the vision that a new industrial revolution was fanning out before them, applied this vision to their own business, whether banking, insurance, manufacturing, merchandizing, or foreign trade. They became wealthy. I forecast that those who now get and so usefully apply this vision will be likewise rewarded.

Let Us Now Be Optimistic

So, I close with this appeal. Let us forget, for the present, World War III, Russian Communism, threatened Stock Market Collapses, Juvenile Delinquency, and other pessimism featured today. Instead, let us think of what Aviation, Chemistry, Wonder Drugs, Television, Weather Control, Cybernatics, Automatic Factories, and, the greatest of all, **uranium will do for us who get this vision and are anxious to work.** Even this does not mean bothering your head to find some uranium stock to buy. The fact is, future history may look back upon the present stock markets as you and I look back on horses and buggies! Therefore, may we awaken to a new vision. May we think how we can use airplanes, uranium, and especially advertising, to develop our own business, and help our children and grandchildren. Without doubt some stocks are good short sales at the present time; but don't now sell the world short!

One more thought; On the 6th of last December I completed 50 years in very active business. This year, 1955, I am devoting to selecting 2,000 enthusiastic persons — preferably those physically handicapped as I have always been, **but who have the Vision**—to represent me and the United Information Service in 2,000 cities. A list of these selected cities will be sent, on request, by my Babson Park, Massachusetts, office. Any reader who can help in this work will be doing a good thing both for the person selected and for the merchants of the community in which he or she lives. If you doubt it, read in the Bible the first sentence of Verse 18, Chapter 29, of the Book of Proverbs.

On Convertibility of European Currencies

Marcus Nadler, consulting economist of The Hanover Bank, New York, says even limited convertibility foreseen would aid in world economic progress.

Dr. Marcus Nadler, consulting economist to The Hanover Bank, New York City, said in a statement published by the bank that only limited convertibility of most European currencies may be expected in the near future.

Marcus Nadler

"But even limited convertibility applying only to current account transactions would be a great step forward and would exercise in many ways a considerable influence on the economy of the country affected, as well as on the rest of the free world," he asserted.

In a report published by The Hanover Bank, Dr. Nadler said establishment of convertibility would:

(1) Restore, at least to some extent, the international division of labor (unless it is accompanied by the imposition of new import controls, in which case convertibility is virtually meaningless).

(2) Facilitate international trade and stimulate the international flow of short-term credit.

(3) Impose a new discipline on the country affected, since any internal economic imbalance in a country with a convertible currency is immediately reflected in the rate of exchange or the gold and dollar reserves of the particular country.

Dr. Nadler pointed out that the way has been paved for a return to convertibility by such prerequisites as the rapid recovery of the United States economy, the British elections, and the improvement in the international political situation.

Discussing the shrinkage of the dollar gap, he said:

"The improvement in the international financial position of the free countries was partly the result of aid in one form or another granted by our Federal Government. It also reflects the increase in foreign investments and of tourist expenditures abroad. . . .

"In addition, free countries of Europe are less dependent on the United States today than they were up to a short time ago. Their production and productivity have increased considerably, and some of them now compete effectively with us in the international markets."

A return to convertibility, he concluded, would have a more solid base than was the case in 1947, when many of the serious economic problems confronting the world still remained unsolved.

Two With Salomon Bros.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Kenneth G. French and Francis X. Monahan have become associated with Salomon Bros. & Hutzler, 75 Federal Street.

With Mid Continent Secs

(Special to THE FINANCIAL CHRONICLE)

SHREVEPORT, La. — Ira L. Moore has been added to the staff of Mid-Continent Securities, Inc.

New F I F Branch

WASHINGTON, D. C. — FIF Sales Company has opened a branch at 1025 Connecticut Avenue, N. W., under the direction of Edward H. Sabo.

Vickers Branch in Florida

NORTH MIAMI, Fla. — Vickers Brothers of New York have opened a branch office at 1555 Northeast 123rd Street under the direction of Benjamin L. Bird.

The Future of Money

By E. SHERMAN ADAMS*

Deputy Manager in Charge of the Department of Monetary Policy, American Bankers Association

Mr. Adams, reminding that today's investor in Savings Bonds is buying 1965 dollars, poses question whether holders of all bonds, bank deposits, insurance, and other income media, are getting a bargain or something which ought to be quoted at a discount. Terms very important the recent stopping of inflation in its tracks without causing recession; with subsequent rapid recovery without drastic governmental intervention. Concludes while outlook for money is not discouraging, serious hazards lie ahead, mostly in area of monetary and fiscal policy.

What does the future hold for money? What will a dollar buy 10 years from now? How many dollars will there be? What will money rent for? Will it be a drug in the market or will it command a living wage? These are important questions for us to think about. Even if we cannot answer them with certainty, thoughtful analysis should enable us to avoid basing our plans on unrealistic assumptions. It should also help us to see more clearly what we should do to discharge our public responsibilities as custodians of the nation's money.

Dr. E. S. Adams

Our Money Is Basically Sound

Before we start analyzing, let's stand back a bit and take a brief look at our money picture in perspective.

Today, despite wars and alarums of war, the monetary system of the United States is basically sound. There is no sign of any threat to the continuing strength of the dollar. In any continent you may visit, if you pay your way with dollars, they are accepted with alacrity. Nothing can do so many jobs so well throughout the world as the United States dollar.

It so happens that our currency is backed by the largest gold stock ever accumulated by any nation. This is more a reflection of the strength of the dollar than a cause of it. Gold depends more upon the dollar than the dollar depends upon gold. Gold itself is on a dollar standard.

The fundamental reason for the strength of our money is the tremendous productive capacity of this country. In addition, our banking system is in strong condition. Most of our money consists of bank deposits which are based upon the loans and investments of our commercial banks. The quality of these assets is high and their liquidity is more than ample. Our monetary and credit system is stronger by far than it was years ago.

To be sure, the dollar today is not what it used to be. Over the past 40 years, its buying power has declined. However, the main reason for this was that we became involved in two world wars. By comparison with the currencies of other belligerents, the American dollar came off very well indeed.

It goes without saying that another big war would mean further inflation—though most of us might be too busy or too dead to notice it much at the time. For the purposes of our analysis, however, we must assume that war will be averted. Barring war, therefore, what are the prospects for the value of the dollar over the next 10 years?

*An address by Mr. Adams before the Annual Convention of the Oregon Bankers Association, Victoria, B. C., June 6, 1955.

What Will the Dollar Be Worth?

Probably every one in this audience owns some U. S. Savings Bonds. When you buy Savings Bonds today, you are buying 1965 dollars. It is therefore highly pertinent to inquire what these 1965 dollars may be worth. Are 1965 dollars a bargain in today's market or ought they to be quoted at a discount?

The question obviously has broader significance than just its application to Savings Bonds. It concerns the future buying power of all bank deposits, all life insurance, and all incomes. It is vitally related to the stability of our whole economy. Few questions have such far-reaching implications for the welfare of the American people.

Protection of the value of the dollar is one of the chief aims of public economic policy in this country. Our overall objective might be described as being to achieve the maximum sustainable level of employment and production without causing inflation.

A potential threat to this objective is the concept of "full" employment as it is interpreted by some people. The interpretation I refer to might be termed the doctrine of constant hyper-employment. Adherents to this dogma believe our economy should operate at fever pitch at all times. They would tolerate no letups, no readjustments.

This doctrine is clearly inflationary. It implies sellers' markets for labor, raw materials, and finished goods. It implies large Federal deficits whenever the pace of economic expansion slackens. It implies the emasculation of monetary policy as an economic stabilizer.

Significance of Recent Events

Fortunately, the events of recent years have greatly helped to discredit this doctrine. The critical test came in 1953 and 1954 when the policy makers in Washington had the courage first to check an inflationary upsurge and then to resist pressures for drastic government action to stimulate the economy. Some stimulants were used, as we know, but not the big, bold measures that the hyper-employment boys told us were imperative to avoid a severe depression.

The recovery of our economy since last summer may therefore be more significant than is generally realized. This comeback has been remarkable in several respects. First, it started surprisingly soon. Second, it has been steady and orderly. Third, it has been achieved without resort to enlarged Federal spending — in fact, last year government expenditures were actually reduced. Finally, it is particularly impressive that we have already attained new record levels of production without the stimulus of war, a new rearmament program, an inventory boom or inflation.

In short, inflation was stopped in its tracks without causing a serious recession; and recovery has been achieved rapidly without drastic governmental intervention.

These lessons will not be lost on the American people. The goal of prosperity without inflation seems more feasible now than it did a few years ago. The dire predictions of its critics have been refuted by actual experience. There is less likelihood, therefore, that over the years ahead the American people will buy a policy of perpetual inflation.

How Dangerous Is the Debt?

Despite these reassuring developments, some people are still fearful that the government's fiscal operations in the future will prove to be inflationary. They cite the fact that despite generally good business and despite determined efforts to reduce Federal expenditures, the budget has not been in balance since 1951. They point out that over a period of years budget deficits are likely to exceed surpluses and that the public debt will therefore rise.

Actually, the fiscal record of recent years is not as bad as some people seem to think. As soon as it became apparent that we were going to embark upon a big rearmament program, the American people had the fiscal maturity to support a sizable boost in taxes to cover most of the cost. Over the past five years since the Korean outbreak, despite a vast rearmament build-up and a subsequent economic readjustment, the deficit in the Federal budget has averaged only $3 billion annually; and on a cash basis, fiscal operations have actually shown a small surplus.

It is widely recognized, also, that a moderate increase in the public debt over a period of years would not be calamitous. A budgetary deficit of several billion dollars is less serious in our $375 billion economy of 1955 than it was when our total output of goods and services was much smaller. The debt has risen moderately since 1948, but it is nevertheless lower today than it was then in relation to national income and in terms of debt per capita.

There is no blinking the fact that Congress is under constant pressure to spend more money and that with taxes at such high levels, the clamor for tax relief may become insistent whenever a surplus is achieved in the budget —or even before. However, the existence of these pressures does not mean that we should throw up our hands in despair. We should certainly not abandon the goal of a balanced budget nor should we cease striving to achieve some reduction of the debt when circumstances permit. Indeed it is essential to adhere to these objectives in order to prevent the pressures on the budget from getting out of hand.

There are ample grounds for believing that this job can be done. Considerable progress has already been made toward reducing waste and inefficiency in governmental operations. If we have the determination, we can keep "big government" under control.

The Pressure of Wages

Another factor making for higher prices is the pressure of wages and other labor costs. Every one who has any background in economics knows that when wages rise faster than the average increase in productivity prices tend to rise. This is not understood, however, by most people and, consequently, there is not much public resistance to large wage increases that tend to raise living costs for everyone.

During the past few years, the effect of rapidly rising wages has been obscured by the fact that the overall price level has been stable. This has been due largely to the downward readjustment of some prices that ran up very sharply after the Korean outbreak in 1950. Offsetting readjustments of this kind may not continue indefinitely.

As for the future, the pressure of wages will be much less inflationary if we adhere to the goal of economic stability than if we go in for continuing inflation and create conditions which stimulate wage demands and reduce the resistance to them. As labor organizations become more secure and mature, they may become more moderate in their demands. Much will depend upon the statesmanship and the sense of social responsibility of those who participate in future wage negotiations.

There is another aspect of this wage picture that is sometimes disregarded. Rising wages exert pressure on business owners, managers, and engineers to improve constantly the efficiency of production. This has probably been an important reason for the accelerated gains in industrial productivity in recent years. It may help to sustain this rate of increasing production per man-hour in future years. Rising productivity is the strongest anti-inflationary force in our economy.

The Future of Monetary Policy

Another important determinant of the future value of money will be monetary policy. We all know that the Federal Reserve System possesses far-reaching powers with which to combat inflation. The question is whether the public will support the effective use of these powers. Unless it does, monetary policy cannot long survive as an anti-inflation weapon.

On this question, too, there exist today more solid grounds for optimism than a few years ago. Since its liberation from Treasury domination in 1951, Federal Reserve policy has demonstrated its usefulness in convincing manner. There has been a growing public appreciation of the role that a flexible monetary policy can and should perform, and of the importance of preserving the independence of the Federal Reserve System.

There is no reason why further progress cannot be made in this direction in the future and, if it is, then monetary policy can be counted upon to serve as a major bulwark against inflation.

Reasons for Confidence

Several other considerations deserve mention. If you were to select the most inflationary factors in our economy over the past 10 years, they would certainly include the following: the wartime inflation of our money supply, the pent-up demands for goods, the rearmament build-up, and American aid for economic rehabilitation abroad.

Our economy has now grown up to our expanded money supply; pent-up demands have been satisfied; the rearmament build-up has been built; and rehabilitation abroad has been accomplished. The force of all of these inflationary factors is by now pretty well spent.

In short, there are good reasons for believing that over the years ahead we should be able to avoid further serious depreciation in the value of our money.

Prospects for Growth

Let us now consider how much money there will be, say, 10 years from now.

Over a period of years, changes in our money supply bear some relation to changes in the value of our total output of goods and services — our Gross National Product. When wages and employment increase, more money is needed for payrolls. As output expands, more money is needed to transact a greater volume of business.

Various projections have recently been made as to how much our economy may grow in future years. Even on the basis of fairly conservative assumptions with respect to additions to the labor force and rising productivity, these projections indicate that Gross National Product in 1965 may be somewhere around $500 billion to $550 billion in terms of 1955 prices. Even the lower figure would mean an increase of more than one-third from current levels.

On the basis of past performance, there is nothing wild about these projections. In fact, the only thing that would prevent them from coming true would be a prolonged depression such as we had during the '30s.

Is there any real danger that such a depression could occur? After World War II, many people feared a serious slump in business. Their "what-goes-up-must-come-down" theory had plenty of historical backing.

Now that we have successfully weathered three periods of economic readjustment, some people are ready to believe that the business cycle has been licked. Their new theory seems to be that what goes up goes higher.

The truth probably lies between these two extremes. Our economy has now become pretty well adjusted to the higher price level that resulted from the war, and we should be able to avoid a big postwar deflation. The experience of recent years has demonstrated that our economy has become less vulnerable to deflation than it used to be.

This does not mean that we have learned to elminate the swings of the business cycle. It does suggest that the swings will not be as wide in the future as they were in the past and that the danger of a prolonged depression is remote.

Implications for Deposits and Reserves

Assuming, then, an expansion of one-third in production and incomes over the next 10 years, it is apparent that the amount of money on deposit in banks should increase substantially. Demand deposits should expand at least as rapidly as Gross National Product; and the rise in time deposits, judging from trends in recent years, may be considerably faster.

Even allowing for a possible decline in the rate of increase of savings deposits, and assuming little change in government and interbank deposits, it does not seem at all unreasonable to anticipate that total deposits of all commercial banks may increase by $60 billion to $70 billion by 1965. That would mean an average rise for the banking system as a whole of about 35 to 40%.

This prospect has interesting implications. For one thing, it is clear that unless bank reserve requirements are lowered, the Federal Reserve would have to supply the banking system with huge quantities of additional reserves to enable it to meet the nation's needs for additional bank deposits and currency. If this were to be done by means of open market operations, it would mean a large increase in the Federal's already vast holdings of government securities.

The chances are, therefore, that the Federal Reserve authorities will continue to work in the direction of lower reserve requirement ratios and that by 1965 these ratios may be appreciably lower than they are today.

Implications for Loans and Investments

Even more significant, a $60 billion to $70 billion increase in bank deposits obviously implies a corresponding expansion of bank loans and investments. How else could the banks balance their statements of condition? Where else could so much money come from? Certainly not from additions to our hoards of gold and silver. Most of that additional money will have to be created by additional bank lending and investing.

No one can say, of course, how this will be distributed among various categories of bank loans and investments. Over the past 10 years, the increase of bank loans to individuals, chiefly in the form of consumer credit and real estate mortgages, has been sensational. This trend may still have a long way to go as more and more families move up into income brackets where they become potential bank customers. Over the coming decade, this category of bank assets may again show the greatest percentage of dollar increases.

The expansion of business loans over the past decade has been stimulated by several transitory factors, particularly the restocking and expansion of business inventories at sharply higher price levels. Nevertheless, as business continues to expand in the future, it is logical to anticipate some increase in the demand for business loans.

As for bank investments, it seems clear that states, municipalities, and public authorities will continue to be heavy borrowers and that banks will continue to add to their holdings of these obligations. That brings us to the last major category of bank earning assets—U. S. Government securities. What will happen to these holdings?

Bank Holdings of Governments

Some rise in bank holdings of government securities would not, of course, be alarming—nor even necessarily undesirable. The big increase that has occurred in these holdings over the past 25 years has unquestionably strengthened our moentary system and made it a stabilizing factor in our economy. It may be desirable under some circumstances to try to reduce bank holdings of governments, but over the years we would not want to see a sharp reduction in the proportion of governments to total banking assets.

Generally speaking, the banking system tends to be the residual holder of the portion of the public debt that nonbank investors do not wish to hold. Over the next decade, some groups of nonbank investors may wish to continue to shift from government securities into higher yielding investments. Also, as we have seen, there could easily be some increase in the total public debt during this period. On the surface, this picture might seem to suggest a sizable expansion in bank holdings of government securities.

There are, however, offsetting considerations. Over the past five years, the government's investment accounts have been absorbing debt at an average rate of $2 billion a year. Also, state and local governments and private pension funds will probably continue to be buyers of governments on balance.

Even corporations may add to their holdings. This may not be the case over the next few years because of the effects of the new "pay-part-as-you-go plan" for corporation income taxes. Over a 10-year period, however, corporations will doubtless increase their working capital substantially, and they may wish to hold more governments than they do today.

The suggestion has been advanced that it might be desirable if corporations were to hold fewer government securities, rather than more. This idea may have its points, but it is not easy to see how this could be brought about without resorting to the questionable expedient of driving down Treasury bill rates and keeping them at such artificially low levels that corporation treasurers would regard short-term governments as not worth bothering with. Such a policy, of course, might have rather serious implications for other short-term rates, including bank lending rates.

The Growth in Risk Assets

Putting all these pieces together, you may conclude that over the next 10 years the expansion, if any, in bank holdings of Treasury obligations may not be very great. In fact, unless there is a really big increase in the total public debt, the proportion of bank assets invested in government securities will in all probability decline. This is another way of saying that most of the growth in banking assets over the next decade will be in risk assets.

These prospective trends obviously have important implications for bank management. Out here on the rapidly growing West Coast, you kings of the wild frontier will get a more than proportionate share of the overall increase in deposits and in loans and investments. Also, your growth may be even more heavily concentrated in risk assets than will be the case in other parts of the country.

You will therefore need to plan to build up your capital accounts even more than banks in other areas. You will also need to recruit and develop competent personnel to handle tomorrow's expanded business.

The Price of Money

The final question I should like to raise is what will happen to the rental price of money—interest rates.

A thorough answer to this question would involve a careful analysis of the many factors that may influence credit supply and demand. This I do not propose to undertake. I would simply like to offer a few suggestions as to what the future may hold.

One thing we can be quite sure of is that interest rates will not again decline to the abysmally low levels they reached during the late '30s. For one thing, those low rates developed during a period of business stagnation which, as we have seen, is very unlikely to recur. Moreover, the main reason why rates plummeted as far as they did was the huge influx of gold which followed the devaluation of the dollar and which created an enormous quantity of excess reserves. At that time the Federal Reserve System was unable to eliminate these excess reserves because its portfolio of government securities was not large enough to permit absorbing them by means of open market operations.

Today the Federal Reserve's portfolio is more than ample to enable it to offset the effects of any possible increase in our monetary gold stock. This being the case, it is hardly conceivable that the Federal Reserve would permit interest rates to decline to the extremely low levels of the late '30s and early '40s.

On the other hand, the Federal Reserve authorities do not seem to have any long range objective with respect to the level of interest rates. Apparently they do not think in terms of working in the direction either of higher rates or lower rates as a norm over the years ahead. Their attitude seems to be that rates should be permitted to fluctuate largely in response to market forces, modified to some extent by Federal Reserve actions aimed at helping to stabilize the economy.

This does not give us much clue as to whether the long range trend of interest rates will be upward or downward. It does suggest, however, that the trend will be determined chiefly by market forces of supply and demand.

Rates Could Go Higher

In this area, there is one factor that deserves particular attention, namely, the tremendous prospective demand for capital goods. Technology has been rapidly increasing the productivity of capital goods in industry, and the pressure of higher wages has been sharpening the ingenuity of business managers in using more machines. It also seems probable that there will continue to be strong demand for credit to finance home building and other types of construction over the next decade. This will be particularly true in the early '60s when the formation of new families is due to increase rapidly as the bumper crop of babies born during World War II becomes brides and bridegrooms.

If these demands for capital materialize, they will have a firming effect on interest rates.

Another consideration is that money rates today may still be suffering from the effects of the prolonged period of abnormally low rates. The increases that have taken place since 1946 have largely represented a long-delayed adjustment from a subsubsistance level. It may be that some further adjustment may be needed to reflect the return of more normal supply-demand relationships.

This may apply particularly to bank lending rates. With the return to a more normal situation in the money markets, banking costs have again become an important determinant of rates on business loans. This is reflected in the fact that these rates today are only a little lower than they were two years ago when credit conditions generally were much tighter than they are now. It is also significant that an increase in these rates is now in prospect.

These considerations suggest that bank lending rates may still be in process of readjusting upward.

Where will interest rates be in 1965? No one knows. Assuming, however, that 1965 is a year of normal good business — neither boom nor recession—then my own guess would be that the general level of interest rates, and especially bank lending rates, may be somewhat higher than prevails today.

The Road Ahead

All things considered, the outlook for money is by no means discouraging. This, however, is no excuse for complacency. There are still serious hazards along the road that lies ahead.

These hazards are mostly in the area of monetary and fiscal policy. The future of money will depend in large measure upon the effective use of monetary policy and upon the soundness of governmental finance.

This is an area in which bankers have special responsibilities. It is up to us to furnish leadership and to promote public support of sound financial policies. Here is an opportunity for the bankers of this country to make a vital contribution not just to the future of money but to the future well-being of all Americans.

Western States Branch

SALT LAKE CITY, Utah — Western States Investment Company have opened a branch office at 1229 Newhouse Hotel under the direction of J. E. Lehnherr.

Two With Wainwright

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert H. DiComes and John T. Pratt III are now affiliated with H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Darrell G. Diggs is now connected with State Bond and Mortgage Co., 28 North Minnesota Street.

"Syndicats" Nominate New Officers

Miss Claire Marshall, of Shields & Company, has been nominated for election to the presidency of The Syndicats, a group comprising women secretaries of syndicate managers of leading Wall Street houses, at the organizations' annual meeting this Friday (June 24). She will succeed Miss Marguerite Kascle, of Riter & Co. Miss Mary O'Rouke, of Reynolds & Co., has been nominated for the treasurership to succeed Miss Helen Campbell, of Lee Higginson Corporation. The annual meeting will be held in conjunction with the group's yearly outing at the Echo Lake Country Club, Westfield, N. J. The program committee has arranged an extensive schedule of sports events.

With Mid-Continent Secs.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Martin J. Callahan, Lloyd Hinson and Edmund B. Welshans, Jr. are now with Mid-Continent Securities Corp.

Tifft Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Donald R. Bruder has become connected with Tifft Brothers, 1387 Main Street, members of the New York and Boston Stock Exchanges.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Curtis W. Rowley is now with E. F. Hutton & Company, Board of Trade Building.

Continued from first page

Air Conditioning Is Big Business for Utilities

Carrier Corporation, and he forecasts a $2¼ billion sales year for 1955.

The sale of room air conditioners alone totaled 1,230,000 units in 1954—a 515% increase in four years. Even with this rapid growth, the national saturation of room air conditioners is still only 5%.

Data from the Bureau of the Census, reports from manufacturers' shipments and a compilation of industry opinion indicates that the 10 million kilowatts of weather-controlled load served by the electric utility industry in 1954 will grow to more than 55 million kilowatts by 1963.

As customer acceptance of air conditioning gains more and more momentum, we are beginning to see a spreading of air conditioning beyond the so-called "hot areas."

In 1950 the relatively cool Middle Atlantic and East North Central regions of the country accounted for 18% of the total sales of room air conditioners. By 1954, these same regions accounted for 37% of total sales.

Compare this with the hot areas of East South Central and West South Central United States. Twenty-two percent of all air conditioning sales were made in these areas in 1950 and 33% in 1954.

"Electrical Merchandising" states that every region of the country registered gains in room air conditioner sales in 1954, with the exception of New England. The biggest increase was not in the South, but in the West North Central area where the figure more than doubled.

An official of FHA declared recently that this government agency which guarantees the mortgages on homes, has a vital interest in air conditioning because: "These mortgages are for as long as 25 years, and it's quite possible that new homes being built without air conditioning could become obsolete long before that."

The American today is the most comfortable person in history. At his fingertips are the results of hundreds of millions of dollars of research and development—all directed toward making his life easier and more pleasant.

It is true that new things catch on quicker in America, perhaps, than anywhere else because we, as few other people, are dedicated to progress. For us the present and the future are the most important tenses in our language.

Americans have a habit of making a luxury a necessity. Take the automobile today as an example: It has power brakes, power steering, automatic shift, motor-operated windows and now even air conditioning.

The initial demand for automobile air conditioning has exceeded the demand for power steering and automatic transmission when they were first introduced, according to "Air Conditioning & Refrigeration News."

An air conditioned car is no longer a novelty. It is a salable item which the public is buying, and not just the Cadillac owners either. Fords, Chevrolets and Plymouths with air conditioning are seen on the streets of Dallas every day.

Industry field reports from Texas showed 5% of all new cars, 15% of medium and higher priced models, and 45% of luxury cars with air conditioning. This experience in the automotive field is but another confirmation of the public's acceptance of air conditioning.

A recent appraisal of the air conditioning industry contained this interesting paragraph: "An average day in the life of Mr. Average American in the not-too-distant future might be something like this: He will wake up in an air conditioned bedroom, eat breakfast in an air conditioned nook, drive an air conditioned car to work—in an air conditioned office or plant. He will enjoy his evening meal in an air conditioned dining room, at home or publicly; relax in an air conditioned movie or sit in an air conditioned living room watching a color television program originating from an air conditioned studio."

The appraisal concludes: "If this concept of an average day is thought to be too theoretical, it should be pointed out that air conditioning is today available in all the situations mentioned."

Let me say that the statement is far from theoretical. It is only a description of what is commonplace in the Southwest today, and I believe will be in the remainder of the country soon.

The air conditioned home of tomorrow is the home of today in the Southwest. Residential developments featuring $15,000 homes with air conditioning are no longer news. They are simply an answer to the volume demand for year-'round confort.

A customer survey we conducted three years ago indicated what was ahead in the residential air conditioning field. This question was asked: "Between using equipment to keep warm in the winter, and using equipment to keep cool in the summer, which would you say is most important—or are they about equally important?

The result: 46.8% said keeping **warm** was more important.

44% said keeping **cool** was as important as keeping warm.

7.5% said keeping cool was **more** important.

Of course the air conditioned city may be far in the future, but the air conditioned shopping center is just ahead in our area. One is already under construction and others have been announced. Stores in these shopping centers face a covered mall or arcade which is air conditioned. The shopper may go from one store to another without leaving the comfort of air conditioning.

One shopping center will have one central air conditioning plant serving all stores and arcades. Some 2,000 tons of air condiitoning already has been ordered to serve this one center, and the developer says he plans to expand the installation to a total of 12,000 tons sometime in the future.

There is an aircraft plant in Dallas which has 7,400 tons of air conditioning. There is an air conditioned drive-in restaurant in Houston and one in Harlingen. All you have to do is drive under a canopy and a carhop will attach a large rubber hose to your window and pipe cool air into your car while you eat in comfort.

Of course, not many people will go quite so far as a banker friend of mine who has air conditioned a dog house so his Great Dane will be comfortable during the summer.

For the air conditioning industry and for the customer, then, air conditioning is big business. It also is big business for every utility—either at present or just ahead it is a business that holds some surprises for utilities faced with serving such a fast-growing load.

The effect of air conditioning on the location of the generating facilities is, of course, very important. Careful consideration must now be given to the location of new plants closer to residential areas as air conditioning gains general acceptance.

Increasing load densities in residential areas are creating new distribution problems. In Dallas we have found that it is no longer practicable to serve such loads from distribution substations spaced at commonly accepted intervals. Additional substations have been required with the attendant problems of obtaining substation sites in built-up residential areas and routing transmission lines into such areas.

Some reduction in the cost to serve air conditioning loads will come as a result of steps taken recently to increase the power factor to between 85% and 90% on the new models of room air condiitoners. However, distribution facilities must still be greatly increased to serve air conditioning loads. We are now designing the distribution system in our residential areas to serve an average load density of 10,000 kw per square mile.

This new requirement for increasing distribution system capacity calls for careful attention to the company's customer relations. Substations must be landscaped and designed attractively to harmonize with the residential area.

For many years, the Dallas system peak, caused by commercial air conditioning, has come at about 3 p.m., but as the residential air conditioning load grows, there is a tendency for the system peak to move farther into the evening. For companies with a winter system peak air conditioning is, of course, a very favorable load. Take the residential customer, for example, who uses the national average of 2,549 kwh per year. If that customer were to buy a 1-horsepower air conditioner and use it for 1,000 hours a year on a system having a winter peak, his annual use of electric service would increase 29% without any additional generating capacity being needed by the company.

For companies with a summer peak, our studies and experience indicate that ranges, water heaters and laundry equipment are good balancing loads. In this respect the heat pump appears to offer tremendous opportunities in the future to offset the high summertime peaks which result from refrigeration loads. Here is a device which, fully developed and mass produced, can be installed to a high point of saturation without increasing generation peakes or requiring additional transmission or distribution capacity over that required for summertime air conditioning.

A large air conditioning load, of course, has a very important effect on the load factor of an electric utility system. For this reason, Dallas Power & Light Company carried out a comprehensive study of its system load factor in relation to air conditioning.

We found some rather unexpected things. Back when we had a relatively small air-conditioning load we assumed that air conditioning had an annual load factor of around 8 to 10% but as a result of this study, we determined that the load factor of air conditioning today is closer to 20%. Our study showed that customers get the habit of air conditioning; that is, after they have used it for a few years they tend to keep their equipment running for a longer portion of the year. Air conditioning becomes not a luxury but a commonplace necessity. The second factor which helped raise the load factor was the installation of thermostats on so many room cooler units. With the thermostatically controlled unit, the customer merely turned on the machine and left it to run automatically. He didn't wait until he felt warm to switch it on.

Another unexpected result of our load factor study was that air conditioning has a diversity worth considering when plans are being made for additional plant capacity.

Preliminary reports from a study that we are now making show that a group of one-horsepower air conditioners will have an **average** demand of about 1,500 watts per unit but at the time of our system peak last year on a 103° day in July, this demand was found to be 1,000 watts or less per unit, which indicates that only 67% of the maximum undiversified load was on our system peak.

Central systems showed an average load of 1,300 watts per horsepower of rated capacity. The demand of such units at the time of the annual system peak was only 1,000 watts or 77% of maximum.

Air conditioning has brought some unexpected benefits as well as problems to our company.

The residential customer has become accustomed to paying a much higher electric service bill. Quite frankly, we **did** have problems with high-bill complaints at first. However, after publication of cost-of-operation booklets, individual handling of high-bill complaints, and through general experience of our customers in operating air conditioning equipment, the number of complaints has steadily decreased.

I would like to suggest to those of you who will soon be experiencing this increased air conditioning load that it is highly important that the customer realize, **in advance of installation**, just how much it will cost him to operate his air conditioning unit.

During the month of August, 1954, more than 3,600 of our residential customers used in excess of 2,400 kilowatthours for that month alone. You will recall that the national residential average for the **entire year** was 2,549 kilowatthours.

Average residential kilowatthour consumption on our system has increased from 1,350 kwh in 1946 to 3,053 in 1954, or an increase of 126%. Our residential average in 1954 was 20% above the national residential kwh figure, and a large part of this growth can be traced to air conditioning.

Air conditioning also has had the effect of making our customers more electric-living conscious. It is a persuasive salesman of the benefits of electricity. It helps create, on the customer's part, a desire for an **all-electric** home with its promise of modern, comfortable living.

Perhaps one of the most important benefits of air conditioning has been in the home-wiring field. Air conditioners of ¾ horsepower and over should be served with 240 volt circuits. We have been driving this point home to air conditioning dealers and to our customers with good results. We have a continuing promotional program which is directed to all segments of business concerned with wiring—the contractor, the architect, the builder, real estate agent, banker and others. We have interested these groups in promoting better wiring.

Listen, if you will, to this radio commercial which was run, not by an electric company, but by the largest bank in the Southwest:

"If you've bought an electric range, food freezer, or air conditioner recently, you may have found that you needed extra wiring to take care of these appliances. Many homes—not necessarily old homes, either—are not wired for the ever-increasing demand of electric living. So, next time you add another appliance (or even before) ask your electrical contractor or dealer about rewiring your home completely. It costs very little more to do the whole job at once." The advertisement goes on to point out that such a wiring job can be financed with a low-interest bank loan.

Because of the heavy increase in air conditioning and other electrical appliances in the home, we are recommending in Dallas that no home have less than a Number two service entrance and a rating of service equipment not less than 100 Amps.

This complies with the new standards recently adopted by an industry committee and published in the Handbook of Residential Wiring Design.

Air conditioning has been responsible in large part for the increase in our personnel assigned to home wiring work. Six years ago we had only one person working part time to give residential customers help with their wiring plans. Today we have three full-time field men and a supervisor.

Finally, air conditioning has brought the company and the customer into closer contact—a very important part of good customer relations. We have been able to give him **personalized** service. In many cases we have advised him on the type of air conditioning he requires, worked with him on an estimated cost of operation, and then followed through to see that our electric service was supplying the capacity needed for his operation. All of this helps to create friends for the company—good customers who have confidence in their electric service and the feeling that they are getting their money's worth.

* * *

As a summation, air conditioning, already a big business—is setting off a revolution in the living habits of the American people. While it is already big, air conditioning is going to get bigger and spread into areas not thought of before as "hot areas." Generally, the development of air conditioning may be expected to follow the pattern of growth established in the Southwest, although to perhaps a lesser degree in some areas.

Your problems and your opportunities as electric utility companies faced with growing air conditioning loads will be similar to ours in the Southwest.

Air conditioning will continue to be an opportunity for the electric utility industry. And we can best meet this challenge by:

Providing economical, adequate service to the air conditioning customer.

Making a realistic reappraisal of rate structures.

Encouraging the use of off-peak services in order to balance winter and summer loads.

And being prepared, through a careful study of our system areas, to serve the coming air conditioning load.

The late Dr. Willis H. Carrier, a pioneer in the air conditioning field, said back in 1941: "The time is almost here when men will no more let themselves and their families suffer from heat and humidity than they now permit them to suffer from cold and storm."

We can say, I believe, that that time has now arrived.

With Curtiss, House

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Alexander E. Molnar has been added to the staff of Curtiss, House & Co., Union Commerce Building, members of the New York and Midwest Stock Exchanges. He was previously with Hornblower & Weeks.

Vickers Branch in Boston

(Special to The Financial Chronicle)

BOSTON, Mass. — Vickers Brothers has opened a branch office in Boston at 80 Federal St. under the direction of Henry G. Vickers. Francis G. Doherty, Stanley Lampert and Myer D. Robins are associated with the new office.

Development of Long Distance Power Transmission

By PHILIP SPORN*
President, American Gas and Electric Company

Prominent utility executive traces the history of long distance electric power transmission, and describes the latest developments along these lines in the United States. Says a number of problems encountered have been solved, but in view of the present and prospective increase in utility loads, there is an urgent need for the utilities to plan for greatly increased capacity for power transmission at much higher voltages.

I

INTRODUCTION

The purpose of this paper is to present a unified record of developments in electric power transmission, including a projection of work for the future. Exhaustive treatment of such an extensive subject is, of course, not possible here. I shall start with a brief account of early events and a summary of significant achievements from 1900-1945. Appreciation of what transpired up to 1945 requires discussion of the major problems encountered and solved; I shall try to identify these problems. With this background, the more recent progress in 330-kv transmission can be understood and treated. Finally, I shall speak of the role of transmission in the period ahead and what remains to be done if that role is to be fulfilled.

Philip Sporn

The importance of giving mobility to power was understood abroad long before the beginning of an electrical industry. The art of applying power in industrial operations had its origin in Europe with the industrial revolution there. Since the locus for optimum generation did not necessarily coincide with the locus of use, achievement of mobility was recognized as an indispensable means of utilization or of increasing efficiency. In consequence, more than a century ago, efforts were made in England, France, Germany, and Switzerland to transport power from point of generation to point of use.

In these early efforts water under high pressure, compressed air, and wire rope were utilized to move hydraulic power. Distances ranged from a few thousand feet up to miles. But the technology of transmission received revolutionary impetus with the first commercial central power station in 1882, and the perfection of Stanley's alternating current transformer in 1886.

As the electric power industry grew, the technology of transmission altered and improved. But, whereas growth and improvement in the art of generation has been a fairly continuous process, transmission has followed a less regular course. At times developments in transmission have been spasmodic. In the period of standstill, however, when new work in transmissiion was negligible, the forces of necessity which ordinarily stimulate invention and pioneering were simply not at work. The flexibility inherent in alternating current transmission, with which we are all familiar, made it possible to carry the greatly enlarged loads at various times with facilities built and developed for smaller system loads.

Yet this flexibility has its limits. With load and system expansion expected to increase four or five times in the next 25 years, it is more than ever important that what has been accomplished in the past be used to take bearings on where we stand and to try to project a sound course ahead. Only in this way will we be able to avoid serious obstacles to the healthy growth of the industry.

II

Early Developments in Transmission

The early pioneering in transmission occurred when the industries were beginning to use more and more power, but were prevented from using attractive water power resources because power could not be moved an appreciable distance. An example of the urge to give power mobility during the decade 1880-1890 was the flood of proposals for large-scale development at Niagara Falls and the realization that the value of the power would be immeasurably increased if some way could be found to carry it the 22 miles to Buffalo. In 1887 the City of Buffalo offered a prize of $100,000 for the best transmission scheme. None of the mechanical systems proposed, most of which were based upon European installations, was acceptable and no award was made. In 1886 at Great Barrington, Maassachusetts, Stanley had already carried sinble-phase power 4,000 feet, with a transformer stepping up to 3,000 volts at the source and stepping down again to 500 volts at the load. But this was too new and electric transmission was not yet recognized as the only answer to the Niagara problem.

The International Niagara Commission, organized in 1890, fared no better. Its organizer was Edward Dean Adams, President of Cataract Construction Company (which later became Niagara Power Company), and the Commission included among its five members the famous Lord Kelvin. The Commission invited leading manufacturers and scientists to submit proposals for a 125,000 hp development and transmission to Buffalo. By 1891 17 proposals had been made but none were considered adequate without radical changes and so, although a number of prizes were awarded, no first prize was given.

Meanwhile, other projects for moving hydro power were getting under way elsewhere, particularly on the Pacific Coast. In 1890, 480 kw of single-phase power at 4,000 volts and 125 cycles was carried 14 miles from Willamette River Falls to Portland, Oregon. In 1892, single-phase power generated at San Antonio Canyon, California, was stepped up to 10,000 volts and carried 14 miles to Pomona, marking the first commercial use of step-up transformers.

Based on these developments and demonstrations, the directors of Niagara Power Company selected A-C transmission in 1893 for the Niagara-Buffalo project. And in 1896 that company completed the first 11,000-volt, 25-cycle transmission line over the 22-mile distance. In 1898, there was also placed into service the 30,000-volt, three-phase, 75-mile line from Santa Ana Canyon to Los Angeles and, in 1899, the 40,000-volt, 70-mile line from Colgate Hydro to Sacramento. Thus the decade 1890-1900 saw major progress in the development of electric transmission.

III

Significant Achievements 1900-20

At the turn of the century electric power transmission was firmly established and progress from then on was rapid. Using pin-type porcelain insulators, voltages were increased to 60 kv by Pacific Gas and Electric Company in building a 150-mile line from Colgate to Oakland in 1902. During the next five years, many more lines were constructed at this voltage by Pacific and Electric Company and Edison Electric Company, both in California. The Edison line, built in 1907, extended 117 miles from Kern River to Los Angeles. By 1910, Pacific Gas and Electric had in operation over 1,000 miles of 60-kv lines, serving some 150 communities from 11 generating stations with a load totaling 100,000 kw.

Maximum transmission voltage was unchanged from 1902 to 1908 because of the limitation of the pin-type insulators in use at that time. But in 1907, Hewlett and Buck developed the first suspension-type insulators and made posisble a break through to higher voltages. In 1908, Grand Rapids Power Company in Michigan, using the new insulators, pioneered a 110-kv line which ran 50 miles from Grand Rapids to Muskegon. Other lines in this voltage class soon followed. Central Colorado Power Company built a notable 100-kv, 150-mile line over Argentine Pass. Because of the high altitude, 13,600 feet, and the small 1/0 copper conductor size with resulting corona loss, this line was limited in its operation to 95 kv.

During the next decade voltages were raised to 140 kv. In 1912, Ausable Electric Company constructed a 125-mile line of that voltage from the Cook Plant on the Ausable River to Flint, Michigan. The following year Pacific Light and Power Corporation boosted the level to 150 kv. That company, which later became Southern California Edison, built its 240-mile, 150-kv line consisting of two single-circuit towers from Big Creek to Los Angeles. Many other lines in the 110 to the 132-kv class were constructed during the 1910-1920 period. By 1920 the mileage of these lines throughout the country was very extensive.

IV

Later Developments, 1920-1945

At the same time that lines at voltages up to 150 kv were being installed, studies were proceeding for 220-kv transmission among several groups, including Southern California Edison, Pacific Gas and Electric, and Electric Bond and Share. The Southern California Edison project involved the conversion of the Big Creek 240-mile line from 150 kv. to 220 kv. In preparation, a 27-mile section was isolated, grading shields were added, and tests were made at 241 and 284 kv. to determine corona performance, charging kva, and general feasibility of using the existing towers and insulators. Corona losses on the 0.96-inch diameter conductor energized at 278 kv, measured from 15 to 45 kw per mile depending upon weather, and agreed quite closely with calculated values using Peek's formulas. Charging current values were found to be 7½% higher than calculated. Corona loss at 241 kv was negligible in clear weather and only about 3 kw per mile in rain. Using autotransformers for step-up and step-down between 150 kv and 220 kv, the actual cut-over of the line to 220 kv was completed on May 6, 1923, marking the first operation of a transmission line at this voltage anywhere in the world.

Following inauguration of 220-kv operation in California, Pennsylvania Power and Light undertook a similar project linking Wallenpaupack Hydro with the Siegfried Station near Allentown. It was subsequently extended to Plymouth Meeting at Philadelphia, the receiving end of Philadelphia Electric's Conowingo 220-kv line. An extension was then made from Plymouth Meeting to the Roseland Station of Public Service Electric of New Jersey, and in 1932 from Roseland to Bushkill, a tap point on the Wallenpaupack-Siegfried line. The construction of these lines over the years 1926-1932 created the three-company Pennsylvania-New Jersey power pool, an event notable in the history of interconnected system operation.

While a considerable mileage of 220 kv had been built before 1935, tremendous expansion was taking place everywhere at lower transmission voltages. In New England, New York State, in a number of southern states, and in the Pacific Northwest 110 kv predominated. The American Gas and Electric Company and others in the Middle Eastern States from Virginia to Illinois built extensive 132-kv systems. Elsewhere, such as in the TVA area, 154 kv was becoming prevalent.

An important step in perfecting still higher voltage was the project undertaken in the early '30's by the Department of Water and Power, City of Los Angeles. The problem posed there was the delivery of power from Hoover Dam to Los Angeles, a distance of 270 miles. Investigation of this project and the design of the transmissioin system involved study and research in corona performance and investigations of various types and sizes of conductors, at varioius voltage levels and under varying weather conditions. These investigations were carried out largely at Stanford by Carroll, Cozzens, and Blakeslee. The project also required studies of stability and power limits, which became primary considerations in the final selection of the transmissiion voltage. An integral part of the investigation was the development of the high-speed, three-cycle circuit breakers for switching, that is, for opening (but not reclosing) the line.

V

Some of the Problems Encountered and Solved

My greatly compressed chonological account of the development of transmissiion is likely to give a deceptive impressiion of ease of solution of problems along the way. Actually the difficulties were formidable in designing, building, and making operative the right equipment, in learning

Continued on page 43

*A paper by Mr. Sporn before the 23rd Annual Convention of the Edison Electric Institute, Los Angeles, Calif., June 16, 1955.

Railroad Securities

Western Maryland Recapitalization Plan Stymied

Late last week the Interstate Commerce Commission had an unexpected set-back at the hands of the United States District Court in New York. Over a long period of years the courts have generally been inclined to give the Commission quite a free hand in the matter of railroad reorganizations and recapitalization plans. Now, however, the lower court has turned down the plan of the Western Maryland to revamp its stock capitalization in order to eliminate the dividend arrears on the first preferred stock. The plan had been opposed by some minority holders of the first preferred on the basis that the proposal did not provide adequately for their claim, and it would not have been too surprising if the court had rejected it on that basis. Actually, however, the adverse decision was on much broader legal grounds and involves the much more important question of the purposes and scope of the so-called Mahaffie Act.

The Mahaffie Act was passed a number of years ago for the purpose of protecting railroads in temporary financial difficulties because of impending bond maturities or too heavy fixed charge requirements. It was designed to protect the companies from obstructionist minority groups, and to prevent such hold-outs from reaping large benefits through the threat of putting the company in bankruptcy if they were not paid off in full. At one time the Commission itself held that the Act was not intended to cover such matters as dividend arrears, where no threat to the solvency of the road was involved, and where the elimination of accumulated back dividends was not necessary to allow some contemplated financing. That was in the Maine Central case where the I.C.C. turned down the company's request for a stock recapitalization plan. As the Commission is now constituted, however, this interpretation of the law was discarded and the Western Maryland proposal was approved as equitable and in the best interests of all concerned.

The court's decision was not based on the merits of the plan as such. It was found, rather, that the Commission had no jurisdiction under the Mahaffie Act to approve any such plan. In the decision it was pointed out that Western Maryland was not in financial difficulties such as the act had been designed to alleviate. It was further stressed that the company has been paying dividends in recent years at, or above, the prescribed 7% rate, and that, therefore, the arrears were not continuing to accumulate. The company, of course, has the right to appeal this decision to the higher courts but to date no such decision has been announced. If no appeal is made, or if the lower court is upheld on appeal, it is obvious that holders of the second preferred and common stocks will probably have a long wait before they will be able to participate directly in the company's improved earnings.

The recent decision has naturally caused some uncertainty as to other recapitalization plans now in process or under discussion. Missouri-Kansas-Texas had already presented a proposal for a voluntary readjustment plan to eliminate the large arrears on its preferred with an exchange into income debentures. As in the case of Western Maryland it certainly cannot be claimed that the arrears constitute any financial threat. There is one difference, however, in that "Katy" has not even in recent boom years been paying the full dividend on the preferred so that the accumulations are continuing to increase. In many quarters it is expected that under those circumstances there is still a good chance that the "Katy" plan may get by the courts. There have also been rumors that Maine Central was getting ready to bring out another stock recapitalization plan but if the recent Western Maryland decision stands it seems hardly likely that this could be accomplished as Maine Central has been keeping up with current payments, and even reducing the arrears.

Harllee Branch, Jr., New President Of Edison Electric Institute

Head of Georgia Power Company elected by Board of Directors of the Edison Electric Institute at closing session of the Institute's 23rd Annual Convention in Los Angeles.

Harllee Branch, Jr., President and Director of Georgia Power Company, Atlanta, was elected President of the Edison Electric Institute by its Board of Directors on June 16. Installation of the new President was made at the closing session of the Institute's 23rd Annual Convention. A Vice-President of the Institute for the past year, Mr. Branch succeeds Harold Quinton, President of the Southern California Edison Company, as head of the nation's most important electric utility trade association.

Harllee Branch, Jr.

Noted in the electric utility industry for his qualities of dynamic leadership, Mr. Branch is one of the youngest Presidents the Institute has had. Born in Atlanta on June 21, 1906, he will shortly celebrate his forty-ninth birthday. Active interest in community progress is characteristic of both Mr. Branch and the company he heads. Georgia Power is well-known throughout the nation for its "Better Home Towns" program and for other successful area and industrial development activities. One of the leading electric utilities in the South, Georgia Power has expanded rapidly in the last decade. Customers at the end of 1954 totaled more than 553,000, an increase of 88% over 1945, and electricity sales reached more than 6½ billion kilowatthours, nearly 138% above the 1945 figure.

The company's service area covers 49,700 square miles, nearly the entire State of Georgia, and its eight steam-electric plants and 21 hydroelectric plants have a total generating capacity of 1,344,000 kilowatts.

After completing his early education in the Atlanta schools, Mr. Branch went on to Davidson College in North Carolina, receiving his BA degree in 1927. In that year, he entered Emery University as a law student, and was graduated in 1931.

He had been a member of the law firm of MacDougald, Troutman, Sams and Branch, of Atlanta, general counsel for Georgia Power, for 18 years when he was called to the Vice-Presidency and general managership of the company in 1949. Early in 1951 he was elected to the Presidency.

Mr. Branch is also a director of the Southern Company and of Southern Services, Inc. In 1953 he was appointed a director of the Federal Reserve Bank of Atlanta and now serves as Deputy Chairman of the Board of that institution.

Mr. Branch has been a keen and energetic participant in the educational, cultural, and service concerns of his community. He is a former trustee of the Atlanta Community Chest and was General Chairman of its 1950 fund-raising campaign. He is a director of the Atlanta Chapter of the American Red Cross, a director of the YMCA Council of Georgia, of Junior Achievement of Georgia, Inc., and of the Georgia 4-H Club Foundation. He is a member of the Executive Committee of the Atlanta Conference of Christians and Jews and of the Advisory Board of St. Joseph's Infirmary. Mr. Branch is a member of the Board of Trustees of Emery University, of the Georgia Tech Research Institute, and of the Columbia Theological Seminary. He also serves as a trustee of the Atlanta Art Association and the Atlanta Symphony Guild, and is a former President of the Davidson College Alumni Association. He served as a Lieutenant in the U. S. Navy during World War II.

He is immediate Past President of the Southeastern Electric Exchange, a former President of the Atlanta Bar Association and of the Atlanta Legal Aid Society. Among the other organizations to which Mr. Branch belongs are: President's Council of American Institute of Management; Policy Committee of U. S. Chamber of Commerce and Atlanta Rotary Club.

Raymond Flynn V.-P. Of Blair & Co. Inc.

Joshua A. Davis, Chairman of Blair & Co., Incorporated, announces the election of Raymond E. Flynn as a Vice-President. Mr. Flynn comes to Blair from Campbell, McCarty & Company, Inc., Detroit, with whom he has been associated for the past 20 years.

Raymond E. Flynn

Mr. Davis said the election of Mr. Flynn is another step in Blair's expansion program, this time in the Detroit area where enlarged offices in the Buhl Building have been leased.

Mr. Flynn was born in Au Sable, Mich., the town that was completely wiped out by fire in 1911. He also is a veteran of World War I in which he served with the British Army from 1916 until the Armistice.

Prior to entering the securities business he was well-known in commercial banking and the purchasing fields. He is a former Vice-President of the National Association of Purchasing Agents and a past President of the Detroit Association of Purchasing Agents.

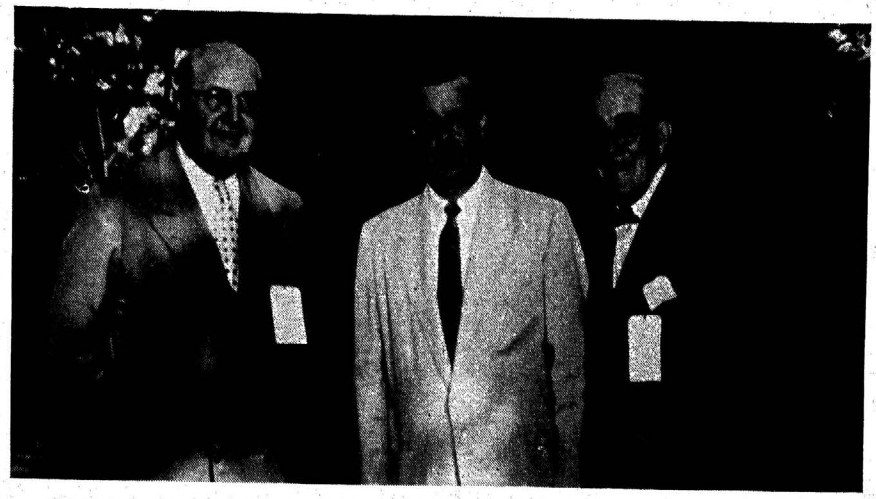
Reinholdt Gardner Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Rexford E. Riordan has become affiliated with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

The Bond Club of New Jersey

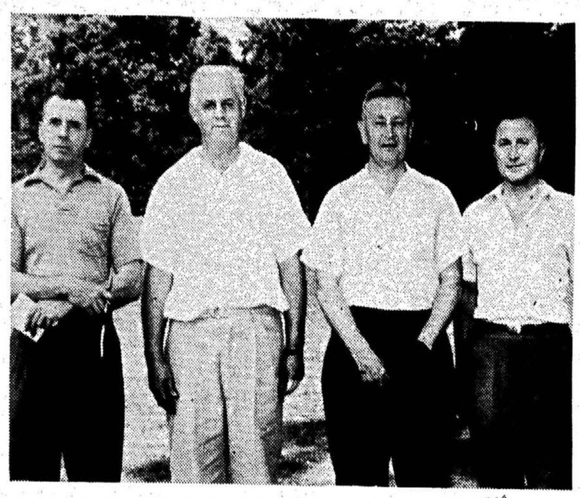
John Byram, *Northern Trust Company*, New York; Glenn D. Thompson, *Drexel & Co.*; John J. Ryan, *Ryan, Hanauer & Co.*, Newark, N. J.; Bob Krumm, *W. H. Morton & Co., Incorporated*



Joseph R. Mueller, *J. R. Mueller & Co.*, Newark, N. J.; Barclay B. Balkey, *National Newark & Essex Banking Co.*, Newark, N. J.; Kenneth Spear, *Julius A. Rippel, Inc.*, Newark, N. J.

Edwin L. Beck, *Commercial & Financial Chronicle*; Austin H. Patterson, *First Boston Corporation*

Ned Byrne, *Byrne and Phelps, Inc.*; Roger S. Phelps, *Byrne and Phelps, Inc.*



James G. Campbell, *W. E. Wetzel & Co.*, Trenton, N. J.; John W. Kress, *Howard Savings Institute*, Newark, N. J.; E. W. Tallau, *Howard Savings Institute*, Newark, N. J.; Daniel L. Reiber, *National State Bank*, Newark, N. J.

Gus Meier, *First National Bank of Cedar Grove, N. J.*; William H. Boland, *Boland, Saffin & Co.*; Charles C. Thomas, *Kean, Taylor & Co.*

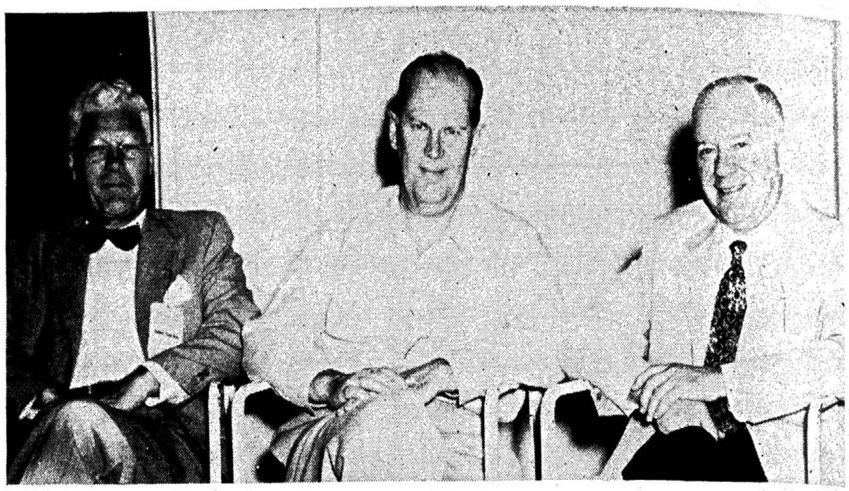
Lee W. Carroll, *Lee W. Carroll & Co.*, Newark, N. J.; Albert J. Milloy, *First Boston Corporation*; J. W. Cantlie, *Tripp & Co., Inc.*; Charles Bishop, *Hanover Bank*

Phil Arnheiter, *Adams & Hinckley*, Newark, N. J.; S. M. Weissenborn, *Parker & Weissenborn, Inc.*, Newark, N. J.; Frank R. Cole, *F. R. Cole & Co.*, Newark, N. J.; Walter H. Stohl, *Fidelity Union Trust Company*, Newark, N. J.

Harry D. Miller, *Nugent & Igoe*, East Orange, N. J.; Wally Scanlon, *Howard Savings Institute*, Newark, N. J.; Jack Duerk, *Howard Savings Institute*, Newark, N. J.; Edwin F. Kezer, *B. J. Van Ingen & Co. Inc.*

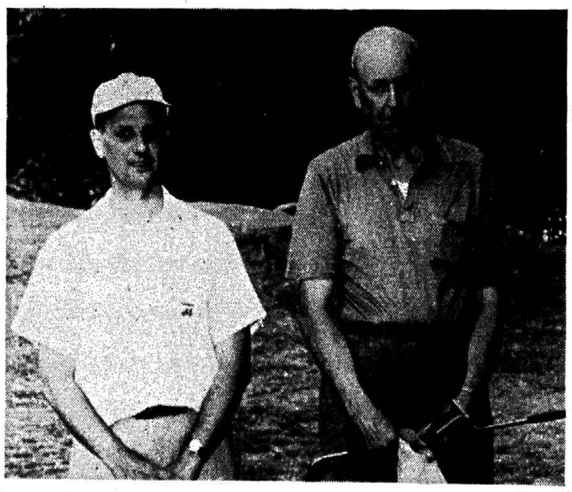
Holds Annual Field Day

Foy W. Porter, *Estabrook & Co.;* Carl A. Preim, *R. W. Pressprich & Co.;* Herbert A. Hoehn, *Gregory & Sons*

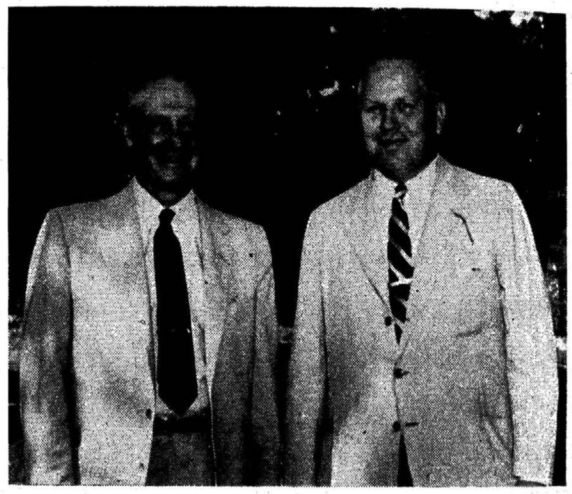


Sidney Weedon, *Crosby Corporation,* Boston; Richard H. Marshall, *Laurence M. Marks & Co.;* Albert F. Rice, *Laurence M. Marks & Co.*

Harold J. Kennedy, *E. F. Hutton & Company;* Jack Gochenaur, *County Bank & Trust Co.,* Paterson, N. J.

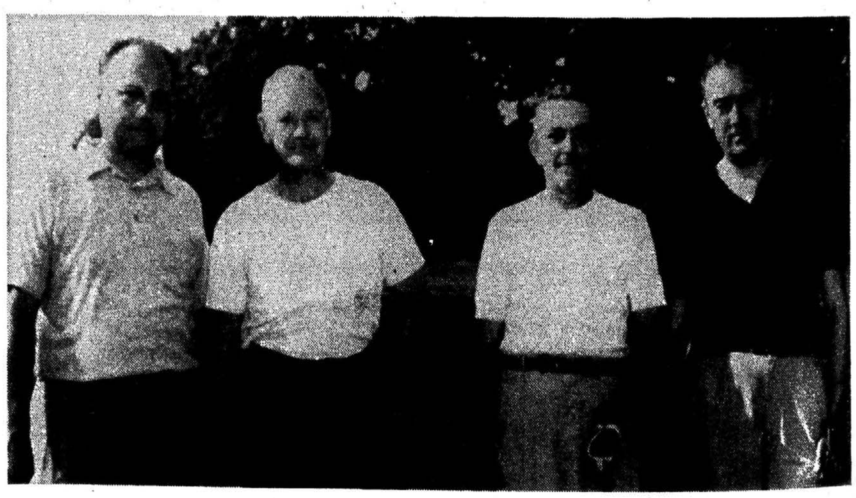


George G. Hughes, Jr., *Howard Savings Institute,* Newark, N. J.; Howard F. Graham, *Stone & Webster Securities Corporation*



Ed Fishwick, *Mutual Benefit Life Insurance Co.,* Newark, N. J.; Herb Schutt, *Kean, Taylor & Co.,* Newark, N. J.

William K. Paton, *Farmers Bank of the State of Delaware,* Dover, Del.; Jack Kraus, *Home Title Guarantee Co.,* East Orange, N. J.; W. P. Wilson, *W. C. Langley & Co.;* J. Albert Leek, *Coffin & Burr, Incorporated,* Hartford, Conn.

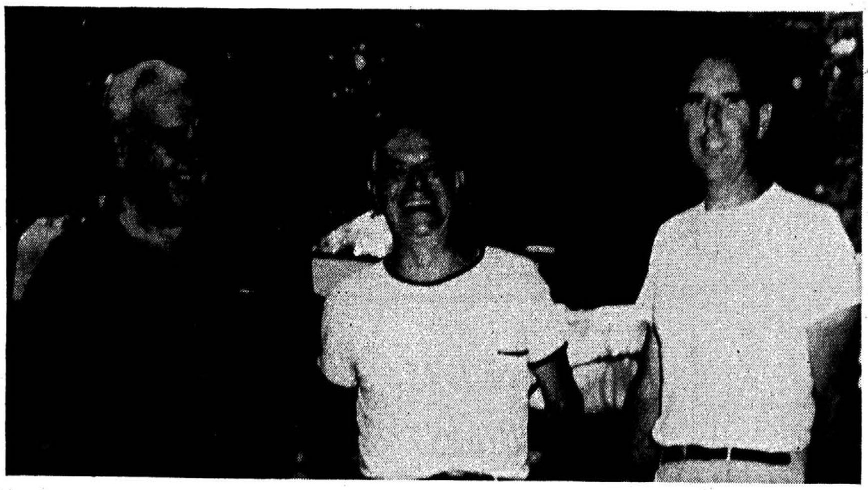


Frank D. Allesandro, *Orange Valley Bank,* Orange, N. J.; R. A. Hitchins, *Fidelity Union Trust Company,* Newark, N. J.; Thomas G. Kenyon, *Carteret Bank & Trust Co.,* Carteret, N. J.; Ludlow Van Deventer, *Van Deventer Brothers, Inc.,* Newark, N. J.

James Currie, Jr., *Glen Ridge, N. J.;* Jay Richardson, *Halsey, Stuart & Co. Inc.;* Chic Spring, *Outwater & Wells,* Jersey City, N. J.

W. K. Van Hise, *Parker & Weissenborn, Inc.,* Newark, N. J.; Harry C. Zimmer, *Commercial Trust Co. of New Jersey,* Jersey City, N. J.; Richard D. Nelson, *Colonial Life Insurance Co.*

June 17th, 1955



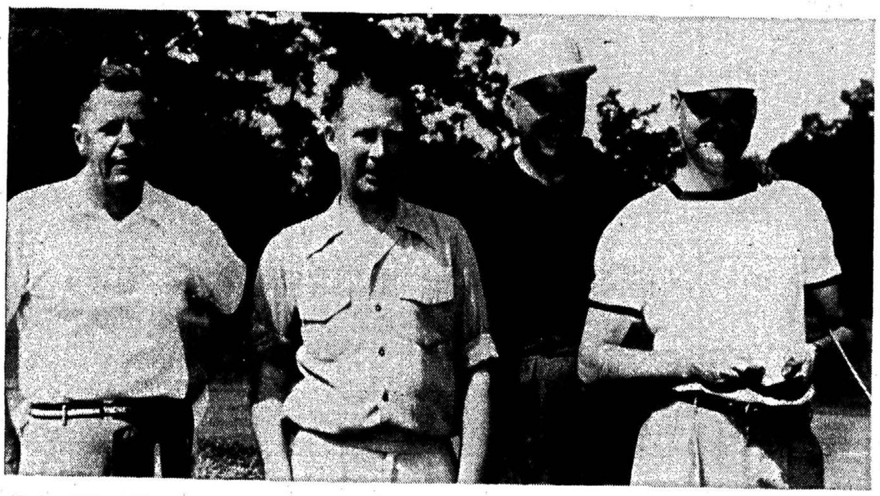
Dick Monaghan, *J. R. Mueller & Co.*, Newark, N. J.; W. Farrar, *Coffin & Burr, Incorporated*, Bob Pyle, *Hornblower & Weeks*

Ira C. Ayers, *Anderson Cook Company, Inc.*, Palm Beach, Fla.; Ed McLaughlin, *Paine, Webber, Jackson & Curtis;* Robert M. Hinchman, *Ira Haupt & Co.*

R. R. Wilson, *Van Alstyne, Noel & Co.;* Larry Souville, *Spencer Trask & Co.;* George A. Parks, *Mackey, Dunn & Co., Inc.*

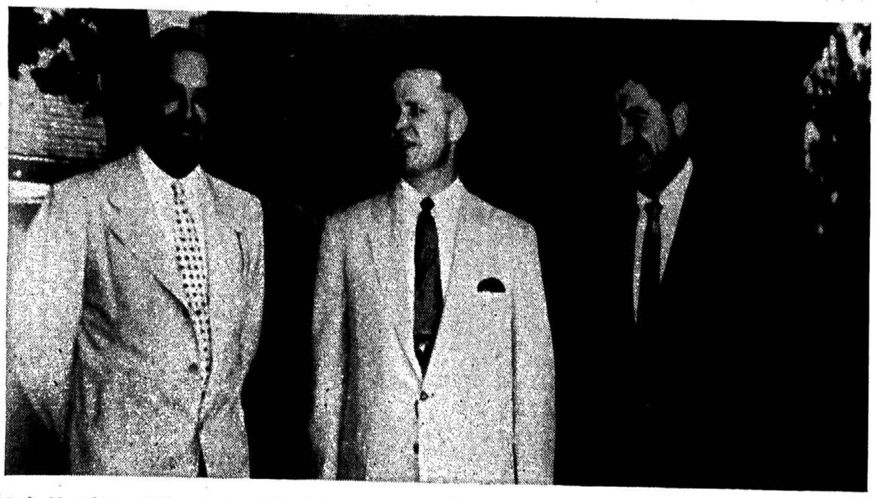
Arthur H. Paddock, *Eastman, Dillon & Co.;* James B. Kirk, *Harris, Upham & Co.*, Newark, N. J.; James B. Kirk, Jr., *Harris, Upham & Co.*, Newark, N. J.

W. L. Phillips, *Mutual Benefit Life Insurance Co.*, Newark, N. J.; W. W. Brown, *Kidder, Peabody & Co.*, Newark, N. J.



E. H. Hills, *Eldredge & Co. Inc.;* J. P. Rutter, *American Insurance Co.*, Newark, N. J.; Monroe V. Poole, *Geo. B. Gibbons & Company, Inc.;* John F. Hoffmann, *Reynolds & Co.*

Robert F. Von Hoffmann, *L. F. Rothschild & Co.;* Tom Weissenborn, *Estabrook & Co.;* Rowland C. Hike, *Tucker, Anthony & Co.;* Donald K. Mackenzie, *Marine Midland Trust Co.*



H. G. Houghton, *Kean, Taylor & Co.*, Newark, N. J.; Don Lane, *Merrill Lynch, Pierce, Fenner & Beane*, Newark, N. J.; Tom McCarthy, *Merrill Lynch, Pierce, Fenner & Beane*, Newark, N. J.

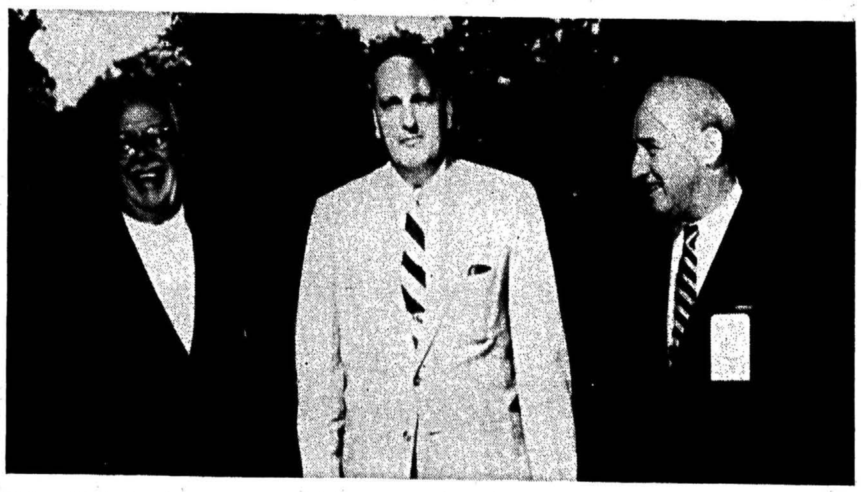
John P. Ryan, *Goldman, Sachs & Co.;* W. E. Thomas, *Provident Institute for Savings in Jersey City*, Jersey City, N. J.; Jack Sachau, *Blyth & Co., Inc.;* Edward Winpenny, Jr., *Laird & Company*

At Rock Spring Country Club

C. M. Haight, Jr., *Tripp & Co. Inc.;* J. S. Johnston, *G. H. Walker & Co.;* W. R Dunn, *Mackey, Dunn & Co., Inc.;* Bus Brown, *B. J. Van Ingen & Co. Inc.*

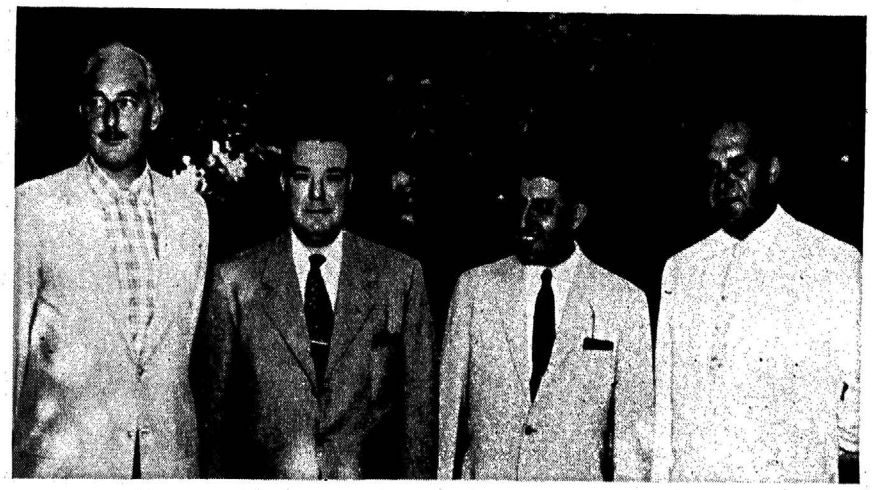
Dave Godwin, *Eastman, Dillon & Co.;* Tony Butera, *National State Bank,* Newark, N. J.; Stewart Terrill, *J. D. Topping & Co.;* Jim Musson, *B. J. Van Ingen & Co. Inc.*

H. P. Schaub, Jr., *Harry P. Schaub, Inc.,* Newark, N. J.; Harry P. Schaub, Sr., *Harry P. Schaub, Inc.,* Newark, N. J.; Addison K. Barry, *National Newark & Essex Banking Co.,* Newark, N. J.



Richard F. Saffin, *Boland, Saffin & Co.;* Gerald Storch, *Prudential Insurance Co.,* Newark, N. J. Kenneth W. Cronyn, *K. W. Cronyn & Co.,* Ridgewood, N. J.

George Heath, *National Newark & Essex Banking Co.,* Montclair, N. J.; Jim Ransom, *Harris Trust & Savings Bank,* New York; Cyrus R. Currier, *Harris, Upham & Co.,* Newark, N. J.; George Henderson, *Harris, Upham & Co.,* Newark, N. J.

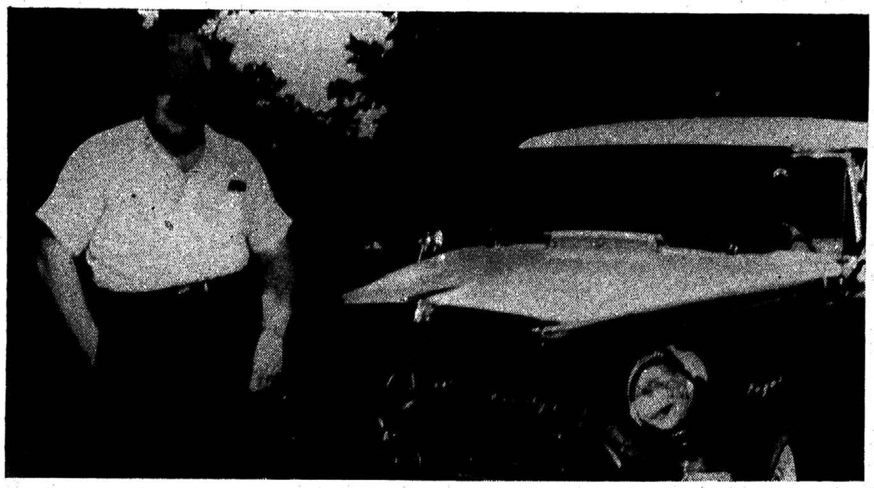


W. T. Callan, *Federal Trust Company,* Newark, N. J.; Howard B. Dunning, *C. P. Dunning & Co.,* Newark, N. J.; James J. Gustat, *Halsey, Stuart & Co., Inc.;* Courtlandt B. Parker, *American Securities Corporation*

Bill Roos, *MacBride, Miller & Co.,* Newark, N. J.; Frank Becker, *Guaranty Trust Company of New York;* Matt Reilly, *C. J. Devine & Co.*

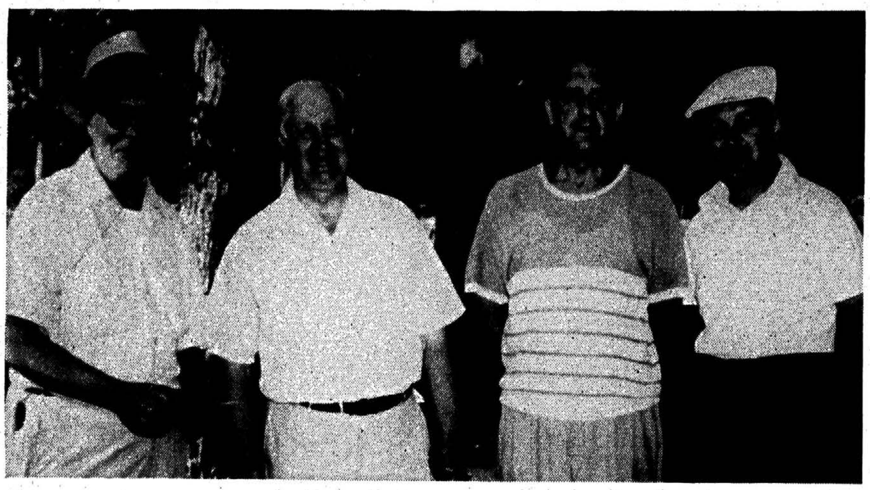
Jervis Brinton, *National Newark & Essex Bank,* Newark, N. J.; J. D. Boyd, *Bankers Trust Company;* Royce N. Flippin, *Smith, Barney & Co.;* John N. Page, *National Newark & Essex Bank,* Newark, N. J.

In West Orange, N. J.

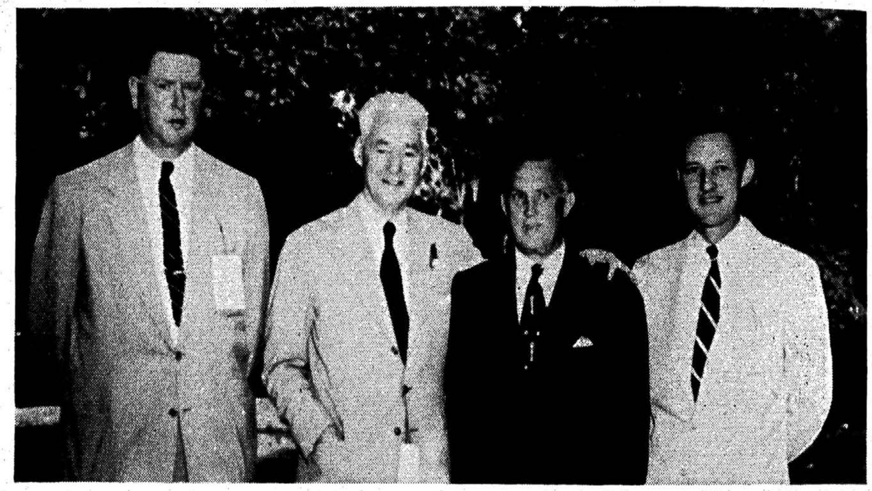


Harold B. Smith, *Pershing & Co.*, and his new Dodge

B. Ramsey, H. Loskamp, and Harry B. Litterst, *Merrill Lynch, Pierce, Fenner & Beane*, Newark, N. J.

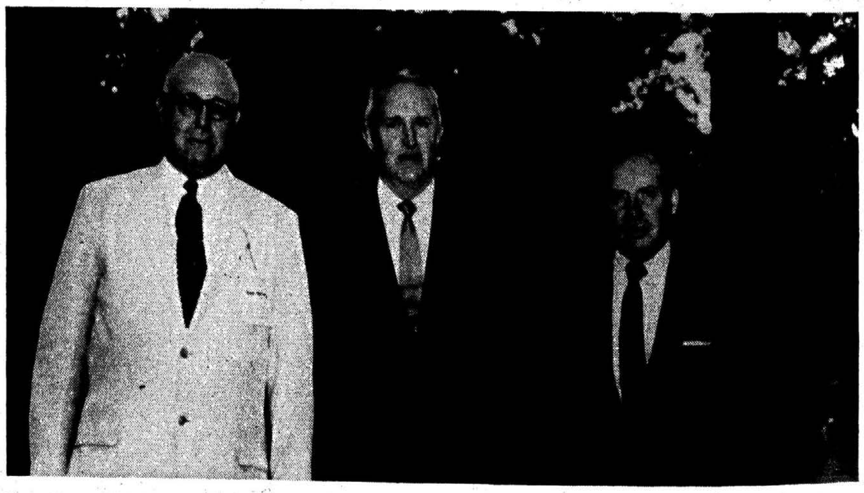


F. J. Brown, *Lee Higginson Corporation;* W. M. Whitesell, *Mutual Benefit Life Insurance Co.*, Newark, N. J.; B. H. Smith, *Bankers National Life Insurance Co.*, Montclair, N. J.; Edward J. Keresey, *Lee Higginson Corporation*



Joe Rush, *Reynolds & Co.*, East Orange, N. J.; Frank B. Allen, *Maplewood Bank & Trust Co.*, Maplewood, N. J.; A. A. Johnson, *Federal Trust Company*, Newark; Russell Hartranft, *Spencer Trask & Co.*

Dick Cleary, *Robert Garrett & Sons*, New York; Frank Cullum, *First Boston Corporation;* Robert P. Bennett, *E. A. Clark & Co.*, New York



Chas. E. Reed, *Kean, Taylor & Co.*, Newark, N. J.; R. F. Vanderhoff, *Fidelity Union Trust Company*, Newark; Banks E. Moyer, Washington, N. J.

Alex. Seidler, Jr., *National State Bank*, Newark, N. J.; John Agnew, *Eastman, Dillon & Co.*, Paterson, N. J.; William Conway, *Hudson County National Bank*, Jersey City, N. J.; Kenneth Sias, *National State Bank*, Newark, N. J.

Scott Russell, *Glore, Forgan & Co.;* Rollie Morton, *The Blue List;* Jack Nagle, *C. J. Devine & Co.*

Municipal Bond Women's Club of New York

Vernette Bonn, *Carl M. Loeb, Rhoades & Co.;* Ronnie Smith, *G. H. Walker & Co.;* Peg Burns; Marie Sheridan

Eleanor Kube, *R. L. Day & Co.;* Jeanne Skippon, *Adams, McEntee & Co., Inc.*

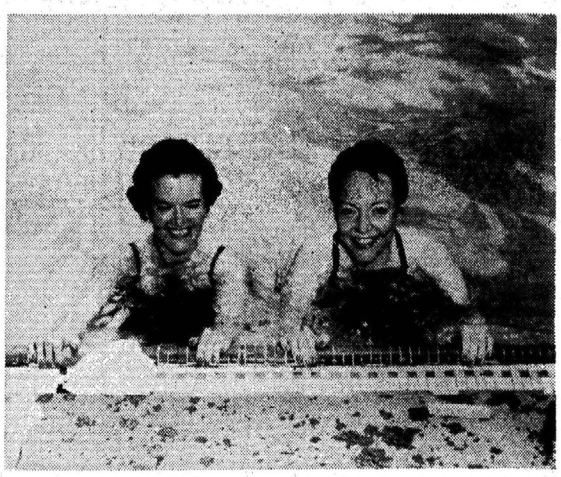
Josephine Rodd, *Goldman, Sachs & Co.;* Gladys Degner, *King, Quirk & Co. Incorporated;* Louise Bullwinkel, *Tripp & Co., Inc.*

Mary Ciarlo, *The Bond Buyer;* Cathleen Morin, *Smith, Barney & Co.;* Emma Brehm, *R. W. Pressprich & Co.;* Ann Schreiber, *Mitchell, Pershing, Schetterly & Mitchell*

Ola Smith, *Marine Trust Company of Western New York;* Alice Kavanaugh, *Equitable Securities Corporation;* Dorothy Root, *F. S. Smithers & Co.*

Audrey M. Bickhardt, *Lehman Brothers;* Lenore McConkey, *Blair & Co. Incorporated;* Marie Dolan, *J. J. Kenney Co.;* Gloria M. Berardini, *Rand & Co.;* Betty Dickinson, *Dick & Merle-Smith*

L. Virginia Jeffrey, *Fairman, Harris & Company, Inc.;* Justina V. Taylor, *Chase Manhattan Bank;* M. W. Rockafellow, *Flagler System*



Joan O'Brien, *Caldwell, Marshall, Trimble & Mitchell;* Norma Anderson, Newton, Mass.

Frances Isengard, *Harry Downs & Co.;* Joan Theurer, *Phelps, Fenn & Co.*

Pierina Manfredi, *Charles H. Drew & Co.;* Ann Carroll, *Geo. B. Gibbons & Company, Inc.;* Norma Detlef, *Lehman Brothers;* Helen Kane, *G. C. Haas & Co.,* Chairman of the Outing Committee

Elsie T. Schuyler, *Chemical Corn Exchange Bank,* President of the Club; Kathleen Sidoti, *Chemical Corn Exchange Bank;* Marion Junker, *Chemical Corn Exchange Bank;* Madeline Sundstrom, *Chemical Corn Exchange Bank*

Fifth Annual Outing June 17, 1955

Helen Potts, *Dean Witter & Co.;* Carolyn Reichard, *Braun, Bosworth & Co. Incorporated;* Marie Downs Noceti, *Paine, Webber, Jackson & Curtis*

Ruth Miller, *Lee W. Carroll & Co.,* Newark, N. J.; Alice Dooley, *Ira Haupt & Co.*

Elaine Malast, *Halsey, Stuart & Co., Inc.;* Marilyn Madden Ellsworth, *Union Securities Corporation;* Catherine Wies, *Halsey, Stuart & Co., Inc.*

Mary Dillon, *White, Weld & Co.;* Sarah Pardy, *R. D. White & Co.*

Jean Marie Davies, *Wainwright & Ramsey, Inc.;* Sarah F. Lebenthal, *Lebenthal & Co.*

Grace Zvornik, *Laidlaw & Co.;* Madeline Kessler, *Bache & Co.*

Continued from first page

Electric Utilities Plagued By Federal Statutes

and best efforts to assist in bringing about these needed corrections.

Burdensome Statutory Provisions

Briefly, the more important Federal statutory provisions that call for correction are (a) the tax exemption granted governmental proprietary power businesses; (b) the preference privileges in the sale of Federal Government power now enjoyed by certain electric customers at the expense of all others; and (c) the needlessly costly and burdensome duplicate regulation by Federal Government agencies on top of the regulation by state government agencies.

As I see it, we have a long and arduous job ahead of us, to bring about this needed corrective legislation. It is never an easy, and generally a thankless, task to revise statutes which afford special benefits to a certain privileged class; but electric utility companies serve some 40 million customers, or about 80% of the total number for the nation, and are duty bound to strive to obtain the enactment of laws that are fair to the customers' present interests and that safeguard their future interests as well.

These customers have benefited enormously from the advances in our system engineering, and from developments in our commercial operations and business management. It is important to them that fair and sound legislation permit us to bring them the benefits that future advances in technology and good management can also realize. It is important that the attainment of the best fruits of free enterprise not be hampered or stultified by unfair and burdensome statutory requirements and administrative regulations and interpretations. Clearly the past record of the electric utility companies gives every assurance to the nation that great strides forward will continue to be achieved if progress is not slowed or halted by unwarranted limitations imposed by government.

I speak here only of the best interests of the customer without mentioning the investor and his important relation to the matter, because the consumer is prone to lose sight of the fact that his best interest over the years is identical with that of the investor. Without the voluntary investor the consumer's economic freedom would also shrivel and disappear. Our 40 million consumers need our nearly four million voluntary investors; and to have the use of their capital, the investors must be convinced they can reasonably count upon the safety of their investment and upon a fair return thereon. Investors understand this identity of interest but many customers do not. It is important, therefore, that we, the utility managers, and our customers always clearly see that in struggling to obtain fair and wise Federal legislation we are working primarily for our customers and only secondarily for our investors.

It may be worth noting how some of the unjust and needlessly onerous legislation was placed on the statute books. Most of you can remember the legislative history of the decade of the thirties—the sweeping enactments profoundly affecting the operations of the electric power industry, many of which were passed by a very thin margin of votes. The full scope and designs of much of this legislation were certainly obscured to the management of utility companies, and must have been equally obscure to many of the members of Congress voting for the measures. Craftily phrased definitions and contradictory provisions placed in different parts of an act, apparently to meet the objections of members of Congress, provide a device whereby administrative agencies can choose their own interpretations and set their own limitations as they see fit. It was under such conditions that provisions placing heavy handicaps on many elements of the free enterprise system were established in the Federal statutes.

I feel certain that many of those voting for these Federal legislative measures had no notion of the extent and character of Federal ownership and control that would eventuate.

Laws Inimical to Investor-Owned Business

I am emphasizing the enactment, in a relatively short period, of sweeping provisions of law inimical to investor-owned businesses in order to picture the contrast between that legislative proceeding and what I believe will be required in time and effort to persuade the Congress to correct the more unjust and harmful provisions of that legislation. I feel it will be done bit by bit and may require two or more decades, during which time there may be many setbacks and disappointments; but I feel deeply that the undertaking is an obligation we owe to our country and to our customers, as well as to the investors of the companies we manage. It is an important part of our share in the vital struggle for a healthy survival of the free enterprise system in this nation and in the world.

A Just Cause

Let us look for a moment at our limited forces and the means at our disposal for accomplishing this serious and important work. The electric utility companies have no significant political power or influence. They command no votes. They have relatively only a small number of employees and all of these, without equivocation, vote just as they see fit as American citizens.

Plainly, the case of the investor-owned companies rests on the best long range interests of their customers and the public. Our appeal, therefore, must depend upon the wisdom, the good sense, and the sense of fairness and justice of the general public and of the committees of Congress who hear our arguments.

Actually, the position of the companies is inherently strong, positive and just. Their opponents' position is inherently weak and defensive for they argue for the preservation of unfair, special privileges that are harmful to broad public interest; and though they rarely will face it, they argue for a program that must eventuate in national socialism.

The companies' first problem will be to get the public, along with its consideration of its immediate interests, to take into account its own broad and vital interests in the years ahead. Their second problem will be to prevent the beneficiaries of special privileges and those devoted to Federal Government ownership of industry from succeeding in clever maneuvers to disguise the real issues, to confuse the public with false accusations and smoke screens and to divert the public's attention to minor or side issues, away from the fundamental issue of freedom for the individual. Special benefits to localities will be dangled before the public and before the Congressional committees. Our job will be to bring out and make clear the simple and grave, though disputed, fact that these immediate steps of our adversaries, however cloaked and rationalized, are, nevertheless, directed toward and must lead to the goal of national socialism. I use the word national instead of Federal because history clearly reveals that a federation of sovereign states would survive in name only if free enterprise is driven from the field.

Help From Those Not on Our Side

We will have much help in amending unfair legislation and some of this help will come, strange to say, from many engaged in, or proponents of, Federal power businesses. Battles are won as often by the weakness and the mistakes of the enemy as by the strength and skill of our own forces. The free enterprise system is inherently far superior to the socialistic system in the quality and quantity of its fruits. This truth may not be apparent in the early stages of national socialism, but it becomes increasingly evident with time and painfully obvious when the austere stage arrives.

However, long before this austere stage arrives the majority of people begin to observe the bad fruits of government in business; and the longer the agencies of the national government are in business, the more the disadvantages and the excessive costs become apparent. The people then experience a more profound and startling realization of the danger threatening their economic freedom and their cherished liberty. At the same time, the sad experiences, both economic and political, of people in foreign lands following the nationalization of their industries serves as a sharper warning and a stronger motivation to head off and drive back the movements toward national socialism in this land.

I venture to surmise that Congress will be moved to amend the unsound provisions of law affecting electric utility companies, not by any knowledge that the price at which Federal Government power is sold represents only a part of the true cost of such power to the Federal Treasury, not by showing up the false 18 inch yardstick of TVA for example, but actually by growing irritation with the conduct of government power agencies and growing fear of big government and the ominous power of Federal monopolies. It will be alarm over the obvious and uncomfortably imminent outcome of continued expansion of big government that will bring about changes in the laws that are grievously handicapping our business. Only the American people, informed and purposeful, are big enough and strong enough to exert the influence required to correct legislation that is harming their best interests.

Under Secretary Clarence A. Davis of the Department of the Interior recently made a speech in Denver in which he said, "I was first naive enough to believe it [the demand for Federal power development] was because they [promoters of Federal Power development] were opposed to private enterprise in the utility field, but I am now beginning to discover their opposition is not merely opposition to private enterprise. It is opposition to any non-Federal activity, whether it be by a municipality, a public power district, a public utility district or even by a sovereign State. . . . The longer the controversy continues, the more clear it becomes that some of these people will be satisfied with nothing less than a complete Federal monopoly of the field of natural resources, including not only hydroelectric power but timber, mining on public lands and the Federal control of irrigation through the assertion of paramount Federal rights to the water."

Growth of Government Power

The proponents of existing special tax privileges and preference clauses argue that the rapid progress of our companies in recent years shows that the complained of discrimination and preferences have not been harmful to company performance. True, the progress is impressive, but we have advanced rapidly in spite of, and not because of, hampering legislation. The average price of residential electricity fell more in the 20 years before TVA than it has in the 20 years since. The investing public has been willing to invest in the billions of new securities required to carry out this rapid expansion because it has had faith that the course of the Federal Government before very long would turn toward reliance on free enterprise and away from reliance on government operations.

There is, however, an inertia or time factor that must be taken into account in judging the threat of the situation. The Federal Government is relatively a newcomer to the field of power generation. In 1935 it had less than 300,000 kilowatts of generating plants, in 1945 it had 5,000,000, and in 1955, it will have 18,000,000 and present plans contemplate still another 50,000,000 kilowatts. In 1935, the government was generating 555,000,000 kilowatthours annually, in 1945 it was generating 28,000,000,000 kilowatthours, and in 1954, 68,000,000,000 kilowatthours. Without elaboration these figures show that corrective legislation to remove discrimination and inequities under which the governmental power agencies are flourishing becomes more and more imperative with the passage of time.

Destructive Tax Inequities

Wherein lies the destructive power of high taxes? In general, this power springs from eliminating or reducing incentive to hard work, to thrift, initiative and risk-taking. How so? By seizure of the fruits of labor, of talents and special abilities, and of saving. In the intermediate state of destructive taxation, the exercise of taxing powers can accomplish specific destruction by exempting certain sectors of a business from their heavy burden.

We are in a time when taxes to support the cost of government have been superimposed one upon another to produce an enormous increase in the delivered cost of most articles offered to the public. During this important period of change, however, governmental proprietary businesses in many fields have remained exempted from taxes. In the case of power,

Continued on page 42

Continued from page 41

Electric Utilities Plagued By Federal Statutes

the Federal Government has also given other substantial subsidies which have caused governmental power businesses to expand vigorously. The uninformed and unthinking are led to assume that because these governmental businesses sell their products at prices lower than privately-owned business is able to offer, the government-operated system is better than the investor-owned system, and that therefore the government should go further and deeper into business as a means of holding down the high cost of living. The high cost of taxation, as it affects the cost of living to the average American family, drives that family to demand that the government do more and more things for it. Thus taxation itself creates a pressure to push the government deeper into all businesses; including electric power even though the cost of electric power represents only 1% of the cost of living. Too few stop to realize that a 4% tax cut would save the average family more than the cost of their entire electric bill.

Private power plants generate taxes as well as electricity. Today, when tax monies are so much in demand and so hard to supply, it is downright criminal to exempt government businesses from taxation, and more, to operate them at a loss and, therefore, as an added cost to the taxpayer.

The unsoundness of the whole situation becomes more and more difficult to hide from the American public. The shape of many undesirable things becomes apparent and won't stay covered up. A heartening by-product of the political tempest over the AEC-Dixon-Yates contract has been to extend widely the knowledge of the press and of the public that TVA business is heavily subsidized by the Federal taxpayer.

To illustrate how tax inequities lie at the root of the government-owned vs. investor-owned power issue, the average utility company is now paying 22.8% of its gross revenue in Federal, state and local taxes, and has been doing so for the past several years. TVA is paying 2.7% of its gross revenue in lieu of local taxes. Consider the cumulative effect of such a differential.

No governmental power business pays any Federal taxes, although the companies are paying an average of 13.9% of gross revenue in Federal taxes alone. The difference is even greater than this figure indicates because the governmental operations that are financed by bonds sell tax-exempt securities, whereas the average security holders of electric utility companies pay a substantial percentage of their income from these securities in income taxes to the Federal Government. This brings an added burden on free enterprise because the investor is given a strong incentive to put his money in tax-exempt bonds, thereby reducing interest charges on such bonds and cutting down the capital charges against the governmental business they finance.

Governments must be supported and the customers of all business should in fairness be required to pay their share of the cost of government in common with the customers of the electric utility companies and of other industry — but the customers of government power businesses are exempted from paying their fair share and the proponents of such existing special tax privileges of governmental power businesses attempt to obscure the issue by saying there is no sense in governments paying taxes to themselves. That is not the issue at all. It is simply a question of the customers of government businesses paying through their rates their fair share of the cost of the support of government and of these payments being covered into the public Treasury to effectuate this sharing of the tax burden.

Needed Corrective Tax Legislation

Let us briefly outline the corrective legislation necessary to bring tax equality to customers of all power systems:

(1) All Federal power projects should be required by statute to include as part of the project and part of the operating costs such sums as would be payable as taxes by private enterprise carrying on the same or similar business. The portion of such sums as would be equivalent to Federal taxes should be paid into the Federal Treasury.

(2) Federal power projects or the part of Federal multi-purpose projects realistically allocated to the power function should be made subject to state and local taxation the same as other property and business and the tax payments made to the respective tax collecting agencies.

(3) The tax exemption presently enjoyed by the proprietary power businesses of states, municipalities, public utility districts and other governmental proprietary businesses should be removed.

(4) The tax exemption on the income from securities issued to finance such governmental power businesses should be removed; or the same exemption extended to income from securities of all businesses.

A Fair Marketing Policy

The unfair and indefensible provisions of law covering the sale of power from Federal generating plants wherein preference is granted to a few at the expense of the many should be corrected. These provisions of law are increasing in their scope and force and are now being aimed especially at atomic energy. The value of preferences in buying power from Federal projects arises entirely from the fact that the Federal Government generally sells its products far below true cost. What the consumer is not charged the Federal taxpayer is compelled to make up to balance out the cost. In many sections of the country the true cost of power from government projects is higher than the market value for power, which points up the fact that Federal power is never cheap —and often is very high-cost power.

This unfair legislation concerning the sale of power from Federal generating plants should be amended to require that power be sold at the point of generation at its fair market value and be allocated in proportion to the number of rural, residential and retail commercial customers served by the respective applicants. At the same time the Federal Government, in the interest of all taxpayers, should be required to compute its true cost of power, including the full cost of money and the full equivalent of Federal and local taxes. Where the cost of government power would then exceed its market value, Congress should be periodically informed of the losses of those particular projects.

If the sale is made at fair market value the Treasury gets the maximum return obtainable from its investment in power. If it is sold at the point of generation, the Federal power business is kept strictly incidental to navigation, flood control, irrigation or other such purposes and the Federal Government would not become involved in assuming the obligation of providing for the future load growth of any area.

If the allocation is in proportion to the number of rural, residential and retail commercial customers served by the applicants, the principle of fairness is reinforced and the pressure for, or temptation to, under-pricing is minimized.

Prevailing Faulty Concept of Government Costs of Doing Business

Let us examine Federal government estimates and computations of cost. The Federal Power Commission in figuring the cost of power produced by Federal projects and in approving rates for power generated and delivered from such projects, uses only 4.4% as **total** fixed charges on Federally financed hydroelectric plants and only 3.9% as **total** fixed charges on Federally financed steel tower transmission lines. On the basis of those figures, it decides in favor of building dams and of building transmission lines which often duplicate, at least in considerable part, existing or proposed investor-owned lines. Power companies generally find their total fixed charges run between 13 and 14%. Note the striking disparity between the two sets of figures. What is the reason for this difference?

Taxes alone amount to two-fifths of the total fixed charges of the power companies. This is what their customers pay for the support of government. The customers of the Federal power businesses should pay the same share of the cost of government as customers of other businesses. When the Federal government builds the power part of a Federal dam and when it builds a transmission line, it and the local government forego the taxes they would receive if the facilities were privately owned. The taxes foregone by the Federal Treasury and the state and local treasuries are a real and true cost and should be so reckoned and acknowledged in the Federal government cost calculations.

Then there is the cost of money. The Federal Power Commission uses 2.5% as the cost of money for Federal projects, yet the Federal government has recently put out 3% bonds and in addition the Treasury has the costs of handling the financing. Congress should ask the General Accounting Office or the Treasury Department to give it the total over-all cost of Federal financing of these plants. It would surely run on the order of 3½% at the present time, so that the new projects now being built or planned should carry a figure of that order as the cost of money.

Total annual fixed charges on Federal hydroelectric and transmission line projects should carry 5.4% for the equivalent of taxes, Federal, state and local. There should be an item of about 3½% for the cost of money; and an annual amortization charge of 2% on a 50-year life for such projects. (I take straight line amortization, as recommended by the Engineering Joint Council, because it tends to reimburse the present taxpayers who have to put up the money for the project rather than a subsequent generation of taxpayers.) Fixed charges should also include a small item of a quarter of 1% for replacements to keep the property in operating condition during the amortization period, and a charge for insurance, bringing total fixed charges of the order of 11%—which is a far cry indeed from the 3.9% and 4.4% used by the Federal Power Commission in figuring rates. Such charges would lift from the shoulders of the taxpayer a big part of the tax load he now carries because of these projects. Of course power revenues from most of the projects built and planned to be built cannot support annual fixed charges of 11% because the power could only be sold at what it would bring on the market. In those cases the taxpayer would be forced to continue to bear part of the cost, but certainly not the large part he is now involuntarily required to sustain.

The President in his Budget Message to Congress this year stated: "Payment of interest on power investment. . . . A proposal is being developed for submission to the Congress to provide that payments of interest be made to the Treasury on money invested by the Treasury in TVA power facilities."

The TVA and its defenders invariably use 2% as the cost of government money and in recent reports refer to an investment applicable to power of about $1,000,000,000. This statement of investment in power plant leaves out all plant under construction or not yet operating. It also disregards cumulative interest amounting, as of the present time, to between $300 and $350 million that TVA has not been required to pay but which the taxpayer has had to pay out as "Interest on the Public Debt." For the Federal taxpayer to come out whole in the interest transaction, the amount against which interest should be charged would have to be about $1¾ billion. Now 2% of $1,000,000,000 is $20 million in annual interest, but 3½% of $1¾ billion is $61 million a year in interest. Congress should see to it that the figure required to recover the Treasury's money costs on account of the TVA power business be collected from the TVA power users.

TVA is now asking Congress for power to issue its own Revenue Bonds, which would, by the way, have priority over the existing $1¾ billion investment the taxpayer now has in it. Thus the last real restraint that Congress and the taxpayer have on this huge bureaucracy would be removed. Certainly, until existing abuses have been corrected by legislative action, we should be watchful of any scheme which would facilitate further empire building by governmental proprietary business agencies.

It is the below cost prices of electricity charged by the government power projects that put significance and propaganda value in preference clauses.

Aside from fixed charges, there is a substantial operating cost that is ignored in government cost accounting—the administrative and general expenses of the government arising from its proprietary businesses. According to the Federal Power Commission, administrative and general expenses of power companies amount to 6.5% of total operating revenues. The administrative and general expenses of the Federal government percentagewise surely must be double that of private business—but, again, the taxpayer bears the load.

It should be clear by now that there is no magic by which government can produce and distribute electric power at any lesser cost than it can be done by private enterprise. That the government power issue is political rather than economic is further demonstrated by the fact that if there were some magic in which electric power could be supplied entirely free—without any cost—it would reduce the cost of living by only 1%. Surely there are more fertile economic fields for political attention.

Eliminating Duplicate Regulation

When the Federal Power Act was passed in 1920, provisions were inserted therein that undoubtedly were designed to avoid super-imposed Federal regulation on top of state regulation. Section 19 of that Act carried the proviso: "That the juridiction of the commission shall cease and determine as to each specific matter of regulation and control prescribed in this section as soon as the state shall have provided a commission or other authority for the regulation and control of that specific matter."

Part II of the Federal Power Act, enacted in 1935, provides that Federal regulation over the transmission of electric energy and interstate commerce and the sale of such energy at wholesale in interstate commerce shall "extend only to those matters which are not subject to regulation by the states."

Unquestionably most members of Congress in voting for this regulation assumed that the provisions quoted would prevent duplicate regulation between the Federal Commission and the state regulatory commissions.

If you have not already done so I recommend that you read the statement of Carl Ernst, Vice-President and General Manager of the California Electric Power Company, which was presented at an informal conference of representatives of the Edison Electric Institute with the Federal Power Commission in December 1953. The facts brought out in his statement simply and forcibly expose duplicate regulation to an advanced degree, regulation so substantial and burdensome as to become stultifying. It shows the extent to which bureaucracy is both led and driven to expand its juridiction, and is supported by judicial review in doing so when the Federal statutes do not place rigid limits upon it. Experience shows that bureaucratic powers must be hedged in by solid walls and not just marked by single posts which can be by-passed on either side and left standing far to the rear by the advance of Federal domination in the field of regulation. It shows that the problem must be dealt with on the fundamental principle of restricting duplicate regulation and overlapping juridiction to the absolute minimum. The nature of the exercise of national government powers is such as to require this what would otherwise appear to be unnecessary definition. If this principle were accepted by both the Federal government and the states it should be a simple matter to draft a statute that would leave regulation in the hands of the repective states. The Federal Power Commission should be required to accept the decisions of the state commissions concerned in practically every situation that might be conceived. Rates and other contract provisions would be dealt with at the state level.

If the principle that there shall be no unnecessary duplicate regulation is accepted, there remains practically no reason for licenses for the use of government lands or navigable waters to be concerned with anything more than bona fide conditions which relate solely to the use of such lands or to the operation of substantial, not theoretical or inconsequential, navigation. Such conditions would protect the public interest, expedite licenses and simplify their administration.

If the major licenses making use of government lands were limited to those where more than 25% of the project area were on government land, the number of projects requiring major licenses would be reduced about one-third. In any case, however, if the element of Federal regulation were eliminated and kept eliminated, where states have regulatory bodies, all licenses of the use of government land would, with few exceptions, be reduced to a small document, easy to administer and involving relatively small costs to the government and the companies.

Interstate Power Transactions

With respect to Part II, of the Federal Power Act, which relates to interstate transfers of electric power, the business of interchange of power is extremely complicated, so much so as to almost defy exact analysis. Nor does the situation stay put. What is true at one time can change in a brief period. The economy of such transactions necessitates concentrating direction in the hands of a very few load dispatchers operating under agreements whereby the maximum over-all benefits are striven for and where reasonable rules of dividing the benefits among the participating companies can be agreed upon by reasonable men. An attempt at an exact analysis of these provisions, a lack of the spirit of give and take, and the introduction of rigidity due to the inherently heavy hand of Federal Government control, notwithstanding the best intentions to facilitate the operations, are enough to kill the undertaking or extract therefrom a large share of the profit which would otherwise accrue to the consuming public.

This matter of interstate power has become so complex that in my opinion it will be necessary to get back to fundamentals. In the meantime, the Federal law should be modified to exempt emergency, economy interchange, and "slop-over" transfers involving interstate boundaries. It should be modified to exempt in positive terms the purchases of outstate energy for use within a state that is purchased at the state line or within the state where the power is consumed. It should also exempt sales at state lines or sales within a state to agencies transmitting across a state line for sale without the state. Such corrections, in my opinion, should be made without delay because they will affect materially the long-range plans of many companies and groups of companies in their serious endeavors to secure the lowest possible cost of electricity to their customers.

I would like to repeat that statement. We are concerned with the removal of tax privileges and preference privileges for governmental businesses and the removal of duplicate regulation of our companies—in all of these things we are concerned not in the interests of greater profits to the companies but to secure the lowest possible cost of electricity to their customers.

The foregoing, in my opinion, are the more important and significant provisions of Federal statutes calling for correction. It will be a long, slow, arduous task to bring them about. It will take all the faith, the patriotism and the united effort we can muster to accomplish it. We must be fortified with purpose and understanding that is broader, more profound and more persistent than merely our own selfish interests could command. We must keep before us always the fact that our cause is just and that we are working to discharge an obligation to our customers.

The larger stake is the preservation of liberty in our land, because the right to choose, with all that this means, cannot exist except where there is economic freedom and that exists only where there is free enterprise.

Our struggle for wise and just laws must go on. It is our part in the cause of liberty. Our efforts will gain strength from the clear understanding that we fight not only for this generation but for future generations of Americans, and ones who would live to experience the full dreadful consequences of any failure to stem the tide threatening to engulf the world today.

The American's traditional love of individual freedom assures us that once the issues are clear we need have no fear of the outcome.

Continued from page 31

Development of Long Distance Power Transmission

how to cope with rain, sleet, and lightning, and with such phenomena as corona, arcing, and instability. Sometimes the problems were quite well understood initially but sometimes they were only barely grasped at the start and understanding only came later after much investigation and experimentation.

Although the pioneering work was not uniformly distributed among the utilities, it is amazing how widespread were the areas that over the years were the centers of major advances. Niagara, California, Colorado, Michigan, Ohio, and Pennsylvania are but a few of the regions where significant work was carried out at one stage or another in the history of power transmission. Almost always the pioneering reflected joint effort by utilities and manufacturers working together. Because of the free interchange of information characteristic of the electric utility industry since its beginning, it was possible again and again for utility and manufacturing organizations to build readily on all the experience that had gone before. In the rapid advances in the art, I think no factor has been more important than the easy availability to anyone of all the discoveries made and all the experience integrated by everyone else.

Of the many problems that had to be mastered to bring transmission to the mature stage it had reached by 1945, I have selected ten which impress me as the more important. I want to discuss these and give the highlights of their solution.

(1) **Insulators:** The porcelain suspension insulator of today and the high quality of its performance could not be visualized by the pioneers who were forced to use glass because of the unsatisfactory moisture absorbing characteristics of the early porcelain pin product. But a series of developments led to today's insulator. First came the work of Locke in developing the wet porcelain process, of Hewlett and Buck in inventing the clevis suspension unit, and of Austin and of Ohio Brass on the cap and pin unit. There followed Austin's work on treated sanded surface and the resilient pin to give flexibility in the steel-cement porcelain combination. Continuity of control in every step was promoted by the work of a number of uility engineering organizations which devised testing procedure for insulators before installation and during active life while the line was alive.

Since about 1916 insulators have ceased to be a barrier to advances in transmission, but a great deal of work has been carried out in the interval by manufacturers and utility engineering organizations to produce the refinements which have been needed to keep pace with the requirements of higher voltages. And the job is not yet ended.

(2) **Lightning:** The story of studies of lightning carried out cooperatively by the utilities and the manufacturers during 1925-1955 is a saga in itself. Here it can barely be touched upon.

The studies began 30 years ago at a point not much farther advanced than Franklin's knowledge. By now investigations have covered frequency, amplitude, character, time, rate of rise, current and voltage of lightning; we have explored the lightning characteristics of wood, porcelain, air, and other dielectric media; we have developed remedial devices, including ground wires, counterpoises, expulsion tubes, and ultra-rapid reclosure as well as many other improvements in apparatus. These have virtually removed the destructive menace of lightning. That work still remains to be done is so only because we are still pushing forward the frontiers of the art of transmission itself.

(3) **Circuit Breakers:** Nowhere in the record of power transmission is there a more striking achievement than the developments associated with switching electric circuits and building electrice switches. The beginning was the fused Niagara-Buffalo high-voltage lines where fuses were found to be slightly wanting; it led through the PG&E tubs, to the 25-million kva 330-kv breakers installed on the AGE and OVEC systems today capable of carrying a current of 2,000 amps, circuit opening in three cycles, and circuit reclosing in 15 cycles after the initiation of a fault.

The steps in between were, of course, manifold. Among the outstanding ones were the idea of an arc-generated gas pressure; the concept of deionization; the idea of speed; the impulse idea to assure adequate clearing of low current faults; and the concept of ultra-rapid reclosing of a circuit breaker.

In all this work the manufacturers and the utilities cooperated. This is particularly true in the case of field testing of circuit breakers. Included among the companies which did pioneering work are Baltimore Gas and Electric, Pennsylvania Water and Power, Commonwealth Edison, Alabama Power, Ohio Power, Pacific Gas and Electric, Bonneville Power Administration, and many more. Through such work the modern breaker was brought into being. Up to now, in this country we have had the disadvantage of accompanying oil. But by a repetition of the kind of program carried through in the past, we should be able to develop a new series of breakers in the future capable of doing the job without oil.

(4) **Relaying and Uutra-Rapid Reclosing:** It took a long time to get general acceptance of the idea that relaying and switching may have more to do with determining how many, and what kind of transmission lines are needed to deliver a specific block of power than size of conductor and many other physical characteristics of transmission facilities. This is not surprising. It was natural to think of a relay as performing the function of giving an impulse to disconnect a line in trouble, and for a breaker to carry out that function upon receipt of the impulse. And, the line having been disconnected, what more natural than to wait until all trouble is cleared up before re-energizing the line? It required a mature art to conceive the idea that the function of a relay-breaker combination is to disconnect the line in trouble, and then reclose it with the minimum possible delay, perhaps so fast that no effect of interruption of the line has taken place. Both the utilities and the manufacturers again played significant parts in perfecting this idea.

Starting with relatively crude devices like selective time-delay relays, there followed numerous balanced schemes for duplicate lines, reverse power schemes and, when need for speed became apparent, instantaneous over-current schemes. There culminated, finally, the thought that what was needed was a differential scheme, the same idea that had proved so successful in the protection of generators and transformers. This was originally proposed in a balanced phase arrangement using carrier current as a pilot. This idea proved unreliable in tests, but Ohio Power adapted the idea by using carrier for comparison of direction of power flow by standard or conventional relays. And by this step, relay time was brought down first to three cycles, later to one cycle; this paved the way for the ultra-rapid reclosure of lines up to 330 kv in a matter of 15 cycles from initiation of fault. This significant development reduces by more than 90% the circuit outages that would otherwise occur; but it is still some distance from perfection. Further refinements are under way, and will undoubtedly lead to improvements as loading of circuits increases with use of higher voltages.

(5) **Frequency and Load Control:** The functioning of modern transmission circuits is dependent on a system of stable frequency control and on load or line regulators. Here results have been achieved by the work of progressive manufacturers, and the cooperation between technicians of many companies, hundreds and even thousands of miles apart. While a great deal of equipment was used in this work, certainly the critical piece was the impedance-bridge type graphic frequency recorder, developed by Leeds & Northrup and first introduced in the load dispatcher's office in 1925. Today normal frequency is considered frequency with a deviation of no more than + or — 0.10 cycles, absolute time deviation allowance is taken as + or — 3 seconds; and if the frequency is above 60.10 or below 59.90 cycles something is done to restore it to normal value and it is done on the basis of distributing the regulation burden among the systems operating in parallel. Standards of this kind have made possible the successful operation in parallel of such large power groups as the Interconnected Systems Group, which had a combined simultaneous one-hour peak in 1954 of over 35½ million kilowatts.

(6) **Communication and Carrier Telephony:** Carrier telephony, for the past quarter century considered an indispensable item in the operation of transmission networks, had its beginning in work of Tidd, Sideband, and Milnor, which led to an installation on the system of Atlantic City Electric in 1920. This was followed by commercial sets, and the use of these quickly spread. Their growth was accelerated by the adoption of coupling capacitors and single frequency communication. The success of carrier in communication led to its use in telemetering and in control. Carrier current now supplies a basic demand more reliably than any other means of communication and control for high-voltage networks. Yet be-

Continued on page 44

Continued from page 43

Development of Long Distance Power Transmission

cause of the crowding of the spectrum, eventually it will be relegated to a feeder role, the principal transmission to be taken over perhaps by a system of microwave. In fields other than main communication, however, carrier use seems likely to continue to furnish an indispensable tool in any extensive transmission system.

(7) **Sleet Detection and Melting:** One of the tough problems which has always confronted the operator of a transmission network in the United States is the formation of ice or glaze on conductors. This "sleeting" results from temperature inversion with the surface of the earth below freezing while the upper air is above freezing, permitting precipitation as rain to form ice when it strikes the cold transmission conductors. The mechanical stresses imposed upon towers by icing are dangerous enough. Frequently even greater danger results from the "dancing" or "galloping" of conductors which icing causes.

Improvements in mechanical design rendered structures safe in many cases but did not solve the problem of outage of line. This was tackled very early by methods designed to remove ice. Some of the first efforts in this direction were carried out between Baltimore and Holtwood on the line of Pennsylvania Water and Power, by special generating arrangements that made possible the flow of a heavy reactive current. But such arrangements made the application of this method a limited one. Large interconnected networks gave rise to arrangements for sleet melting by utilizing the voltage of the system for connecting sufficient line in series to give a proper impedance to connect between the system voltage and ground. This means of melting sleet on the 132-kv system of American Gas and Electric has been used since 1938. The same methods were used recently on AGE's 330-kv transmission lines by impressing a voltage of 130,000 volts on a section of 330-kv circuit and bringing about a flow of 1,450 amperes, power of 30,000 kw, and almost 350,000 kvar. One of the great additional steps in fighting ice has been the system of detection of sleet formation by measuring the drop-off in carrier signal strength received over a transmission line as sleet begins to form on it. This work, originally carried out by Langdon and Marquis, has been perfected over the years and is used now on many systems.

Generally in this field, while the technology is adequate to cope with a difficult problem, it is clear that room for further development exists. Perhaps we shall devise a non-sleet-adhering conductor, or other means for repelling moisture.

(8) **Synchronous Condensers and Static Capacitators:** The importance of the reactive or excitation component of an alternating current and of being able to generate this component independently by means of condensers—synchronous or otherwise—was observed very early. Application of equipment to supply the need, however, were relatively slow. The only facilities available for the purpose were rotative machines and these machines themselves presented great difficulties. The combination of high losses, excessive noise, difficulty of ventillation and need of buildings to house the aparatus had adverse effects on the economics of application. In 1913 synchronous condensers were installed in Los Angeles by Southern California Edison, in 1916 on the Windsor-Canton line of Ohio Power, and in 1919 on the system of Pacific Gas and Electric. But the burden that the synchronous condenser carried with it was not lightened until 1928 and 1929. In 1929 Ohio Power successfully installed a conventional condenser out doors. An even more significant step had occurred in 1928 when the first two hydrogen-cooled synchronous condensers were installed, one by New England Power at Pawtucket, and the other by Appalachian Electric Power at Turner Substation. These led to a series of such condensers which quickly took advantage of the possibilities of reducing size, noise, losses, cost of installation and maintenance, and improving the reliability inherent in the hydrogen design. These advantages were carried to higher levels by bringing up pressures and simplyfying auxiliaries.

And while this progress was being made in rotative machines, new technology for building static capacitors was introduced about 1932 and opened up a new field of application for this apparatus. Here kraft paper and nonflammable dielectric were the keys to cost reductions. The developments were furthered by the work of a number of utility organizations in pushing direct connection of capacitors to high voltage buses, up to 110,000 volts. There is no reason why this cannot be carried much farther. The development of the series capacitor which was retarded for a long time by the unavailability of application owing primarily to the relative scarcity of long lines, was opened up in the early part of 1950 by the application in a number of installations on the lines of the Bonneville Power Administration. Thus, the full range of the static capacitor has been explored, and the way paved for its further exploitation in the lines of the future, particularly if more interregional lines of very high voltage are built.

(9) **Power System Stability:** Although the problem of stability —that property of a power system which insures that it will remain in operating equilibrium through normal and abnormal conditions— was encountered in the early '90s, the phenomenon was not appreciated for a long time.

The problem first began to be understood in the 1920's as a result of analyses by Vannevar Bush and later extended by Bush and Booth in their so-called step-by-step method of analysis. This was followed by the significant work of Fortescue, Wagner, Evans, and their colleagues, and by the work of Doherty, Nickle, Park, Jones, Treat, Crary, and their co-workers. From this work and that done on a number of utility systems there evolved finally the modern concepts and understanding of the integrated effect on stability of generator, transformer, and transmission line impedance, excitation systems, speed of relaying, speed of clearing lines, speed of reclosing lines after clearing, the effect of condensers, the effect of governing, and the effect of the characteristics of the load served and its protective system. In all of this work, the aim has been clear; to bring about a situation where instability or threatened instability would be no barrier to the maximum utilization of the transmission facilities. We have now achieved a high state of understanding of the problem and while work is not all complete we do know how to design and build with minimum threat of disturbance from stability problems.

(10) **Corona and Radio Noise:** The luminescence, audible noise, and the nature of the ionization within dielectric media due to electro-static stress have been the subject of various opinions and extensive tests dating from the first knowledge of electricity. With later observations came the knowledge that energy waves propagate from discharges caused by overstress. The early investigations of Lichtenberg in the 18th Century were followed by those of scientists of the 19th Century, among them the famous Sir Humphry Davy. They were picked up in the development of the art of movement of power by Tesla and Steinmetz in the 1890's. However, toward the end of the last century, Mershon at Telluride, Colorado, was perhaps the first to carry out work on corona and to develop data on loss due to corona. The work of Peek, Whitehead, and Ryan followed in the next 25 years.

Originally corona and the related phenomena were examined only from the standpoint of losses in transmission. With the coming of radio, corona and associated phenomena assumed today's more important aspect as a source of intereference. And as corona took on this more important aspect, there also came a better understanding of the role of the insulator and the conductor as a source of interference particularly in inclement weather. Carroll, investigating this problem on the Boulder Dam-Los Angeles line in the middle '30's, had a full appreciation of this. Other important investigations on the subject were carried out in obtaining the basic information for and in design and construction of the American Gas and Electric 330-kv system and of OVEC's 330-kv system. We now know that it is corona and associated radio influence that may become the most important, perhaps the sole obstacle, to free extension of overhead high-voltage lines operating at 330,000 and above. Work on this subject is by no means completed.

VI

The Development of 330-KV Transmission

In 1946 it became evident that existing transmission voltages, particularly 132 kv and below, would become inadequate within a few years. Higher voltages were necessary to (1) restore flexibility and balance between capacity of individual generator units and transmission circuits, (2) avoid excessive costs and difficulties in securing the multiplicity of rights of way for continued expansion at lower voltages, and (3) reduce the basic cost of transmission.

In our own system a substantial increase in capability could have been attained by adopting either 230 kv or 287 kv, already in use. We concluded, however, that we needed a still higher voltage that would remain adequate for another 30 to 40 years, in other words commensurate with the period served by the then-current voltage. To determine what the new voltage should be, and to arrive at a design in which all pertinent factors would be evaluated, we projected a basic research program, including a full-scale field line installation. We contemplated investigating corona, lightning performance, radio influence— normally referred to as RI—sleet melting, feasibility of maintenance, and so on. With the wholehearted cooperation of several manufacturers we then set up the Tidd 500-kv test project, including two 1.4-mile, single-circuit, variable spacing steel tower lines, instrumentation, lightning arresters, and step-up transformers with variable taps from 265 to 532 kv. The test program, as described in the literature, provided corona loss and radio influence data at various voltages on many sizes, types, and spacings of conductors under year-round all-weather conditions.

Concurrently with this program, studies were carried out on basic insulation level, line insulation, tower and hardware design, future planning, and transmission economics.

The Tidd tests showed rather early that RI rather than corona loss would dictate conductor diameter, and the economic studies brought out the decided cost advantages of double-circuit lines. Decisive factors in the design, therefore, narrowed down to (1) the highest voltage for which double-circuit construction appeared practicable, (2) a voltage for which the conductor diameter needed for RI would not be excessive for sleet melting or handling, and (3) an insulator string length not excessive for hot-line maintenance.

All considerations led to an initial choice of 315 kv nominal (330 kv maximum) 1.6-inch diameter, 1,272,000 cm expanded ACSR conductor, 18 5¾-inch line insulator units, and a transformer BIL of 1125 kv. Bundled or twin conductors were considered but ruled out at that time because of sleet melting and maintenance considerations.

The first line, a 60-mile section from Sporn Plant to Kanawha River Plant, one circuit on double-circuit towers, was completed and placed into service at 132 kv in 1952. A similar section, 50 miles from Sporn to Muskingum River Plant, completed and placed into service early in 1953, was the first to be stepped up to a voltage of 340 kv, later in October of that year.

Unexpectedly high levels of radio influence, mainly due to excess saturant from conductor filler, along with insufficient care in handling, stringing, etc., made it desirable to cut the line back to 132-kv operation following a short period of testing. An immediate review of the RI situation led to a decision to increase the conductor diameter, particularly for the impending OVEC lines, from 1.6 inches to 1.75 inches, giving a greater RI margin. Conductivity was increased about 11% above the old conductor. At the same time, line hardware, sleeves, joints, etc., were rechecked in the laboratory for RI characteristics, modified where necessary, conductor manufacture and handling methods were improved, more rigid inspection procedure was adopted, and both wooden horses and tension equipment were used in stringing new lines to avoid abrasion of conductors. To meet revised RI limits, operating voltage level on the modified 330-kv lines was restricted to 328 kv.

Construction of lines with 1.75-inch conductor was started early in 1954. Today the entire OVEC transmission system, approximately 400 miles of double-circuit lines, is in service at 328 to 330 kv.

RI levels have been about as expected for new lines, but complaints have been negligible, even from locations approaching suburban areas where particular concern was felt.

While the modified conductor was used throughout the OVEC system, some 300 miles of line on the AGE system were too far along with 1.6-inch conductor to make the change. It was, therefore, decided that these lines, Tanners Creek to Fort Wayne, to East Lima, to Muskingum River, would be completed and operated at 290 to 300 kv initially by means of auto-transformers at Tanners Creek and Muskingum River where the loop closes on 1.75-inch conductor. Two 400 mva auto-transformers were ordered for this purpose. It is expected they can be dispensed with later at these locations, as conductor aging results in RI improvement. The auto-transformers may then be used as "aging" transformers elsewhere.

An encouraging experience occurred this spring when the original Sporn-Kanawha line which had been strung with the same batch of contaminated 1.6-inch conductor that had given trouble in 1953 on the Sporn-Muskingum River line was energized at 330 kv. Apparently conductor aging, even at only 132-kv operation, was sufficiently effective to bring 330-kv RI to satisfactory levels. Hence this line was left in permanent operation at 330 kv.

Altogether, there are now in service at 330 kv some 400 miles of double-circuit lines on the OVEC system and 260 miles on the AGE system. AGE has another 230 miles still under construction.

Operating experience to date has been good, although lightning flashovers have somewhat exceeded predictions. During a severe sleet season, ice was melted successfully on one 330-kv line section. On another section where melting current is not yet available dancing conductors caused a rather prolonged outage, thus emphasizing the importance of sleet melting procedure on 330-kv lines.

VII

Looking Ahead

In the light of the rate of growth of utility loads, and the coming quadrupling of these loads over the next 20-25 years, the increase in the size of generating units being developed to meet that growth, there is an urgent need for the utilities to plan for greatly increased capacity for power transmission.

How well 330 kv can meet this future challenge may be judged by considering the capability of a typical 135-mile line. For this distance and assuming eventual operation, after conductor aging, at 345 kv, loadings of 500 mw on one circuit or 1,000 mw on a double-circuit line are feasible. In the short period of service that 330 kv has had on AGE and OVEC systems, integrated loadings of 350 mw per circuit have actually taken place. And if a twin-conductor, double-circuit design should be adopted—an attractive possibility from the standpoint of resistance to conductor "dancing" and from the standpoint of RI characteristics—these capabilities would be increased by at least 25% to 625 mw and 1,250 mw respectively. This is more than eight times the capacity of existing double-circuit 132-kv lines.

Such capabilities offer savings so high in the avoidance of future inadequacies of service and are, therefore, so important that the larger investment in high-voltage lines today can be an act of prudence. Taking such action will in the end serve best everyone concerned, including consumers and investors.

It seems to me it is of the utmost importance that we start to develop the higher voltage networks now. But to start a new voltage on any power system involves initially large capital outlay. The engineers, charged with responsibility of developing systems at minimum costs, naturally hesitate before taking such an ambitious step. They look to management to tell them to go ahead and do it; management on its part looks to the technicians; old voltages tend to be continued when new ones ought to be initiated.

Now, however, we have reached a stage on many systems where the facts are so clear that management and technicians together should be able to discern that higher voltages are essential. This is a time, in short, when it is the job of management to give the enineers a policy that will enable he technicians to begin to plan, to build, and to operate the transmission that will be needed tomorrow and in the years ahead. The step-up is not going to be easy. We need to bring along personnel; we need to carry out further laboratory investigations and develop further our technique of actual installation. If the utilities f the country can become convinced of the operating urgency o bring about, and of the economies inherent in, the future movement of power at higher voltages, hen enough will have been done o be able to make the start now and many of the detailed plans and the detailed developments can be worked out as we go along to generally bring movement of power at much higher voltages into a reality.

If we do not make that start now, we risk foreclosing the route that will be best in the long run both from a technical and an economic standpoint; we run the risk of finding ourselves overcrowded for space because of the proliferation of lines that lower voltages require and with no space available for the much more effective users of space that high-voltage lines in fact are.

Continued from page 23

Reappraisal of Competing Agencies of Utility Regulation

case, to which I have already referred.

As we look back over the turbulent years that followed the *Attleboro* case, the irony of the salient facts of that case is striking. In the first place, the gap was created not by any abdication of authority by a State Commission, but by the argument of a private utility company in a dispute with another private utility company. Secondly, at the outset of this contract between the companies, it had apparently been conceded that the Rhode Island Commission had some degree of authority over it. Finally, the lone dissenter in the Supreme Court was Mr. Justice Brandeis, one of the great supporters of Federal control of the railroads. He said the problem in the *Attlebore* case was "essentially local in character" and the order of the Rhode Island Commission solving the problem was clearly valid as an exercise of local police power in a manner that did not violate the Commerce Clause of the Federal Constitution. Mr. Justice Brandeis saw no reason for distinguishing the situation in the Attleboro case from the *Pennsylvania Gas Co.* case, 252 U. S. 23, which had upheld an order of the New York Commission fixing rates for the sale of gas piped from Pennsylvania and delivered directly to consumers in New York.

The alignments in the *Attleboro* case were paradoxical. Disputing companies of the power industry brought about a decision of the Supreme Court which was to become the watchword of the proponents of extended Federal control, and this decision was opposed by the one member of the Supreme Court whose disciples were soon to be among the most articulate supporters of Federal control.

The *Attleboro* decision created an exaggerated concern over a gap in the regulation of the power industry, far beyond any that had been expressed over the gap in the regulation of the gas business that had been created by the earlier *Kansas* case. But, even so, there seemed to be no immediate claim that the power industry had become a national system like the railroads, calling for comprehensive Federal regulation, such as was set up for the railroads under the Interstate Commerce Act.

In a memorandum which I submitted to the Interstate and Foreign Commerce Committee of the House of Representatives in 1932, when I was acting as its Special Counsel under Dr. Walter M. W. Splawn, in the study of public utility holding companies, I said: "the (Light and Power) industry is no longer strictly local because of the increasing number of interstate transmissions and because of the superstate business organizations which have been created by the development of holding companies. On the other hand, the industry is not immediately to be defined as national in scope because its primary and fundamental activity is still local community service through the media of domestic distribution units."

A young instructor at Harvard, Hugh Langdon Elsbree, who later became a leading political scientist and a government administrator in Washington, published a book in 1931 in which he was bold enough to say: "It is very unlikely that Federal regulation of the entire interstate transmission of electric power will be seriously considered in the near future." Professor Frankfurter (now Mr. Justice Frankfurter), and his colleague at the Harvard Law School, Professor Landis (who became Chairman of the Securities and Exchange Commission), proposed only that State regulation be supplemented by interstate compacts among the States of a given area covered by interstate transmission.

The Couzens Law

The first significant Congressional reaction to the situation came from Senator Couzens who introduced a bill to amend the Federal Water Power Act so as to give the Federal Power Commission extended authority over companies engaged in interstate transmission. But his bill was, itself, based upon the thesis that Federal control should, at most, supplement State regulation. It provided that rates even for strictly interstate transmission should be fixed by a joint board to be composed of one representative from each state in which the power was produced or consumed.

After the 1932 Presidential election, the discussions concerning the Couzens bill were merged with the broader agitations for Federal control of all business which had become the basic objective of the New Deal. This agitation culminated for the power industry in the Federal Public Utility Act of 1935.

It is interesting to note that even then with the trend for centralized economic control at its zenith, the new Federal statute still was viewed as a supplement to, rather than a substitute for, State control. It was proposed simply for the purpose of closing the "Attleboro" gap in regulation.

Commissioner Seavey of the Federal Power Commission, testified before the House Comittee that "It (the New Title II) is conceived entirely as a supplement to, and not a substitute for, State regulation. Federal action is limited to those subjects that can effectively be handled only on a national scale." This view was endorsed by the State Commissioners, who proposed specific amendments to eliminate any possible overlapping of authority and to insure against any weakening of the regulatory powers of the States.

The changes proposed by the State Commissioners were substantially accepted by Congress. The Senate Committee reported that the revised bill was designed "to assist the States in the exercise of their regulatory powers, but not to impair or diminish the powers of any state commission" The same report stated in unequivocal words: "* * * The revision has also removed every encroachment upon the authority of the States. The revised bill would impose Federal regulation only over those matters which cannot effectively be controlled by the States. The limitation on the Federal Power Commission's jurisdiction in this regard has been inserted in each section in an effort to prevent the expansion of Federal authority over State matters. * * *"

The House Committee was even more insistent upon language to carry out this objective, and the bill that finally came out of conference and was enacted into law in August, 1935 was reinforced by the clearest possible evidence of its limited purpose.

The Federal Power Commission began forthwith to administer Title II of the 1935 Act, which dealt with interstate transmission of power. But there still was no hint of what was to come. Shortly after the Act was passed, Commissioner Draper addressed a convention of State Commissioners on the scope of the new legislation. He said the new Act was one of "assistance" to State authorities and was based "upon the sound assumption that the power industry is primarily a local industry and that the primary regulation of this industry should vest in the State." He was confident that this assumption would be faithfully observed because two members of the Federal Power Commission had been State Commissioners and a third had been a member of the New York Power Authority, while the remaining commissioners hailed, as he phrased it, "from that section of the nation south of the Mason-Dixon Line, which, steeped in the traditions of the rights of States, has never been known to tolerate without protest, any encroachment upon them."

Commissioner Draper apparently did not foresee how virulent the new type of Potomac fever was to become, nor how it was soon to ravage the hearts and minds of judges as well as congressmen and administrators.

"The Trojan Horse Had Been Moved"

At any rate, it became clear that a Trojan Horse had been moved into the area of public utility regulation. In proceedings to control accounting procedures, or to compel the submission of a securities transaction to its scrutiny, or to maintain a jealous guard over its statutory power to regulate the rates for interstate transmission, it was painfully evident that the new Federal Power Commission would ignore the underlying thesis that the Act was merely to supplement State regulation.

In case after case, the Federal agency's claim was based upon the merest technicality. It is not necessary for this discussion to take up those cases in detail. It is sufficient to observe that the Commission's claims for jurisdiction on the basis of very tenuous concepts of interstate transmission were almost uniformly upheld by the Courts. It is true that in the *Connecticut Light and Power Co.* case in 1945 the Supreme Court remanded the matter to the Commission under circumstances that indicated a tendency to pierce the veil of technicalities and require a finding of substance on whether the company was, in fact, essentially local in character. There were also some few decisions of other courts, such as that of the United States Court of Appeals for the District of Columbia in *Border Pipe Line Co.* v. *Federal Power Commission*, which refused to accede to the Commission's self-aggrandizement. But such expressions of judicial wisdom were few and far between. Against them must be ranged the decisions of the Supreme Court in *The Jersey Central Power & Light Co.* case in 1943 and in the *Public Utilities Commission of California* case ten years later, as well as the decisions on gas companies which received gas from interstate pipe lines. These decisions gave to the Commission all the authority it needed to follow a policy of extending its jurisdiction on its own motion.

The *net effect* was to permit the Federal Power Commission to embark upon a program of duplicating regulation, completely at variance with the objective of Congress in passing the 1935 Act, and wholly beyond the necessities for closing the gap created by the decision in the *Attleboro* case in 1927.

Looking back at those controversies, one may wonder how both the Courts and the Power Commission could have proceeded along so radical a deviation from the ostensible purposes of the Act. Perhaps in many cases it was an almost subconscious reaction. The controversies arose at a time when the Federal Courts were granting greater autonomy to the agencies of the Federal Government. The administrative body's own definition of the scope of its authority was being given more weight than ever before. And the idea of broad centralized economic controls was certainly the predominant point of view.

The regulation of the interstate phases of the power industry was a part of a general governmental program which encompassed increasing control over all business. With the TVA introducing a new kind of *in terrorem* governmental competition; with the Rural Electrification Administration engaged in activities that were frankly directed toward an ever-expanding sphere of public ownership; with members of the Public Utilities Division of the Securities and Exchange Commission seemingly dedicated rather to the dissolution than to the simplification of holding company structures; and to the dismemberment rather than to the integration of operating units, the reach of the Federal Power Commission into the sphere of local electric utilities could not be considered exceptional.

The wonder is that the power industry has survived this general attack. But survive it has and the question now is how can regulation be made more rational and less punitive in the years that lie ahead.

Regulation vs. Destruction

I have always believed that no matter how exacting might be the

Continued on page 46

Continued from page 45

Reappraisal of Competing Agencies of Utility Regulation

administration of regulatory laws, the power industry, because of its intrinsic resilience, could survive and continue to grow, if the administrators of the laws were determined merely to regulate and not to destroy. If that is a correct assumption, I suppose the desired result could be achieved by the same administrative fiat which was used so effectively to the contrary 20 years ago. Moreover, there can be no doubt that more recently, the Federal Power Commission has been recognizing the practical necessities for limiting its jurisdiction, even after the Courts have, as in the Phillips case, construed the Natural Gas Act to give it much broader authority than most people, including the Commission, itself, ever thought it had.

The exploratory talks that have taken place under the auspices of the Commission itself during the past year, in which this Institue has taken an active part, undoubtedly show a present disposition to avoid duplicating State controls, and to observe more carefully limitations on its own authority. However, in the light of the present technology of electric power, almost any phase of the industry could be brought within the ambit of Federal regulation by future administrative activities based on the present law. In short, the only way to check Federal control seems to me to be by further amendments to the law which define within the framework of the statute itself the precise procedure for exempting local utilities from Federal regulation.

Would this be effective against the deliberate attempt of some new group of Commissioners in the future to extend their administrative domain? If the admonition of Mr. Justice Brandeis that the power companies were essentially local in character could be ignored in an era when his dissents had in most other respects become the new gospel, and if the categorical statements of the responsible Congressional Committees concerning the limited scope of the Federal Power Act had less influence on the Courts than the actual exercise of authority by the Commission, it may seem too naive to suggest that even a new Act of Congress could curb the power of a Federal agency intent upon its own expansion. And who is to say with any confidence that at any given time Congress will be disposed to restate with renewed emphasis its original purpose? We know that in 1947 the Congress rejected an opportunity to do so. The failure then appears to have been due to the ability of the embattled Federal Power Commissioners to convince the Congress that the proposed amendments would, in effect, have repealed the Federal Power Act. This overstatement, coupled with the testimony of Commissioner Olds that it would be wise actually to extend certain controls to the entire industry may have given enough members of the Congress the impression that the objective of limited Federal control had become obsolete and that the evolution of extended control through the Commission's own activities ought not to be arrested.

On the other hand, in 1953 Congress did add a new subsection to Section 202 of the Federal Power Act to exempt a company transmitting electric energy to a foreign country, and by the Hinshaw Amendment to the Natural Gas Act in 1954, delimited the authority of the Commission over a local utility receiving gas from an interstate transmission line for ultimate consumption within the State in which the local utility carries on its activities.

Perhaps the recent amendments do mean that Congress is now ready to undertake a more comprehensive and courageous review of the whole relationship of State and Federal controls. The pending debates over the Harris Bill and similar proposals to exempt natural gas producers from Federal control could lead to just that comprehensive restudy of the problem. The fact that local gas companies are now ready to rely on the Federal Power Commission for protection against escalating charges in contracts between producers and transporters of gas, may go a long way to dispel the feeling that there must always be a cold war between the FPC and the local utilities. Likewise, the clearcut establishment of Federal control over the rates charged for interstate transmission of power should convince both State Commissioners and the industry that integration of both Federal and State regulation is needed.

A New Pattern Needed

This integration, in my opinion, cannot be achieved under the highly technical claims of jurisdiction the Federal Power Commission has made in the past. It must be based upon an acceptance of substance rather than form as a guide to jurisdiction. The Federal Power Commission must have the authority and must be in a frame of mind to exercise authority to relinquish control over those phases of any particular situation which though perhaps technically interstate, are practically and substantially part of a local business.

Is there any pattern which might aid the Congress in seeking this integration? Strangely enough such a pattern does exist in the Public Utility Holding Company Act, which was enacted along with the new Federal Power Act in 1935. The declaration of policy in the Federal Power Act contained the general statement that "such Federal regulation (is) however, to extend only to those matters which are not subject to regulation by the States." Such general declarations have not prevented the Commission from extending its authority over local utilities. The Public Utility Holding Company Act, on the other hand, established in its Section 3 a clearcut statutory procedure whereby the Securities and Exchange Commission is required, unless it finds some supervening national interest to the contrary to exempt from the regulatory requirements of the Act intrastate holding company systems, companies that are only incidentally holding companies, temporary holding companies and holding companies whose systems are outside the United States. This procedure, in contrast to that in Title II, contemplates that the Federal administrative agency charged with the regulation in question must make a *quasi* judicial determination of an application for exemption. It is given a power of exemption which, in the proper case, it must exercise.

To some extent the Securities and Exchange Commission in the early years of the Holding Company Act, strained over the curbs it was required to place upon itself under Section 3; and as a result, compelled some systems realistically intrastate or incidental, to submit to its jurisdiction. On the whole, however, the administration of Section 3 exemptions by the Securities and Exchange Commission has been sound and in keeping with the purpose of Congress. It seems to me to have demonstrated that where Congress gives the Federal agency the positive responsibility to grant exemptions, the agency is more likely to fulfill that responsibility than it would be to pay heed to generalized statements of policy. I think giving the Federal agency a voice in granting the exemption is the saving feature.

It may be argued that force of circumstances has compelled the Securities and Exchange Commission to obey the Congressional mandate; that the task under the Holding Company Act was so great that it was necessary to whittle it down through exemption procedures. It may be argued also that since, under the Holding Company Act, the Federal Government was embarking on new and uncharted, and extremely turbulent seas, it was good politics to be over cautious. However, the fact remains that the procedure established by Section 3 compelled the Securities and Exchange Commission to face squarely and on the record, the Congressional purpose that local systems were not to be tampered with unless the Commission could point to some clearly detrimental condition a State Commission could not correct.

This, then, may be the solution of our problem. By an Act of Congress, the Federal Power Commission would be required to exempt from its regulatory authority those companies which met the Brandeis concept of a business "essentially local in character." If such an exemption were denied, it would have to be on the basis of a supervening national public interest plainly established on the record after a hearing.

Under such a legislative scheme, it would be possible to provide a truly integrated system of regulation under which there would be rendered to the National Government spheres of control supplementary to and consistent with State regulation of local utilities. The scheme would have sufficient flexibility to be adaptable to the changing technology of the industry, but it would be explicit enough in its statutory procedure to compel the attention of the Federal agency to the intent of Congress and to the reality of an increasingly efficient and comprehensive system of State regulation. It would provide a continuing means for adhering to a basic American doctrine of government which President Eisenhower stated with impressive directness when he approved the Hinshaw Amendment to the Natural Gas Act. He said: "I have approved this bill because of my conviction that the interests of the individual citizen will be better protected when they remain under state and local control than when they are controlled by the Federal Government."

The debate that brought about such a reform might well be recorder as the last debate on Federal and State control of the power industry. The "Attleboro gap" might become simply a point of interest to political archaeologists and the confusion, antagonisms and harassments of the 1930s might be relegated to the limbo of forgotten controversies.

Public Utility Securities

By OWEN ELY

Current Trends in the Utility Industry

The electric utility industry, aided by the huge power demands of the Atomic Energy Commission (which now takes an estimated 7% of total electric output), has been hanging up new production records recently, with kwh. sales running 16% ahead of last year in the two weeks ended June 11. These gains were not uniformly distributed, however; the central industrial and southeast areas took about 24% more than a year ago, while some other areas gained only 5-10%.

The industry also continues to do well earnings-wise. Preliminary figures for the first quarter of 1955 and for the month of March showed the following gains over last year:

	Percentage Increase Over 1954 First Quarter	March
Electric Revenues	9%	10%
Electric Revenue Deductions	8	10
Fuel Expense	5	8
Other Operating Expenses	6	6
Depreciation	11	11
Taxes	12	16
Gross Income	10	13
Net Income	9	14

In the 12 months ended Feb. 28, net income was 10% above the previous period and net electric utility plant also increased 10%. Preferred dividends increased 5% and common stock dividends 11%. Of course, part of the latter increase reflected the issuance of additional shares, but announcements of increased dividend rates continue to appear every few days. The list of recent increases included Commonwealth Edison, British Columbia Power, Central Maine Power, Florida Power & Light, Virginia Electric & Power, Iowa Public Service, Baltimore Gas & Electric, Central Illinois Public Service, Arkansas-Missouri Power, Public Service of Colorado, Arizona Public Service, etc. Companies that have proposed stock splits included Kansas Gas & Electric, Idaho Power, Maine Public Service, Central Illinois Electric & Gas, Florida Power & Light, etc.

A major factor in the slow but consistent improvement in earning power of the electric utilities is their increased operating efficiency, plus the low price of coal. Thus fuel expense in the 12 months ended February declined 2%, although kwh. output gained over 5%.

The utilities have now about completed their postwar building campaign designed to improve the margin of reserve capacity, which is now nearly 21% compared with a low of 6% during the war period. Hence it will be unnecessary to build as much capacity in future years as in 1954-55. Moreover, the current rate of gain is considered somewhat abnormal and will probably taper off. Following is the forecast of the Edison Electric Institute:

As of Dec. 31	—Generating Capability— Mill. kw.	% Increase	—Seasonal Peak Load— Mill. kw.	% Increase	% of Reserve Capacity
1953	92		78		18%
1954	104	13%	86	11%	21
1955	116	12	96	12	21
1956	124	7	102	6	21
1957	131	6	109	7	21
1958	138	5	116	6	19

Marketwise, however, the electric utilities have lagged in recent weeks as compared with the sharp advances in the industrial and rail averages. Despite some sensational gains in "growth" utilities like the Florida stocks, the Dow utility average remains below the March 4 high. Possibly this is explained by the considerable number of recent "rights" offerings, which have tended to mop up the institutional demand for utility equities. If this is the case, the utility stocks may benefit by the "summer lull" in new financing.

The gas industry has also continued to grow, aided by the insatiable demand for househeating in some areas. However, the construction program of the pipelines has slowed down a little with net plant on March 31 about 8% over a year ago. Two important pipelines are now being planned, one to serve the Pacific Northwest and another to go from the Louisiana Gulf Coast to Detroit. In the 12 months ended March 31, pipeline revenues showed a gain of 13% while net income was up 7%.

The industry has benefited by improved overall regulatory conditions, based largely on the Federal Power Commission's decision in the Panhandle case, and the progress made in clearing up a big log-jam of Federal rate cases. However, a new problem was

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—C. Stewart Tinsley has become connected with Merrill Lynch, Pierce, Fenner & Beane, 120 North Greene Street.

Hayden, Miller Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Earl C. Livesay has joined the staff of Hayden, Miller & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Joins A. C. Allyn Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward D. Heiman, Jr. is now with A. C. Allyn & Company, Inc., 30 Federal Street.

Estabrook Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Stanley J. Jackson has become affiliated with Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges.

New Vickers Branch

BALTIMORE, Md. — Vickers Brothers have opened a branch office in the Keyser Building under the management of Thomas D. Burnett.

raised by the Supreme Court decision in the Phillips case a year ago, which saddled the FPC with the burden of attempting to regulate some 5,000 independent gas producers (largely affiliated with the unregulated oil industry). The Commission has not had the facilities or manpower to do a complete job in this field as yet. In the meantime, Congress has been working on a bill to relieve the Commission partially of this chore, and to spell out what should be done. It now seems generally agreed (except among producers) that some of the price "escalator" clauses in long-term contracts between producers and pipelines should be eliminated or regulated, though other forms may be permitted. While there is some doubt whether the present bill will pass both Houses before adjournment, it may prove constructive for the industry in the end. The problem is to give oil-gas promoters and wild-catters sufficient interest to continue drilling for needed new supplies of gas, but to eliminate monopolistic trends and reduce the difficulties of pipelines and retailers in passing along higher drilling costs to ultimate consumers. It appears likely that a compromise measure may eventually be enacted, but meanwhile the industry is experiencing some confusion over rates, legality of contracts, etc.

The telephone industry has now about completed its postwar backlog of unfilled service orders, and has recently become "sales conscious." The Bell System and some of the larger independents are now expanding their once dormant sales staffs and are giving the public its choice of colored hand sets, as well as various new gadgets to improve service. The first trans-Atlantic telephone cable is being laid, and rapid advances in the engineering art are reported. In the financial field there is gossip about potential mergers among the independents (General and Continental, for example) which has had a stimulating effect on market prices. American Tel. & Tel. is planning another big issue of convertible debentures (probably over $600 million), which may "hit the market" within a few weeks.

Continued from page 22

Inter-Dependence Of Free Enterprise

tee hearings in 1952. The industry knew all too well that the Navy was a competitor, but it then learned how big a competitor. The Navy was producing 150 paint items.

What Eisenhower Administration Has Done

As you know, when the Eisenhower Administration took office it launched efforts to eliminate Federal enterprises palpably competing with private business. It also set out to appraise the extent and justification of government enterprises of this character. Directives were issued by departments; bills were introduced in Congress.

Thus prompted, the Navy in May, 1953, reduced its manufacture of paint items from 150 to 28 items. After long hearings at which the association could present the effect of past and continued competition on the industry, the House Government Operations Committee recommended the Navy eliminate all paint production.

Last year, in connection with the pending legislation the association testified at both House and Senate hearings, and furnished information to both committees and their staffs. As a result, legislation to eliminate all government competition passed the House. But it failed in the Senate in a last minute scramble.

However, the paint association continued to work closely with the Bureau of the Budget, the Hoover Commission, the Department of Defense and the Business and Defense Services Administration of the Department of Commerce. And I can report that these agencies seem determined to carry out the President's announced policy of ending government competition with business wherever possible. The Department of Commerce, which was very helpful during the negotiations, recommended to the Defense Department that the Navy discontinue manufacturing all paints.

So it came about that in February the Navy ordered the manufacture of all exterior ship paints discontinue by Aug. 1, 1955. The department retained the right to produce all types of ship bottom paints. But after more conferences with the Navy, Defense and Commerce departments, the Navy on April 14 agreed to stop producing ship bottom paint, too—we hope by Aug. 1. So we look forward to that date as V-P Day. It was a long hard fight, mom, but we won it.

I hope you'll excuse me for dwelling so long on my favorite industry.

But I think it illustrates the difficulty of the problem when one industry stands alone in the fight to get government out of business. It was a 30-year struggle. Besides, it's a story with a happy ending. And a happy ending is all-important for the American people.

Still better, the paint industry's victory is not the only one. There have been others.

As you know Secretary of Defense Wilson has made progress in taking defense agencies out of private business.

Under the leadership of Secretary of Commerce Weeks the Federal Government was able to dispose of government-owned barge lines. Incidentally, the Federal Barge Lines after more than 30 years of government operation, had such a dismal annual balance sheet that the Secretary's ability to find a private buyer was considered a stroke of genius. But that was only the beginning of the miracle. The very first year of private operation found the lines out of the red for the first time, and they have been flourishing ever since.

And, more recently — only a month or so ago—24 of the 27 government-owned synthetic rubber plants were sold to private concerns for $310,000,000. They were sold on the recommendation of the Rubber Disposal Administration created by Congress. In both branches of Congress Republicans and Democrats alike supported the move to get the government out of the synthetic rubber business.

The McClellan Bill

Meanwhile Senator McClellan, Chairman of the Senate Government Operations Committee, has introduced a bill stating a new policy in the field of government competition with private enterprise. And it's reported to be receiving encouraging support.

Industry supports the McClellan bill, but labor unions and government employee organizations generally oppose it.

While Mr. Eisenhower succeeded in getting the Federal Government out of some fields of private business, the Tenessee Valley Authority is branching out. Its latest activity is the production of diammonium phosphate in competition with the fertilizer industry.

It is gratifying to see that among the Hoover Commission's recommendations last month was one that TVA end all chemical research. It recommended that its fertilizer research be transferred to the Department of Agriculture and that the price of TVA-produced fertilizer should be raised to cover "all costs" including the loss of taxes that could be obtained from private industry.

But the government, through TVA, now is in the power-generating business, the power distribution business, the fertilizer business, the transportation business, the construction business, the housing business. And some of these enterprises are hundreds of miles removed from TVA damsites, or—as C. M. White of Republic Steel has said "a damn sight removed from the original authority whereby the government first started its flood control projects on the Tennessee River."

If a business corporation engaged in activities beyond its charter, its officers and directors would go to jail.

Depression and Socialism

To my mind, two factors are responsible for the inroads of government on business. One, the timing of socialistic schemes amidst the depression. Two, the failure of the American people to recognize that a rampant form of socialism was being introduced. For the latter we have ourselves partly to blame. We somehow failed to give the people the other side of the story. Shall I say that back in the early days of TVA we watched our fellow citizens being taken in with a sort of helpless fascination? Every day we saw in the papers how advocates of government ownership put it across—creating a popular opinion favorable to TVA. The Federal Government only wanted to set up *just one* "pilot plant." It only wanted to prove how cheaply electricity could be produced when it was taken away from those "bloated capitalists," who had been "growing fat" on the savings of "the little people," and turned over to a "benevolent government." This pilot-plant dodge came to be referred to as the "yardstick." They called TVA the yardstick for electric power. *Really, TVA was the yardstick for socialism.*

The advance of socialism points up the importance of the inter-relationship of private enterprise. One industry's self-interest—which is to say its interest in its own survival and prosperity, its interest in providing jobs, in selling its products at low prices—is wrapped up in other basic industries. The inter-relationship is inescapable.

How much better a job could be done if all industry joined forces to fight government competition! Past experience should prove the need for future cooperation. All business should be forthright in opposing government's invasion of free enterprise. But it is also important to voice approval when constructive action is taken. How many of us applauded government action in the Federal Barge Lines case? How many of us have expressed an opinion on the red-hot Dixon-Yates controversy? How many of us have encouraged the Administration in its program to turn the electric power business back to private hands?

In order to win, we must support the Administration when it moves in the right direction with the same vigor that we voice our objections, when it moves in the wrong direction.

This must be done by all industries, whether affected or not. NAM can be—and is—industry's spokesman. And it isn't afraid to speak out.

NAM in Action

After all, we of NAM are dedicated to the broad purposes and objectives common to all industry. NAM is a common denominator of industry—an agent of inter-dependence. This is the very thing that created NAM in the first place—finding the answer to mutual problems. Today NAM is a voluntary organization of 20,000 companies, 83% with less than 500 employees each. It represents a cross-section of American industry.

While the separate industry organizations, such as your Edison Electric Institute and my Paint, Lacquer and Varnish Association, carry on their limited skirmishes, NAM fights beside many organizations as the broad battlefront of all industry.

Representing all industry, NAM has the benefit of the experience of leaders in every field working on its many committees and establishing policy. And let me pay tribute here to the late Lane Weber. As NAM director from the electric power industry, he saw that your industry's views and causes were truly represented on NAM's board of directors. He dedicated his life to this inter-relationship of industry—the interdependence of our free enterprise.

That interdependence, and the need for eternal vigilance, could not be more dramatically illustrated than in the field of atomic energy development. Far down the road—and perhaps not so far—light, power and heat will come from atomic energy. Who's going to supply it—the government, private industry or both? What will this mean to your industry?

If the government owns all, as Tom Anderson writes in "Farm and Ranch"—and I quote him—"the combination of that economic and political power will be a gargantuan step toward Fascism or Socialism. Since all industry is dependent on light and power, the bureaucrats could emerge as the complete czars over all industry, rationing out light and power—not competitively—but politically."

NAM early made it clear that it believed the government should retain control of atomic energy, but that a government agency should be set up "empowered to license applicants to develop, manufacture, use or own apparatus or facilities for industrial, commercial or other non-military uses wherein fissionable material is used or produced." Last year's amendment to the Atomic Energy Act was merely a step when we need a giant's stride in this direction.

Industry, business—any idea—needs air and warm sunlight to grow. It needs more than anything a climate of freedom. Let us get back to the basic principles on which our country was founded. America is a nation of individuals—164 million free individuals. The sooner we start thinking in terms of the free individual—the free worker, the free farmer, the free taxpayer and the free consumer—the sooner shall we start throwing off this drug of socialism which paralyzes us in every limb.

It is the free individual that counts — the free individual and his self-reliance. Let us draw on the legacy left by the man after whom this Institute was named. Thomas Alva Edison is a towering figure of a man. But he does not stand alone. He stands tall as an illustration of the American story—that free men are best inspired to greatness by the challenge of the work to be done.

Mrs. Lanford Joins James H. Price Co.

(Special to THE FINANCIAL CHRONICLE)

CORAL GABLES, Fla.—Mrs. L. Blanche B. Lanford has become associated with James H. Price & Co. of New York City. Mrs. Lanford was formerly Local Manager for H. Hentz & Co.

James H. Price & Co. will open a Coral Gables branch at 2322 Ponce de Leon Boulevard.

Joins Vercoe Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Robert M. Wildermuth is now associated with Vercoe & Co., Huntington Bank Building, members of the New York Stock Exchange.

Securities Salesman's Corner

By JOHN DUTTON

An Excellent Mail Follow-Up Campaign

Newspaper advertising brings in leads from people living in remote sections of the country, especially if a metropolitan and widely read publication is used. The same is true of other papers having a national circulation such as the "Chronicle." Many times these inquiries are from people who could be developed into good customers if they were properly followed up. The problem can be solved if the right mail approach is used. Following is a letter that is mailed to people who have answered E. F. Hutton's advertising. It seems to me that this approach is certainly in good taste, and it also offers a valuable service which incidentally many people would have to pay quite a fee to obtain if they wished to secure such an analysis from certain financial advisory services. The letter:

"WHICH STOCKS SHOULD YOU BUY, SELL, SWITCH NOW?"

"This may be the most vital point for making market decisions in all 1955 and '56. You will want to use every means possible to arrive at sound and well considered decisions in your own investment program. We believe we have a fresh point of view here at E. F. Hutton & Company which can be invaluable to you and we hope you will accept our cordial invitation outlined below.

(The following two paragraphs are in red ink.)

"A PRIVATE HUTTON REPORT ON YOUR INVESTMENTS is available free by filling out and returning to me the enclosed Confidential Inventory. Since we don't want to make this just the average kind of analysis but a penetrating and to-the-point opinion of how we can **improve** your income or capital gains possibilities — or reduce risks — we hope that you will give us as complete facts as possible when returning the investment inventory.

"Our preliminary report will highlight any changes in your general investment approach we feel would be beneficial in a basic way. It will also pinpoint specifically any **sales, switches,** or **new purchases** that our analysis indicate could increase income return, improve capital gains opportunities, or reduce risks.

"We are confident that you will find this report of real value in planning your investment strategy now and during the important month ahead — that it will well pay you for the time involved in presenting the basic facts for our analysis.

"Naturally, we hope that our report will lead to your further investigation of our complete brokerage facilities here at E. F. Hutton & Company—particularly our personalized services which **can aid you regularly** in watching your investments. But, there is no obligation whatsoever and you can better judge as we go along.

"So, why not take advantage of this helpful offer and return the Confidential Investment Inventory to me **today.**

"Cordially yours,

"Edward B. Holschuh, Mgr. INVESTMENT SERVICE DEPT."

A Confidential Investment Inventory form is enclosed which provides the advisory department with necessary information and the return self-addressed envelope which requires no postage is also included in the mailing.

Customers who can be developed by this approach should turn into good accounts. I would assume that the curiosity seekers would take advantage of this offer but bona fide investors could be very much pleased with such a service, and those who would be so classified should be worthwhile accounts that could be profitably handled by mail. A large firm such as E. F. Hutton & Co. also has the advantage of offices in California, New York, Illinois, Missouri, Texas, Arizona and New Mexico, also correspondents and leased wire connections with other brokers and dealers in this country, South America and Europe. Leads could be followed personally in many of these cases after a reply is obtained and the analysis completed.

Osborne & Thurlow To Be Formed in N. Y.


B. K. Thurlow H. Thomas Osborne

Osborne & Thurlow, members of the New York Stock Exchange, will be formed July 1 with offices at 39 Broadway, New York City. Partners will be H. Thomas Osborne, Bradbury K. Thurlow, Oliver H. Everett, the Exchange member, Henri de la Tour D'Auvergne, Charles H. Cunningham, general partners, and Lester Kissel, limited partner. Mr. Osborne and Mr. Thurlow are partners in Talmage & Co.

John H. Kaplan Co. To Be Formed

John H. Kaplan will acquire a membership in the New York Stock Exchange, and as of July 1 will form John H. Kaplan & Co. with offices at 60 Beaver Street, New York City. Other partners in the firm will be Jerome M. Schoenwald, general partner, and Gustave Ring and Marion L. Ring, limited partners. Mr. Kaplan was formerly a partner in H. Hentz & Co.

To Be Bernard Berk Co.

Effective July 1 the firm name of Berk, Greenberger & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange, will be changed to Bernard Berk & Co. Joseph Grogan and Samuel Pivar will withdraw from the firm on June 30. On July 1 Sam Horowitz and James J. Kandel will be admitted to limited partnership.

Fahnestock to Admit

Fahnestock & Co., 65 Broadway, New York City, members of the New York Stock Exchange, on June 30, will admit John V. Farnam to partnership. Mr. Farnam will acquire a membership in the Exchange.

Gude, Winmill Partner

Gude, Winmill & Co., 1 Wall Street, New York City members of the New York Stock Exchange, on July 1, will admit James M. Wareham to partnership.

Continued from page 22

The Shippingport Atomic Power Plant

full load will be about 600 lbs. without superheat.

The entire plant, including the reactor, is being designed to meet the inherent requirements of the Duquesne Light Company's system as to rates of load pickup and rejection. The overall control of the plant will feature ease and simplicity as necessities for safety and dependability. A single control room is planned in which the operation of the reactor, the turbine generator, and the electrical equipment will be concentrated.

The reactor will produce at least 60,000 kw. net electrical output. The turbine-generator will have a a maximum capability of 100,000 kilowatts.

At this early stage it is not possible to foresee all of the information that will be gained from the construction and operation of the Shippingport plant. Even the matters on which we now know that valuable knowledge will be developed are too numerous to mention; it is feasible to give only a few examples.

Forthcoming Information on Reactors

With respect to the development of the pressurized water type of reactor, the Shippingport plant will provide valuable information on pumps, primary circuit piping, heat exchangers, and other things peculiar to that type of reactor.

But this first full-scale plant will also supply much information of importance for almost any type of recator capable of producing heat for the generation of steam for electric power.

As to heterogeneous reactors, that is, reactors with a core composed of different materials separated one from the other, Shippingport will help to determine the design, methods of fabrication, life and cost of fuel elements. Of great importance will be the experience to be gained with respect to the ability of different fuel elements to withstand long periods of irradiation and use. Also we shall learn about the effect of fuel element failures on the problems of maintenance and replacement of parts of the system other than the core.

For both heterogeneous reactors and homogeneous reactors, meaning by the latter reactors with a core composed of a uniform material such as a solution or slurry, the Shippingport plant will provide a fund of information. To mention just a few things, information will be obtained on radiation levels, and maintenance of radioactive equipment. Knowledge will be gained concerning the control problem, which embraces not only the need for dependable instruments but also information on the actual inherent behavior of the reactor. This involves changes in core reactivity, both short-time and as affected by aging, which must be coordinated with the load changes arising in the particular system of which the plant is a part. Operating experience will develop practices for dependable service and for safety, which may eventually permit the elimination of much costly special construction. Although proper design and well-planned operation should minimize unexpected outages, valuable information will be gained from experience with emergency problems, such as scram, loss of auxiliary power, loss of coolant flow, and other mechanical and electrical failures. Operation of the Shippingport plant will also aid in determining the manpower requirements of nuclear power plants. This is especially important since a serious problem lies in the shortage of well-trained, experienced, scientific and engineering personnel. A preliminary manpower schedule for Shippingport has been established and training of the personnel will be started very soon, or about two years before initial test operations are to begin.

A Comprehensive Educational Program

Consistent with the developmental character of the Shippingport project, the Atomic Energy Commission is sponsoring a comprehensive educational program in conjunction with the design, construction and operation of the plant. The program will include periodic information meetings, plant tours, and progress reports. To facilitate this program the Commission is declassifying information concerning the project as rapidly as security requirements will permit.

Thus, Shippingport will be a university, so to speak, for the electric power industry of this country, for the free nations of the world and, within the limitations of national policy, for the countries behind the Iron Curtain as well.

At the ground-breaking, Chairman Strauss declared:

"Men of many friendly nations in the days to come will be welcomed to this place where we are now standing—to study, to observe, and to carry home with them the benefits of our technology, devoted solely to the arts of peace."

In outlining the basic philosophy of its civilian reactor program, the Atomic Energy Commission recently said that "The Commission's role should be to develop advanced technology at government expense and to stimulate outside groups to undertake developmental or demonstration power projects primarily with non-commission financing." The Commission also said that "developing economically competitive nuclear power for civilian use will be aided by maximum practical utilization of the financial incentive common to business ventures."

The Shippingport project is a concrete expression of this philosophy. It will develop advanced technology at Government expense. It has already served to stimulate other groups to undertake developmental or demonstration power projects; in fact, one might say that the initiation of the Shippingport project "broke the ice" as far as construction of full-scale plants is concerned. As to the utilization of financial incentive common to business ventures, Shippingport is a natural and logical step in an orderly transition from the complete Government monopoly produced by military requirements of the Second World War to development of the atom for industrial purposes by private business under the regulatory supervision of the Government. The partnership engaged in this transitional project capitalizes on the broad knowledge gained by the Government in the development of atomic weapons, as well as the Government's extensive resources; it takes advantage of the experience of one of the foremost industrial organizations in the nuclear power reactor field; and it recognizes that, since nuclear power reactors must be so constructed that they will be able to meet the inherent requirements of the particular electric utility system which they serve, the knowledge and experience of an electric utility operating company is essential, too, in designing and building reactors.

With the dropping of the atomic bomb on Hiroshima and Nagasaki the scientists opened up a Pandora's Box of the energy that lights the stars. As a result, we of the electric utility industry are presented with a tremendous challenge and, at the same time, with a tremendous opportunity.

"We Must Do Our Part"

In the quest to make this new fuel competitive with fossil fuels, and thereby to take advantage of this inexhaustible supply of new energy, we not only have a duty to do our part, entailing the risk of capital as it will, but as a means of self-protection we must do our part. Only last month the Atomic Energy Commission said, "The early development of economically competitive nuclear power by the United States is an important national objective." The Commission went on to say that "Achieving economically competitive nuclear power in an accelerated time schedule is believed to be desirable, if not essential, for both domestic and international reasons."

In other words, the Government is committed to developing nuclear power as rapidly as possible, and if private industry does not undertake this development the Government is prepared to do so. This, of course, could sound the death knell of the investor-owned electric utility industry.

But there is no doubt that our industry is alert to its responsibility, to its challenge, and its opportunity. This will be made impressively clear in Mr. Edgar H. Dixon's discussion this morning of industry's response to nuclear power.

In our generation we have seen commercial aviation develop to the point where men of action cross the continent in eight hours, cross the Atlantic in slightly more time; where they board planes for the Orient with the facility with which one takes a bus to go to and from downtown. We sit in our homes and listen to radio broadcasts from Tokyo, London, Berlin and Rome; we view TV spectacles in distant places.

Yet the advance of the electric power industry since that first day at the Pearl Street plant in 1882 has been equally impressive. It has relieved the drudgery of millions of housewives. It has straightened the backs of countless farmers and industrial workers, and it has increased their productivity many, many times.

In spite of periodical material shortages our industry has kept abreast of the nation's increasing thirst for power as the years have rolled by. It has played an indispensable part in making this country the most powerful in the world. Very definitely it has stamped its imprint on America's profile. There is not the slightest doubt it will make its due contribution to the atomic age.

The Shippingport atomic power plant is a part, a necessary part, of that contribution.

Joins Kidder Staff

(Special to THE FINANCIAL CHRONICLE)

CORAL GABLES, Fla.—Joyce E. Stedman has joined the staff of A. M. Kidder & Co., 360 Miracle Mile.

With A. M. Kidder Co.

(Special to THE FINANCIAL CHRONICLE)

FT. MYERS, Fla.—John A. Bonnett is now connected with A. M. Kidder & Co., 915 First Street.

With Jay W. Kaufmann

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Adolph Finkler is now with Jay W. Kaufmann & Co., 123 Lincoln Road.

Halsey, Stuart Group Offers Erie RR. Ctfs.

Halsey, Stuart & Co. Inc. and associates on June 21 offered $3,270,000 of Erie RR. 3% serial equipment trust certificates maturing annually July 15, 1956 to 1970, inclusive.

The certificates are priced to yield from 2.50% to 3.10%, according to maturity. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by 500 box cars estimated to cost $4,099,565.

Associated in the offering are: R. W. Pressprich & Co.; L. F. Rothschild & Co.; Freeman & Co.; Gregory & Sons; The Illinois Co. Inc.; Wm. E. Pollock & Co., Inc.; McMaster Hutchinson & Co.

Municipal Bondwomen Holding Annual Outing

The Municipal Bond Women's Club of New York held their 5th Annual Outing on Friday, June 17, at Sleepy Hollow Country Club, Scarborough, N. Y. with another perfect day of weather. Activities consisted of horseback riding, golf, tennis and swimming along with the secret surprise of a fortune teller, who uncovered many unexpected pleasures for most of them. Golf scores were tallied with Mareb Vogel of Northern Trust Co. lowest, and Betty Dickinson of Dick & Merle-Smith runner-up. Prize donations were as follows—

Bus: Mitchell, Pershing, Shetterley & Mitchell.
$100 Toward Refreshments: Mr. John N. Mitchell.
Saks-5th Avenue Gift Certificate: Adams, McEntee & Co.
Amelia Earhart Luggage: The Bond Buyer.
Convertible Clock Radio: Municipal Bond Women's Club.
Hoover Vacuum Cleaner: Mrs. Norma Anderson (Club Member).
Lord & Taylor Gift Certificate: Rand & Co.
Mark Cross Radio: J. J. Kenny Co.
Best & Co. Gift Certificate: Geo. B. Gibbons & Co.
Clock Radio: Chase Manhattan Bank.
Altman's Gift Certificate: R. W. Pressprich & Co.
Kodak Flash Outfit (Duaflex III): Harry Downs & Co.
Saks-5th Avenue Gift Certificate: Chas. H. Drew & Co.
Handbag: Lee Carroll & Co.
Weekend Case: R. D. White & Co.
Solid Gold Bracelet: Tripp & Co.
Kodak Flash Outfit (Duaflex III): G. C. Haas & Co.
—and a vote of thanks was extended to all..

The "Stock Exchange" was oversubscribed and the following awards were made—

$100 Bond: Alice Kavanaugh of Equitable Securities Corp.
$50 Bond: Ann Carroll, Geo. B. Gibbons & Co.
$50 Bond: Madeline Sundstrom, Chemical Corn Exchange Bank.
$50 Bond: Josephine Rodd, Goldman Sachs & Co.
$50 Bond: Helen Potts, Dean, Witter & Co.
$50 Bond: Joan Theurer, Phelps, Fenn & o.
$50 Bond: Irene Murphy, Glore, Forgan & Co.
—and twenty-two $25 bonds were also awarded.

Elsie Schuyler of Chemical Corn Exchange Bank, President of the Club, turned the day over to her Outing Committee: Helen D. Kane, G. C. Haas & Co., Chairman; Ann Carroll, Geo. B. Gibbons & Co.; Joan O'Brien, Caldwell, Marshall, Trimble & Mitchell; Lillian Whelen, C. F. Childs & Co.; Norma Detlef, Lehman Bros.; Elain Malast and Catherine Wies, both Halsey, Stuart & Co. A grand time was had by all!

Continued from first page

As We See It

brings, or should bring, to the attention of us all. What we hear most about is, of course, the hardship that would be imposed upon the grower if the price of wheat should be substantially further reduced at the same time that the farmers were to be obliged to reduce the volume of their output of this grain. But this is only a part of the story.

First of all, it may be well to inquire how the wheat growers ever got into this extremely vulnerable position. Then we must ask something about what must inevitably happen to the Federal Government—for which read the American people—were it to continue indefinitely to pay wheat growers to raise wheat that no one wants at anything approaching a profitable price—and then storing the growing surpluses until they rot. It will be found upon close analysis that the two questions are not wholly unrelated.

Too Much Wheat

Wheat farmers are in a very uncomfortable position simply because there are too many of them producing too much wheat. There is not enough demand for wheat to support so many farmers so fully equipped to produce the grain. Some time or other, whether they like it or not, or whether the politician thinks it hard hearted or not, some of the farmers will have to make their living in some other way. Such a transition, like all such transitions, is likely to bring hardship. At least for the time being a less favorable economic status would be theirs than they have been enjoying under a system which simply taxes the rest of us to pay for the economic sins of the wheat producer. Now for this same reason, and because the whole matter has taken on greater and greater proportions, the Federal Government—i.e., the people as a whole—has reached a point where some sort of change must be instituted, since not even this wealthy nation can afford to tax the people heavily to perpetuate a system which reduces tax paying ability.

The wheat situation is but an example of a much more general state of affairs and a much more general problem. The national government has been, in effect, taking wheat off the hands of farmers for years past and in large quantities. Today it has nearly two and three quarter billions of dollars tied up in wheat which has reached the stage where serious consideration has to be given to deterioration—assuming that serious deterioration has not already occurred. Funds provided by Congress—or rather funds that can be raised under existing laws—for such purposes are about exhausted, and that despite the application of very considerable ingenuity in making the most of the terms of present statutes. Wheat is in surplus the world over, in surplus, that is, in relation to effective demand for it. Even if not one additional bushel of the grain were acquired, the government would have a real problem on its hands of salvaging any very substantial part of the cost of acquiring the wheat it now possesses.

Let no one suppose, though, that wheat is an isolated case. Indeed, one of the arguments now popular with the campaigners for continued controls is the claim that, were wheat prices to go very much lower—as they are said to be certain to do without higher support than would be lawful without control of production—it would become competitive with corn as a livestock feed, and thus knock the bottom out from under that grain—and send corn farmers to Washington clamoring for more help from the generous vote seeking politicians in business there. Left to their own economic devices cattle growers and hog producers, to say nothing of various other types of farmers, would in these circumstances probably have to face lower prices for their output and thus be obliged to readjust their operations accordingly.

But, So What?

All of this may be true, at least in considerable part, but to state these facts is but to say, first, that the weakness in the agricultural industry in this country is general rather than confined to one or a few special sections or departments, and, second, that this weakness goes back to the very system of subsidies which some of the farmers' spokesmen are now insisting must be continued in the case of wheat. We have a real agricultural problem on our hands in this country. There is no denying that fact. Its solution has become affected with a public as well as political interest in light of its history. What its ultimate solution is or will be, we are not prepared to say at this time, except in terms of general principles. What we are very sure of is that it will never be cured by an application of a hair of the dog that did the biting. And we feel equally confident that in the end it will have to be cured by freeing the market and permitting natural forces to bring production into line with effective demand.

Of course, there are those who still echo the political campaign oratory of several decades ago to the effect that farming is not a business but a "way of life." We have never been quite certain what this term really meant or implied, but we can not understand why the American people should subsidize a "way of life" for some part of the population. A "way of life" to be worth a great deal to a people, so it seems to us, must, first of all, be able to stand on its own feet economically.

These are some of the basic issues which should receive the most careful attention by both the growers of wheat and all the rest of us as this test of "sentiment" among wheat farmers approaches. It would be a good prelude to the campaigning in the national elections next autumn.

Continued from page 5

Industry's Response To Nuclear Power

these principles in mind the company asked manufacturers to submit proposals and retained Vitro Corporation of America as a consultant to appraise the proposals. As a result of this, Con Ed awarded a lump-sum contract to Babcock and Wilcox, the company whose proposal appeared most attractive, for construction of the reactor and steam generators. The plant, scheduled to be completed in about five years, is to have an electrical capacity of 235,000 kw and will cost $55 million. The reactor is to be a pressurized water thorium-uranium converter. The cost of power from the plant is expected to approximate the average cost of power in the Con Ed system.

Perhaps the attitude of Con Ed is best summed up by the words of Mr. Searing himself: "We have no illusions that the reactor we are now considering will be the last word on reactor development. On the other hand, we think it will make a real contribution to the advancement of the art. We want to get on with the job, and as far as possible we want to do it in the same way we normally carry on our business."

Other companies have followed up in the same vein. The Nuclear Power Group, consisting of Commonwealth Edison Co., American Gas and Electric Service Corp., Bechtel Corp., Pacific Gas and Electric Co., and Union Electric Co. of Missouri proposed to AEC that it be permitted to construct and operate, entirely with private funds, a 180,000 kw boiling water reactor near Chicago. Two additional companies, Central Illinois Light Co. and Illinois Power Co., have since joined in this proposal. General Electric has contracted with the group to build the plant for $45,000,000 with completion scheduled for 1960. Under the financing arrangements among the participating companies, about one-third of the project cost will be shared by all the participants as research and development expense. The remainder will be borne by Commonwealth as installation cost. On this basis, the cost of the power produced is estimated to be approximately competitive with that from modern coal-fired generating units in Commonwealth Edison's service area.

The Detroit Edison Co. and nine associated utilities have made a proposal to AEC to build a 100,000 kw fast breeder reactor in the Detroit area. The estimated cost of the facility is $54 million, $45 million of which is for the reactor. This cost will be borne entirely by the sponsoring companies except for a small amount of assistance from the government for research work of interest to the entire program. Completion is scheduled for late 1958.

The Yankee Atomic Electric Co., a company formed by New England electric utilities supplying 90% of the electric requirements of the six New England states, has proposed to the AEC the building of a light water moderated and cooled reactor plant of 100,000 kw capacity in western Massachusetts. Monsanto Chemical Co. is working with the utility group in planning and designing the installation. The cost of this plant is estimated at $20-$25 million, wihch will be financed by the companies involved except for those research and development costs of an extraordinary nature. Completion is scheduled for 1958.

Consumers Public Power District of Nebraska has made a proposal to AEC requesting permission to build a 75,000 kw sodium graphite reactor for completion in 1959. North American Aviation, Inc., which is located just a few miles from the site of this Convention, is the leading proponent in developing this type of reactor. The cost of the Consumers plant has been estimated at about $24 million.

Role of the Equipment Manufacturers

The major equipment manufacturers are playing a most significant role in private development of nuclear power. The activities of some of them—General Electric, Babcock and Wilcox, and North American Aviation—have already been mentioned. Westinghouse has played a full part in the field, as witnessed by the fact that they are building the first full scale plant for AEC and Dequesne. Others, such as Foster Wheeler Co. and Combustion Engineering Co., are very active in this effort to achieve competitive nuclear power. All of these companies have established sizable staffs of engineers and scientists who are employed full-time on solving the problems that still lie before us. Many of them—and let me assure you that the companies I have named by no means constitute a complete list—have built or are building large facilities at a cost of millions of private dollars to build reactors or reactor components for us to use in utility plants. Referenced against this tremendous effort is the realization that it may be many years before there are any profits in this business, not only from the standpoint of the utilities, but from the standpoint of the equipment manufacturers themselves. There are many development dollars still to be spent and the equipment manufacturers will continue to pick up the check for many of them. So will the utilities, the engineering firms, the chemical companies, and other components of industry interested in this field.

It is my understanding that several of the equipment manufacturers are now prepared to discuss with utilities firm contract prices for building various types of reactors throughout the country.

Hurriedly adding up the estimates of the proposals made since February of this year by private companies, I find that they total nearly $180 million. If we were to add the past and planned future expenditures of the equipment manufacturers, of other industry in the field, and of the many utilities whose planning has not yet reached the proposal stage, we would end up with a very large total indeed. Please remember that it has still been less than 10 months since the new law permitted this private participation and that even to this day we do not know all the rules under which the game will have to be played. What, then, has been the response of industry to the AEC's industrial participation program? I think the answer is summed up accurately in just one ward—outstanding! Mr. Lewis L. Strauss, Chairman of the AEC, has had the following to say on this score: "The fact that the proposals have been made is notable. But the significant point is the extent to which the proposers are prepared to risk their own capital. This willingness to assume risks is evidence of the vigor of competitive enterprise. It is also another indication of this nation's faith in the peaceful future of the atom." I couldn't agree with Mr. Strauss more wholeheartedly.

I think, however, that it would be a most serious error for us to assume that the job is complete and that we can now rest on our oars. I believe that our job has only begun and that we must continue to demonstrate to the people of this country that our traditional private enterprise system is still the best and most effective way to get this job done. Reliable surveys indicate that many people still feel that the government alone should develop nuclear power. We may expect continuing all-out efforts of the federalizers to return the atom to the province of the government. Their efforts are unrelenting, and they are ever critical of private endeavors. In one breath they criticize industry for its "reluctance" to accept the challenge of private development. In the next breath they criticize those companies who have made proposals because they don't feel the companies have studied the problems thoroughly enough. It might be appropriate at this point to quote from a speech delivered by a public official at the recent convention of the American Public Power Association. The speaker made the following observation:

"The Consolidated Edison Company of New York has applied for a 40-year license to construct and operate a 250 thousand kilowatt atomic power plant. While I heartily favor investment of private funds in atomic enterprise, I wonder whether the reactor art has been sufficiently developed to justify a 40-year license. More than likely, if this project is approved, the electricity customers of Consolidated Edison will find their rates increased to finance the atomic experiment."

A few paragraphs later he had this to say:

"Also the Tennessee Valley Authority and the Consumers Public Power District of Nebraska are engaged in atomic power studies. The latter recently proposed, under AEC license, to build and operate a 75,000 kilowatt atomic power plant in Nebraska. Congratulations to the Consumers Public Power District for its initiative and enterprise!"

In other words, while the proposal of Con Ed is viewed circumspectly, the proposal of Consumers Public Power District deserves an accolade. You may draw your own conclusions as to what sort of philosophy this represents.

Foreign Developments

For many reasons we would like to be the first country to achieve competitive nuclear power. How does our progress compare with that of other countries? It seems to me that we are in a fairly satisfactory position and that our position will become relatively stronger as the effort of private industry gains momentum. Great Britain, Canada, and, if we can take their word for it, Russia, appear to be our principal competitors.

Great Britain is apparently making a determined effort to become the world's nuclear power leader, as evidenced by their recently announced $840 million, 10-year, 16-reactor program. A power cost of 7 mills/kwh for the first of these stations is estimated. Construction of two British experimental power reactor types, started under a previous program, has been underway for some time. Britain, of course, has a greater incentive than we do because conventional fuel costs are much higher there than here. Further, they have elected to devote much of their reactor effort to power while this country, in the past, occupied itself primarily with production reactors for military purposes. My confidence in our private enterprise system is so strong that I believe we can overcome Britain's apparent head start.

Canada has for some years been doing research and development work on heavy water reactors and has announced plans for a 20,000 kw power reactor of this type to be in operation in 1958. They also have plans for a large 100,000 kw heavy water reactor.

France, Italy, Spain, Belgium, Holland, Switzerland, West Germany, Sweden, Norway, Turkey, Brazil, Columbia, South Africa, Australia, India and Japan are vitally interested in reactor programs and some of these countries already have experimental reactors either in operation or under construction. Although their progress has not advanced to the extent of that of the United States, Britain, and Canada, they may be expected to exert a strenuous effort to overtake the leaders.

It is not possible, of course, to evaluate Russian progress. For what it may be worth, they announced that on June 27, 1954, operation of a 5,000 kw nuclear power plant was started. This was claimed by them to be the first use of atomic energy in an industrial power station. The Russians have also announced that work is proceeding on a 100,000 kw nuclear power plant.

What About the Future?

I have attempted to outline for you some of the things that private industry has done and is proposing to do. Nearly all of the developments that have taken place this year are the result of modifying the Atomic Energy Act to permit private participation. While it is abundantly clear that there has been a sharp upswing in private activity since passage of the new law, in my opinion this is just the beginning. From this point forward we can expect this upswing to become more pronounced as more and more companies are able to assess their proper role in this business.

As I mentioned earlier, the latest statistics available indicated that there were 71 organizations participating in study agreements with AEC. Such agreements called for a commitment on the part of each group concerned to spend at least $100,000 on the study. Many companies were reluctant to commit such a sum simply to find out where they might fit into the program. In the cases of some electric utilities in relatively low fuel cost areas, it was felt, on the basis of unclassified information, that the near-term prospects for using nuclear fuels were not sufficiently attractive to justify spending such an amount.

Since publication of these statistics, AEC has issued new regulations covering access to classified technology. The new access agreements involve only minor expenditures which almost any interested company can justify making. I believe that this step on the part of AEC is a most important one which will pay big dividends in the future. It is my understanding that approximately 70 companies had taken advantage of this new arrangement by May 31. As more companies gain access to nuclear technology, and are thus able to bring their particular skills and abilities to bear on the problems involved, the inevitable result must be a more rapid and more thorough solution of those problems.

As for the electric utility industry, I think that through the courageous efforts of some of our colleagues our industry already has demonstrated that we are not going to wait to build power reactors until the technology has advanced to such a point that nuclear power is as cheap as power from the most modern conventional plants. As nuclear power costs inevitably come down, it is hoped that more utilities, including some in lower fuel cost areas, will be applying for licenses to build reactors in their territories. And when nuclear power costs go down still farther, utilities in all parts of the country may be turning to this energy source in constructing additional facilities. Thus, nuclear power should become a dynamic force, coming into ever increasing use as it begins to approach the cost of conventional power in the various areas of the country.

* * *

One of the purposes of the Atomic Energy Act of 1954 is "to encourage widespread participation in the development and utilization of atomic energy for peaceful purposes to the maximum extent consistent with the common defense and security and with the health and safety of the public." I hope you will agree with me that industry is doing an outstanding job of responding to the program provided by the AEC for this purpose. We must be sure that our industry continues to put forth its best efforts to harness the peaceful atom for the greatest good of all.

N. J. Bond Club Field Day Golf Winners

PRESIDENT'S TROPHY

Walter H. Stohl, Fidelity Union Trust Co., 99-40-59.

CLASS "A"

1st Low Gross: Martin M. Issler, 74.
Tie 1st and 2nd Low Net: Stanton M. Weissenborn, 81-15-66; Harry D. Miller, 84-18-66; George Underwood, 81-15-66.

CLASS "B"

1st Low Gross: Horace G. Houghton, 87.
1st Low Net: Edward W. Tallau, 88-21-67.
2nd Low Net: Rudolph H. Deetjen, 93-24-69; Walton R. Dunn, 93-24-69.

CLASS "C"

1st Low Gross: H. F. Graham, 94.
1st Low Net: Austin K. Patterson, 106-40-66.
2nd Low Net: Edward L. Winpenny, 95-25-70.

KICKERS' HANDICAP No. 79

Rowland C. Hike, 109-30-79; W. L. Brown, 99-30-79; Edward J. Keresy, 119-40-70.

The Bond Club of New Jersey held its Spring Field Day at The Rock Spring Country Club, West Orange, N. J. Richard H. Monaghan and Matthew F. Reilly Co-Chairmen presented the members many tests of their athletic prowess from darts to swimming. Before an excellent buffet supper cocktails were served. The Tiger-Town Five provided entertainment for the balance of the evening. Edwin F. Kezer is President of the Jersey Bond Club.

Named to ASE Committee

The American Stock Exchange has announced the election of John D. Rissetto, Edwin Posner, Lawrence M. Stern and H. Lawrence Jones as regular members of the exchange's nominating committee for the ensuing year. All are regular members of the exchange.

Theodore A. Winter, Wm. P. Hoffman & Co., John Brick, Paine, Webber, Jackson & Curtis, and Ira Haupt of Ira Haupt & Co. were elected non-regular members of the nominating committee according to the announcement.

Forms Dorian & Co. In Dallas, Texas

DALLAS, Texas—Dorian Granowski has formed Dorian & Company with offices in the Davis Building to engage in a securities business. Mr. Granowski was formerly Manager of the Mutual Funds Department of Garrett and Company.

R. D. Langlois Co.

SALT LAKE CITY, Utah—Robert D. Langlois has formed R. D. Langlois & Company with offices in the Beason Building to engage in a securities business.

ontinued from page 6

The State of Trade and Industry

stitute announced that the perating rate of steel companies aving 96.1% of the steelmaking pacity of the entire industry will at an average of 97.4% of pacity for the week beginning ne 20, 1955, equivalent to 2,-0,000 tons of ingots and steel r castings as compared with .0% (revised) and 2,316,000 tons week ago.

The industry's ingot production te for the weeks in 1955 is sed on an annual capacity of 5,828,310 tons as of Jan. 1, 1955. For the like week a month ago e rate was 96.4% and produc-on 2,326,000 tons. A year ago the tual weekly production was aced at 1,720,000 tons or 72.1%. he operating rate is not compar-ble because capacity was lower an capacity in 1955. The per-ntage figures for 1954 are based annual capacity of 124,330,410 ns as of Jan. 1, 1954.

ectric Output Dipped Mildly Due to Cooler Temperatures In Some Areas

The amount of electric energy stributed by the electric light d power industry for the week ded Saturday, June 18, 1955, as estimated at 9,987,000,000 vh., according to the Edison ectric Institute.

This week's output declined 54,-0,000 kwh. below that of the evious week, when the actual tput stood at 10,041,000,000 vh. This decline was due to oler weather in some areas of e country. It increased 1,137,-0,000 kwh., or 12.8% above the mparable 1954 week and 1,658,-0,000 kwh. over the like week 1953.

ar Loadings Climbed 10.2% bove Preceding Holiday Week

Loadings of revenue freight for e week ended June 11, 1955, in-eased 73,034 cars or 10.2% above e preceding holiday week, ac-rding to the Association of merican Railroads.

Loadings for the week ended ne 11, 1955, totaled 786,707 cars, increase of 89,124 cars, or 8% above the corresponding 54 week, but a decrease of 545 cars, or 1.3% below the rresponding week in 1953.

S. Automotive Output Expected To Rise 27% Above Level Of a Year Ago

The automobile industry for the est week, ended June 17, 1955, cording to "Ward's Automotive ports," assembled an estimated 6,121 cars, compared with 134,-3 (revised) in the previous ek. The past week's produc-n total of cars and trucks ounted to 169,567 units, or an crease of 6% above the preced-g week's output of 159,696 units d 27% above the 133,893 units ported for the same week a ar ago, states "Ward's."

Last week's car output advanced ove that of the previous week 11,448 cars, while truck output pped by 1,577 vehicles during e week. In the corresponding ek last year 113,626 cars and 267 trucks were assembled.

Last week the agency reported ere were 23,446 trucks made in e United States. This compared th 25,023 in the previous week d 20,267 a year ago.

Canadian output last week was aced at 10,815 cars an 2,580 cks. In the previous week Do-nion plants built 10,643 cars d 2,455 trucks, and for the com-rable 1954 week 5,037 cars and 33 trucks.

siness Failures Register Mild Decline in Past Week

Commercial and industrial fail-es dipped to 214 in the week ded June 16 from 230 in the preceding week, Dun & Bradstreet, Inc., reports. Despite this mild decline, failures remained above the 207 which occurred last year and exceeded considerably the 1953 toll of 167. Failures continued 14% lighter, however, than the prewar total of 249 in the similar week of 1939.

There were 175 failures with liabilities of $5,000 or more, compared with 183 a week ago and 170 last year. Small failures, those with liabilities under $5,000, dipped to 39 from 47 but remained slightly above the 37 in 1954. Eighteen of the failures had liabilities in excess of $100,000 as compared with 12 in the previous week.

Trade and construction accounted for the week's down turn, with retailing failures off to 103 from 115, wholesaling to 14 from 21, and construction to 25 from 29. In contrast, the toll among manufacturers edged up to 52 from 47 and among commercial service concerns to 20 from 18. More businesses failed in manufacturing and retailing than last year, while construction held steady and wholesale trade and service showed mild dips from the 1954 level.

Failures declined, during the week in six of the nine geographic regions. Failures in the Pacific States declined to 52 from 58, in the East North Central to 27 from 36, and in the South Atlantic to 16 from 20. Notable increases occurred in the Middle Atlantic States, up to 83 from 76, and in the New England States, up to 18 from 13. These two regions had considerably more failures than a year ago. Slight year-to-year rises prevailed in three other regions, while four had fewer failures than in 1954.

Wholesale Food Price Index Made Sharp Advances in Latest Week

In the sharpest advance in about eight months, the Dun & Bradstreet wholesale food price index rose 12 cents to stand at $6.51 on June 14. This represented a gain of 1.9% above last week's $6.39, but it was still 10.0% below the $7.23 of a year ago.

The current uptrend was sparked by higher wholesale prices for wheat, corn, rye, oats, beef, hams, bellies, lard, coffee, cottonseed oil, cocoa, beans, eggs, hogs and lambs. Only flour, barley, sugar, raisins and steers showed declines for the week.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Turned Sharply Upward the Past Week

The general commodity price level turned upward last week following the downward trend of the past few months. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 273.45 on June 14, from 271.66 a week earlier and 271.80 on the corresponding date a year ago.

All grains except barley scored sizable price advances the past week. Nearby wheat deliveries were in good demand with flour mills the major buyers. Recent soaking rains came too late to help the Winter wheat crop but were considered beneficial to the Spring wheat crop as well as to corn and soybeans in those areas where planting had been completed. The more distant wheat contracts were easier, reflecting the prospective heavy carryover and the announcement of lower support and parity prices for 1956.

The Department of Agriculture June crop report issued over the week-end, put this year's total wheat production at 845,215,000 bushels, the smallest since 1943, and 13% under last year's crop of 969,781,000 bushels. The Winter wheat yield was forecast at 639,-224,000 bushels, or about 14,000,000 bushels less than the estimate of a month ago.

There was some improvement in bookings of Spring wheat bakery flours the past week with prices trending higher, particularly the high gluten varieties. Hard wheat flours worked irregularly lower with demand restricted by the expectation of lower prices in the near future.

The market for green coffee continued to strengthen, reflecting the prospect of an agreement among the producing countries to establish marketing quotas at levels expected to stabilize the market at between 50 and 60 cents a pound.

Some brands of coffee were advanced 2 to 3 cents a pound at the retail level.

Cocoa prices rose sharply in late dealings under active commission house and trade demand touched off by the upward move in other import commodities. Warehouse stocks of cocoa declined slightly to 237,912 bags, from 240,718 a week earlier and compared with 100,997 bags a year ago. Raw sugar was somewhat easier as demand for refined slackened with the recent drop in temperatures.

Domestic cotton prices held in a narrow range and moved slightly upward in the latter part of the week. Trading activity increased somewhat with reported sales in the 14 markets totaling 60,000 bales for the week, against 51,800 and 53,400 bales in the two preceding weeks.

Stabilizing influences included domestic and foreign price-fixing and reports of a number of foreign authorizations for the purchase of cotton.

Weakness in early trading was attributed to uncertainty over acreage allotments, slow export trade, steady loan redemptions and the prospect of a larger than expected carryover on July 31, as well as a report that Japan was contemplating cutting its imports of cotton in the new season. Loan repayments on 1954-crop cotton during the week ended June 3 totaled 30,900 bales, the largest volume reported in any week this season.

Trade Volume Slightly Lower for Week But Well Above Level Of a Year Ago

Retail sales in the period ended on Wednesday of last week were slightly lower than in the previous week but remained well above the year-ago volume for the similar period.

Instalment buying was much greater than at that time and retailers' collections were more prompt. Consumers continued to spend proportionally larger amounts on hard than soft goods.

The total dollar volume of retail trade in the week ranged from 2 to 6% above a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from year-ago levels by the following percentages: East —3 to +1; New England +1 to +5; Northwest +2 to +6; South and Midwest +3 to +7; Southwest +5 to +9 and Pacific Coast +6 to +10.

Shoppers gave less attention to women's and children's apparel last week, as bad weather in many parts of the country curtailed interest somewhat in vacation items. Sales of men's clothing increased markedly, however, and were estimated to be about 10% higher than last year at this time. Light-weight suits, haberdashery and many gift items sold well.

Heavy appliances sold at last week's high level, but housewares, fiber rugs, bedding and outdoor furniture sold in smaller quantities than at that time.

Wholesale trade in the period ended on Wednesday of last week held close to the high level of recent weeks and was well above the total reached in the corresponding period of 1954.

Increased buying of apparel and home furnishings was offset by slower trade in textiles and food.

Dealers in New York, Chicago and Los Angeles reported favorable response at showings of women's Fall apparel, where buyers generally spent more for early orders than a year ago. New styling and good values also drew heavy attendance at other market centers. Sportswear was most popular, with dresses, sweaters and accessories in almost as good demand.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended June 11, 1955, advanced 3% from the like period of last year. In the preceding week, June 4, 1955, a rise of 5% was registered from that of the similar period of 1954, while for the four weeks ended June 11, 1955, an increase of 6% was recorded. For the period Jan. 1, 1955 to June 11, 1955, a gain of 6% was registered above that of 1954.

Retail trade in New York City the past week advanced about 4% above that of a year ago, trade observers estimated. Good weather, this source states, was largely responsible for the improved showing.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended June 11, 1955, declined 1% below that of the like period of last year. In the preceding week, June 4, 1955, a decrease of 2% (revised) was recorded. For the four weeks ended June 11, 1955, an increase of 2% occurred. For the period Jan. 1, 1955, to June 11, 1955, the index recorded a rise of 1% from that of the corresponding period of 1954.

C. R. Haig Opens

BUFFALO, N. Y. — Chester R. Haig, Jr., is engaging in a securities business from offices at 50 Gates Circle.

W. H. Haskins Opens

JACKSON HEIGHTS, N. Y.— William H. Haskins is conducting a securities business from offices at 35-34 84th Street.

Continued from page 13

Industry's Responsibility for Job Creation and Job Security

feel the burden of any slump in demand. The larger company, of course, would have a strong incentive to hold on to any partmaking business instead of farming it out to smaller suppliers. Yet the smaller business is much less able to stand the shock.

From every angle that you might view them, such guarantees would force businessmen to think twice, to move more cautiously, to slow down, to go slow on the bold planning and the risk-taking that have been the traditional driving power behind our industrial progress. And the nation should think twice before approving something which would tamper with the delicate balance of incentives which keep men and companies working hard and making progress together.

Automation—A Timely Blessing

Some who propose a guaranteed annual wage say that it is particularly essential now, because of a dark, mysterious thing called automation—this thief in the night that steals men's jobs. Some rabblerousers go further and utter grim predictions and paint black pictures of jobless workers roaming the streets aimlessly while fully automatic factories silently grind out endless streams of products. On the other hand, some more enlightened labor leaders recognize that the whole thing is essentially only a continuation of the long-time trend toward more labor-saving machinery—and that is the primary factor which has made it possible for us to make more products per unit of toil, and hence, make possible both higher wages and better living standards for all.

Actually, what is called automation is revolutionary only in the new markets it is opening up, the industries that are expanding with it, the increasing number of new and better jobs it is creating.

A recent visitor to the General Motors diesel locomotive factory at La Grange, Ill., asked a foreman how anyone could tell if such a complex operation was functioning well. "That's easy," answered the foreman. "If I see anyone who's either sweating or bored, I know something's wrong. When a man's sweating, it means he's doing a job that should be performed by a machine. And when he's bored, it means he's doing a humdrum job which a machine could do better. The best plant is one that hires men to use their heads, not their backs."

What is called automation, then, is not a threat but a promise to the American workers. A promise of more jobs, better-paying jobs, more interesting jobs, and more goods for all of us. Any unbiased study will show that jobs and pay have grown fastest in those industries where technical improvements have been most frequent. The telephone company reports that if they were still relying on the old operator system instead of dial phones, there would soon not be enough **total** women between the ages of 18 and 40 in the whole country to fill the jobs—and we do want some of them as wives and mothers! Of course, if dial phones had not solved this problem, costs would have soared and many of us could not have telephones today. Moreover, even with the dial system, the telephone company employs more people than it did under the old operator system.

In the last 100 years, our population has multiplied itself by seven times. But our industrial jobs have multiplied themselves by **nine** times.

It is mainly through such technological change that the nation's economy has retained its fresh impulses and the vigor to expand and provide more jobs, not fewer jobs. The faster we discard obsolete products, machines, and costly ways of work, the faster we will lift our living standards and increase our national wealth.

It is inconceivable that the promise of continued technological advance in helping us reach such goals for the general good should be blighted by shortsighted objections or misunderstandings. By 1975, it is estimated that this country will be consuming products at **twice** the present rate while the available work force is expected to increase by no more than 25%. Whether we call it automation or continued improvement in equipment, such progress holds our only hope for a rising standard of living.

Productivity and Standards of Living

The outstanding characteristic of this nation's economic history is productivity growth. But, even as it worked its magic in the lives of all of us, most of those who benefited from it were unaware or only dimly conscious of this growth. In some cases it took inquiries from foreign countries to make us aware that we had here something both good and unusual. We have begun to study the reasons for this productivity growth. And this is all to the good.

The output per man-hour in our country during this century has increased at an average rate of about 2% a year. Compounded, this means that every 35 years productivity doubles. One hour of a man's effort today produces twice as much as one hour of his father's generally more strenuous effort. Fifty years ago, machines provided less than half the power used for work. Today machines supply 95% of the energy required.

What has this meant to us as people? It means we don't have to work nearly as hard as we once did. The average work week of 60 hours at the turn of the century has dropped to 40 hours. Our children spend more years in school. Most employees get annual vacations, the privilege of only a very few 50 years ago. Physical effort averages far less than it did then—men use their brains more and their muscles less.

Rising pay rates have put the industrial employee into the prosperous, middle-class group of our society. His purchasing power is 5 times what it was 100 years ago, twice what it was 25 years ago. The industrial employee, more than any other single bracket, has been responsible for the purchase, in the past 5 years, of 30 million refrigerators and home freezers, 27 million TV sets, and 22 million new cars. Americans are today spending more than $30 billion a year satisfying their leisure-time needs!

Yet our gains have not been entirely material. Churches in this country have 89 million members who contribute $2½ billion a year. Hospitals have increased their capacity 50% in the last 20 years. Our schools have an enrollment of 33 million, of whom 2½ million are in higher education, 55% more than in 1940. While all indications point to greatly expanded educational facilities in the future, we are already spending a total of $10 billion a year on our schools, 32 times as much as in 1900. We have more than 40,000 libraries. We have 2,500 art museums and support 170 symphony orchestras.

Capitalism, as we know it in this country, has no more resemblance to the picture drawn by Karl Marx and his followers than a windmill has to an atomic energy plant. He predicted that capitalism would concentrate more and more wealth and income in fewer and fewer hands, and would impoverish the masses. The **exact opposite** has taken place in America. In the twelve years, 1941 to 1953, there has been a tenfold increase in the number of family incomes above $5,000 per year. In a climate of freedom, we have created the best life for the greatest number of people that the world has ever witnessed. No iron or bamboo curtain can begin to compare with us in the manner of life our system provides for the average worker.

The experience of Britain is also illuminating. Four years after their release from the controls and rigidities of state socialism, most Englishmen are enjoying a higher standard of living than ever before. Employment is at an all-time high of 22 million. Unemployment is at a minimum. Under Socialism, housing lagged badly in that bombed-out country. Today, with restrictions lifted, 700,000 new units will have been put up in the two-year period of 1954-55. The steel industry, freed from nationalization, and now being restored to private ownership, is expanding its capacity to 22½ million tons by 1958—double the prewar figure. New industries like chemicals, autos, and electronic equipment are heading the British challenge in overseas markets. And the average man appreciates it, as the recent election eloquently testifies.

Industry's Responsibilities

The moral seems plain. Industry's responsibility for job creation and greater job security consists in continuing and expanding the **opportunities** for Americans to find the work that suits them best. In a free society, the problem of fitting an individual into a job in which he is productive and content is one that must be left largely to the individual. The best industry can do is to see that an individual has enough attractive choices open to him.

Now, without going into specific programs of action, which will be outlined by the speakers to follow, it seems to me that we, as employers, can do two things to provide greater **job security**.

First, we can individually establish a clear-cut management policy toward factors affecting job security, so far as these factors are within our control. Study of past employment figures, sales and production curves, and seasonal fluctuations often shows where improvements can be made. Management has made heartening progress in modifying some of the swings in production and employment, but we must intensify our efforts for the job that still remains to be done.

Second, we must find ways to continue our remarkable record of job creation, and especially the creation of better, more interesting jobs for those who can fill them.

In this field the new technologies hold a world of promise. But we will need more capital to supply the needed equipment, and more well-trained technologists to build and maintain it.

Still more **industrial research** is needed to discover and develop new products, new industries, and, of course, new jobs. Industry's expenditures for research grew fifty-fold between 1920 and 1953 and now stand at over $1½ billion annually.

But such continued progress, however highly desirable it may be, is not inevitable. It will be achieved or not, depending on whether we keep alive the incentives from which progress springs.

The sums of money required for **capital investment** in industrial expansion and for the creation of new jobs will be available only if individuals are free to save and only if corporations have a chance to earn a **profit** that makes them willing to assume the necessary risks. Another requirement is that a fair share of the earnings can be retained and not confiscated by discriminatory tax rates and double taxation of dividends. Take away these incentives and you endanger the whole fabric of the economy that has already given so much to so many millions of Americans.

Industrial progress is the key that has opened up to Americans that greater share of security, economic independence, leisure, good housing, and schools that people have dreamed about for themselves and their children since the beginning of recorded history. All this has been possible because we are not afraid of progress and because in America all have shared in that progress.

Continued progress demands that we avoid clamping men, machines, and methods into rigid patterns of action and planning. To succumb to this in search of an illusory security would be letting the key to an even better future slip from our grasp. In such a climate, the new technologies with so much promise would wither away.

Industry can create the most true job security for Americans by remaining free to expand production and to widen markets, free to innovate and to diversify. This is the only realistic and time-tested way to provide more and better jobs for a people that is growing at the rate of 2½ million a year—a people that, by 1975, will need at least 15 million more jobs than exist today.

The best assurance of security for the industrial employee and his family rests in our continued economic growth and rising productivity as a whole nation. Tomorrow's "Want Ads" are being written by industry at this very moment. They will outline opportunities and rewards that can only be guessed at today. We will reach these bold, new horizons in proportion to our faith as a free people in our ability to solve our problems without compulsion. We must not jeopardize our successful system by loading it with burdens which might crush it—but neither should we assume that **any** new burden would be intolerable.

We have many reasons for confidence. For example, the latest McGraw-Hill survey of Business Plans for New Plants and Equipment —a vital sign of industrial and economic progress—indicates that, in this year of 1955, American business expects to invest $29½ billion in new plants and equipment. This is 5% more than was invested last year—and 5% more than industry expected, as recently as last fall, to spend this year. If attained, this will be a new high for any year in our history.

Even more encouraging is the fact that investment plans for new plants and equipment are already being formulated—and have reached a predictable stage—for 1956, 1957, and 1958. Such long-range capital investment planning is most promising. It is a reassuring and dynamic force in our economy. For it is upon such capital investment that our economy and our standard of living depend for future progress.

The task before us is great. In saying so, we are mindful of the temper of the public mind and the growing demands of society on the business segment of our society.

We know all too well that there are those who peddle the poisonous philosophy that a private economy cannot be counted upon to seed its own growth — those who would have the American people believe that sweeping government control or constant needling of the economy with hypodermics of artificial "purchasing power" is the only way to assure continued economic well-being. Purchasing power which outruns the production of desired goods is inflation. Increases in productivity are just as essential as increases in purchasing power. They must go hand-in-hand if our progress is to be soundly based.

And so, we come together — conscious of our responsibility and the size of our task—to seek out and agree upon some pivotal ideas. It is my earnest hope that from this meeting will emerge plans of action which will improve the continuity of operations in our own plants, strengthen industrial performance, as a whole, and add still more stature to the position of industry as a citizen of the community we all seek to serve.

Timothy Dunn Joins McManus in Texas

Joseph McManus & Co., members New York, American and Midwest Stock Exchanges, announce that Timothy H. Dunn of Dallas, Texas, has joined their organization as Western Manager. Mr. Dunn was recently with Southwestern Securities Co. of Dallas and Midland, Texas.

E. M. Miller Joins Cantor, Fitzgerald

BEVERLY HILLS, Calif. — Eugene M. Miller has been appointed manager of the Institutional Investment Department of Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

Mr. Miller had previously operated his own management consulting office in Los Angeles.

Fenmore Opens Office

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Maxwell J. Fenmore is conducting a securities business from offices at 7348 Melrose Avenue.

E. F. Hutton to Admit

On July 1 Theodore Weicker, Jr. will become a partner in E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange.

Zuckerman, Smith Partner

Zuckerman, Smith & Co., 61 Broadway, New York City, members of the New York Stock Exchange on July 1 will admit George J. Connors to partnership.

Form Bryant & Co.

ALEXANDRIA, Va.—J. C. Herbert Bryant, member of the New York Stock Exchange, will form Bryant & Co., with offices at 116 North Fairfax Street, in partnership with Thomas L. Wattles, effective July 1.

Alan Bruce Co. Opens

BOSTON, Mass.—Alan Bruce & Co. is engaging in a securities business from offices at 1 State St.

L. J. Mack Co. Opens

YONKERS, N. Y.—Lloyd Mack is engaging in a securities business from offices at 41 Kathwood Road. He has formed L. J. Mack & Co., Inc.

Mid America Secs. Inc.

SALT LAKE CITY, Utah—Mid American Securities Inc. of Utah has been formed with offices at 26 West Broadway to engage in a securities business. B. Leland Tanner is a principal of the firm.

Continued from page 3

Here Are Some More Opinions on The Guaranteed Annual Wage

uniform eligibility requirements for benefits.

The proposals of Unions on this matter have varied in the past and were fluid as we have seen this year in Detroit, and what has come out of the Ford agreement does not appear to be a guaranteed annual or semi-annual wage, but merely a supplement of existing Unemployment Compensation benefits.

There is danger, of course, that this is the preliminary step to the establishment of guaranteed annual income or prolonged severance pay for laid off employees which could be an impossible burden for some in business, while entirely within the means of others.

I believe, that there is danger to the economy in rising costs to all, including organized employees, with this additional operating expense. It could ultimately lead to a controlled economy. Its progress should be carefully watched.

L. D. FEDDERMAN
Chairman of the Board, Interstate Engineering Corportion, Anaheim, California

The many phases of a true guaranteed annual wage are so vast that in my opinion it would require several volumes to cover the subject. A true guaranteed annual wage, in the form that it was first presented to the American businessman, would probably be the greatest step toward Socialism that this country has made since it first elected Franklin D. Roosevelt as President of the United States. However, while I have not read the complete Ford or General Motors agreements, I must say that my understanding of the "Deal" that these corporations made with the CIO does not give Walter Reuther the right to clap his hands in high glee in the belief that he has a true guaranteed annual wage. No doubt in future contract talks he will, now that his foot is in the door, press for a more true GAW.


L. D. Fedderman

It appears to me that the Ford and General Motors contracts merely take a certain fixed amount and withhold it from a man's pay. This money it then put into a reserve fund so that at a later date, when lay-offs occur, the reserve fund will be called upon to pay a certain percentage of the laid-off employee's wages in addition to his regular State Unemployment Insurance. In other words, I feel that as it now stands, it is strictly an "insurance policy." So long as no other funds of the corporation are involved, I don't see where, in its present state, it contains any threat to the future financial corporate structure.

To my mind, the most dangerous element in the entire picture was the attitude of the American press during the negotiations between Ford, General Motors and the CIO. This attitude, which seemed to permeate every news article, gave me the impression that Walter Reuther was swinging a big stick and that two of our greatest corporations — Ford and General Motors, were cowering in the corner wondering when the next blow would fall. Neither corporation seemed to give any indication that this was not actually the true picture.

As to the argument that the compromise contracts are inflationary, this is undoubtedly true because the price of automobiles will no doubt be increased by at least the amount of the total hourly amount involved. However, isn't it true that the amount being put aside by these corporations for the fund is not now being spent and therefore the employee will not be adding this amount to his present spending? Likewise, at some later date, when we are in a deflationary spiral and perhaps even the beginning of a real depression, this money will then come out into circulation and will have the effect of helping to stop an oncoming panic. Furthermore, you may rest assured that had not Mr. Reuther obtained what he chooses to call a guaranteed annual wage, he would certainly have obtained its equivalent for his workers in cash which would have been even more inflationary.

If, however, the contracts are actually as I interpret them to be, I fail to see where the CIO has actually achieved a guaranteed annual wage rather than an insurance policy.

N. MATTHEW GOTTESMANN, ESQ.
New York City, N. Y.

The solution to the perplexing problem of guaranteeing an annual wage would in a great measure be aided by the plans which are described below — adapted in some acceptable form to an entire industry or individual enterprise.


N. M. Gottesmann

Thousands of deferred distribution profit-sharing plans have been established by management in the past fifteen years. For the most part each worker's participation in such profits has been based on the amount of his total annual earnings, including bonuses and overtime. There does not appear to be any known case, however, in which the profit-sharing contributions made on behalf of the worker has been based on or tied to his production, which is the fairest method of judging the worker's contribution to the profit element.

I recommend that deferred distribution profit-sharing plans administered through trusts be inaugurated which will allocate the employers' contributions thereto to the individual account of the worker participants reflecting the exact contribution made by each of the workers to the profits being shared (assuming of course that profits are experienced).

If desired, a definite portion of the amount allocated to each participant in the trust could be immediately disbursed to him. The balance would be held in trust until such time as wages fall below an agreed-upon predetermined level, or until such time as management signifies that it is unable to supply sufficient work to maintain the earning level by laying off the employee.

Upon the occurrence of either of these events the trustee would commence payment to the worker out of the trust fund in the amount of all or part of his basic wage, depending on which of the two events first occurs, out of the moneys credited to the worker in his account in the trust (adjusted for interim earnings or unemployment compensation) until the employee's account is exhausted or the worker is recalled.

Thus to the extent that the funds are accumulated the worker would have a guaranteed annual wage through his own efforts and not on a "give-away" basis. Such accumulation would either take the place of or supplement present union unemployment funds taxed at an undoubtedly lower rate than if immediately distributed.

Alternatively, to accomplish the result referred to in the previous paragraph, deferred profit-sharing trusts may be established which would in accordance with accepted practice allocate the profit share to the employee on a basis proportionate to each participant's annual compensation, or in accordance with the formula weighted for seniority as well as annual compensation. Of course existing profit-sharing trusts may be amended to provide the payouts on lay-off heretofore described.

The advantage of using the deferred profit-sharing trust in this connection has been proved over the years by the tax advantages accruing thereto under the provisions of the Internal Revenue Code.

P. S. the writer is an attorney specializing in tax and labor law matters.

W. HARNICHFEGER
President, Harnischfeger Corporation

Personally, I have always been opposed to a Guaranteed Annual Wage because I believe it is beyond the capacity of any employer to guarantee something beyond his control, and if adopted by the major basic industries, it would lead to State Socialism! I noticed that even Reuther agrees the only possible area where it would function is in the larger businesses as smaller businesses would not have the working capital even to begin to assume that kind of responsibility.


W. Harnischfeger

In the case of our operations, I might say that in the '30s our volume shrank about 80% and it took a number of years to get back to reasonable operations. It would certainly have been commercial suicide to have had an annual wage contract.

I do not believe the management of a company has a right to make any speculative commitment in business.

Another very questionable procedure in my opinion is that these types of agreements are being tied into the obligations of the State and the taxpayer is, apparently, going to become a party to this type of a guarantee. If we continue on this type of philosophy, it is only a question of time before the inflation will bring about a Ten-Cent Dollar. Naturally, the average workingman certainly is not interested in this type of paper transaction where he spends a lifetime working for a living and in return ends up with a so-called Unemployment Insurance and Pension which is paid out on the basis of a Ten-Cent Dollar.

Both industry and government must exercise their responsibility in the matter of getting back to sound fundamentals and a balanced Federal budget, which is the keystone to a sound economy.

HARRY W. DAVIES
Chairman of the Board, Marine Midland Trust Company of Central New York, Syracuse 1, New York

When Samuel Gompers organized one of the earlier American labor union movements, it is unlikely that he even thought that unions ever would gain the benefits of a "Guaranteed Annual Wage." Now, 65 years later, unions have blossomed and matured to the extent that "Guaranteed Annual Wage" is here and, make no mistake about it, it is here to stay. To some, GAW is a nasty word, to others a previous hard won panacea to the working man's problem of unduly severe seasonal wage fluctuations.


H. W. Davies

Perhaps, in fact, the truth is somewhere between these extreme views. A guaranteed annual wage certainly offers added security to labor and added expense to industry. In the long run, as everyone knows, the price for finished goods rises as a result of increased production costs. It follows accordingly in an inflationary movement that the purchasing power of the dollar shrinks. To me this is the other side of the coin. On one side security, on the other expense.

Certainly, "Guaranteed Annual Wage" has many good points and management has a real responsibility for the welfare of its workers. However, in a rush to obtain GAW's security, we will do well to consider its various costs. The past is our guide, the present is our testing ground and the future holds our judgment.

HUGH C. GRUWELL
President
First National Bank of Arizona, Phoenix, Arizona

It would appear that the so-called guaranteed annual wage marks a new inflationary step toward the more complete socialization of enterprise. It is difficult to see how small companies can face this additional financial burden and the end result would seem to be more and more mergers at the risk of anti-trust action, or the subsidizing of the smaller undertakings by the Federal Government. If workers are to be paid for work not done, we may be quite sure that farmers are again going to importune the government to reimburse them for crops not planted.


Hugh C. Gruwell

After all is said and done, it is probable that our large business enterprises in various fields (and

Continued on page 54

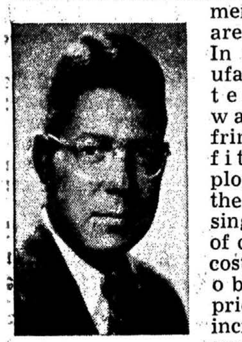
Continued from page 53

Here Are Some More Opinions on The Guaranteed Annual Wage

we may be sure that this gain by the unions will be pressed in many lines of industry) will be able to weather this additional burden, particularly under the dynamic nature of our economy at the present time. Through additional automaton developments and technological advances even this extra large load could probably be absorbed but the difficulty would seem to rest with the medium and small concerns who are not in the same position to adapt their operations toward large scale savings.

H. FREDERICK HAGEMANN, Jr.
President, Rockland-Atlas National Bank of Boston

Although the subject of the Guaranteed Annual Wage is an involved one with many facets, there are some economic fundamentals which are involved. In most manufacturing enterprises wages and fringe benefits to employees are the largest single element of cost, and as costs increase, obviously prices must increase if a company is to stay in business over any extended period of time. In the last analysis, therefore, it is the public which will pay for added costs through increased prices. If however, prices rise to a point which discourages consumption, no company can long continue paying people for producing goods for which there is a declining market. A basic fact is that in a free competitive society there are no guaranteed customers. The consumer is still king.


H. F. Hagemann, Jr.

Obviously, the larger, more successful companies will be better able to underwrite the cost of a GAW, or some approach to it, then the smaller ones. This could well have the effect of increasing the merger trend as smaller units are absorbed by financially sounder and more profitable larger units.

Another angle is the effect that the GAW may have on employment levels. Certainly companies will be more cautious in hiring additional people to meet a demand which may not be long lived. Already in the automobile industry there is a tendency to prefer to pay overtime rather than take on additional people.

The objectives of trying to achieve greater economic security for a larger group of individuals, which means greater stability in purchasing power, is a good one but it can only be successful over the long run if labor by increased efficiency earns the additional wages paid to it, including all fringe benefits.

Automobile workers are also consumers and to the extent that the increased wages and fringe benefits are not earned by increased productivity, the new contract could be inflationary in its effect.

Certainly with the tremendous increase in the money supply over the last few years continuing up to date, and with the continued relatively easy money policy of the Federal Reserve, inflation is again a real threat. It seems likely that this year we are going to see a whole new round of wage increases.

P.S. There is a real distinction between the Ford Company or General Motors guaranteeing an annual wage and setting up a certain limited sum in a trust fund out of which unemployment payments are to be made.

JOHN HARPER
President, Harper Oil Co., Inc.

Your proposal to conduct a forum on the "Guaranteed Annual Wage," will stimulate some reflection on the part of many of us who would prefer to remain on the sidelines for a while. In his article on the subject, Frank Rising expresses forebodings which constitute the immediate reaction of most management.


John Harper

My meager experience with a small group of drivers, where from 60% to 80% have been working for five or six years on a guarantee against lay-off, has dispelled some of this anxiety, though of course this may be due to the fact that during this period our line of business has been pretty uniformly on the increase.

Such a relationship with these employees does not seem to have encouraged them to take advantage of the situation, but it has made our management much more solicitous in the maintenance of a steady rate of output.

I can see pitfalls and danger signals, but maybe it is well for two of our business giants to experiment with the plan, just so long as labor shows adequate restraint in forcing this principle on other industries and on smaller units with modest financial resources.

HON. EDGAR W. HIESTAND
U. S. Congressman from Calif.

Certainly the "Guaranteed Annual Wage" matter, so ably discussed by Frank Rising in your issue of May 26, is a matter of greater importance than simply Ford versus UAW.


Edgar W. Hiestand

The settlement, as I see it, certainly was **not** a guaranteed annual wage. It was simply a stepping up of unemployment insurance benefits and the creation of a fund therefore. The company, not being authorized by law to create money, is not paying for this fund—the public is. For that's the only place from which additional dollars can come.

In a sense, the Ford workers are paying for it, for except for this settlement they probably would have had the same amount in wage increases.

More importantly, however, this round of wage increases, for that is what it will be, is not essentially inflationary, since the money so accumulated is put into a fund, instead of distributed as spendable income. Even the government contributes to it by loss of income tax revenue from the amount of the projected raise.

Hats off to the company negotiators, Ford, GM and those to follow, for successfully side-stepping the vicious "Guaranteed Annual Wage" measure. Next to profit sharing, or stock-purchase-options, I would say Unemployment Benefit Funds could do more good for company-employee continuity and relationship than anything else.

True, as some say, these settlements might conceivably team-up management with labor toward future inflationary pressure possibilities.

The greatest relief, however, in my judgment, is that this round of enforced wage increases is not inflationary. At all costs, we must continue to strive to protect from inflation the cost of living and assure the value of the dollar.

DAN W. HOGAN
President, City National Bank & Trust Co., Oklahoma City, Okla.

I have read with interest Frank Rising's address published by The Commercial and Financial Chronicle recently, picturing the drive for a "Guaranteed Annual Wage" by the UAW-CIO. I have also read an account of the settlement made with the Ford Motor Company which, in my opinion, borders on creeping socialism. The fact that many of the employees are not accepting the plan agreed upon, indicates they have in mind the taking over of the plant eventually. Whatever it costs the Ford Motor Company to comply with the new contract must be added to the cost of their output, thus forcing the producers of food, clothing, and shelter, to advance their prices to meet new costs of their equipment.


Dan W. Hogan, Sr.

Should the "Guaranteed Annual Wage" spread, a further inflation of the dollar is inevitable. Recently the reliable U. S. News and World Report published a chart showing our dollar was somewhat stabilized at 52 cents of the 1939 cent dollar. Our dollar in 1934 was devalued by the Roosevelt administration about 39 cents giving us a 61 cent dollar. This would make our dollar at the present time worth 61 multiplied by .52 which would make our non-redeemable dollar at the present time worth 31.72 cents. Proof of this valuation may be made by applying it to a loaf of bread, a pound of beef, or an acre of farm land.

EDWARD F. HUTTON
Partner, E. F. Hutton & Co., New York City

Mr. Reuther's guaranteed annual wage calls for setting up a "reserve" which, in the case of the big auto companies, would run into tens of millions of dollars — in the case of Ford, $55 million.


Edward F. Hutton

Would not this "reserve" have to be cashable on demand — probably in Government Bonds? It would be "frozen" money, not at work building cars or creating wealth. Maybe the industrial giants could stand the gaff—for a while, although this is doubtful. But what about the smaller companies, and especially businesses starting up?

What about the thousands of companies that supply Ford, General Motors and Chrysler? Could they put millions into a "deep freeze" and continue to grow and employ more men?

To keep their men at work, and thus prevent the fund from being exhausted, the giants would do work in their own shops that they are now contracting out to thousands of other companies. What does this do to the jobs of these other companies?

If there is a lay-off among the giants, the men with little experience will be first to go. How about the high seniority workers who stay on the job and in one way or another will be obliged to support the low seniority men who will be getting nearly full pay for doing nothing?

See—neighbor?

SAM J. IRVINE
Chairman of the Board, Aero Supply Manufacturing Co., Inc.

Like most others who had small companies, I am perturbed as to how a guarantee can be given workers of the small companies that an annual wage can be found for them by any existing means. The agreement reached between the UAW-CIO-Ford and General Motors has taken the form that most businessmen believed it would in companies of such enormous size and having the ability to gauge the potential demand for their output.


Sam J. Irvine

A precedent has been established so the thousands of us who run small plants know we are going to be faced with demands, foolish though they may be, that some kind of a guarantee be given our workers. While the Reuthers and the Meanys of labor realize that the small fellow cannot follow in line, nevertheless the heads of union at the local level will make the demand and will insist on many hours being put in discussing it. Somewhere there has to be a line of demarcation separating the possible from the impossible in considering guaranteed annual wage.

While I am an employer of labor, I cannot close my eyes to the fact that the laborer has the right to consider himself worthy of his hire and that thought should be given to the sustenance of himself and his family during periods of recession or depression. The only way I can see this as being possible of accomplishment for the smaller organizations is through greater State unemployment payment—the money for such payment to be obtainable through contribution by the worker and greater contribution by the employer.

As Editor and Publisher of your very readable paper you are to be commended in giving individuals in different walks of life an opportunity to express their opinion.

HON. IRVING M. IVES
U. S. Senator from New York

With many of Mr. Rising's observations and conclusions I am in agreement, although it occurs to me that, just as was true with pension funds and other fringe benefits, we can only ascertain the facts through a period of trial and error.


Irving M. Ives

What will be the consequences of the Ford and General Motors agreement with the UAW, on what appears to be a modified guaranteed annual wage, remains to be seen. Apparently it will affect bot[h] Ford and General Motors deci[sively], but it may affect othe[r] industries even more.

I have always felt that som[e] form of guaranteed annual wag[e] is desirable in those industri[es] which can afford to provide [it] without restricting production o[r] employment. Certainly many o[f] the unemployment compensatio[n] laws in the states are inadequa[te] and the demand for a guarantee[d] annual wage springs in part fro[m] this inadequacy.

I doubt that right now it is pos[-] sible to anticipate with any de[-] gree of accuracy the effects o[f] any guaranteed annual wage pro[-] gram.

E. FRED JOHNSON
President, Fourth National Ban[k] Tulsa, Okla.

The universal desire for uni[-] versal security—personal securit[y] for the individual, economic se[-] curity for industry and the na[-] tion — can b[e] attained onl[y] when all fac[-] tions are wil[l-] ing to agre[e] on equal se[-] curity for a[ll] rather tha[n] special secu[-] rity for a fe[w]. There ca[n] certainly b[e] wide dis[-] agreement o[n] the practica[l] results of th[e] formula o[f-] fered by th[e] Guaranteed Annual Wage. Ther[e] seems no doubt, however, that en[-] forced pay regardless of produ[c-] tivity carries a very real threat [of] further upward economic spira[l] and inflationary trends.


E. Fred Johnson

Personally, I am and will a[l-] ways be emphatically in favor [of] the independence of the indivi[d-] ual, the dignity of the individu[al] and the prosperity of the ind[i-] vidual. And, conversely, I a[m] just as emphatically opposed [to] either forced labor, on the pa[rt] of the worker, or forced pay, o[n] the part of management. The tr[e-] mendous prosperity of the natio[n] was built—entirely—on the fre[e-] dom of both. We cannot destro[y] that freedom without destroyi[ng] the competitive system that h[as] brought to the American indivi[d-] ual a standard of living toda[y] never before known in the hi[s-] tory of the world.

W. C. KINGSOLVING
President, Sun Pipe Line Company

I have no desire to write [a] lengthy article on this matt[er] which has been so freely di[s-] cussed in the press and throu[gh] various publications by both the proponents and opponents of the plan. However, there are a few remarks which occur to me in a rather informal way.


Wm. C. Kinsolvi[ng]

Shortly after the UAW-CIO completed its negotiations with the Ford Motor Compa[ny] which resulted in the settleme[nt] with which we are all famili[ar] I heard a remark which I [am] sure is somewhat redundant b[ut] to the point. Mr. Reuther sa[id] to Mr. Ford, "We are very hap[py] that you have made this f[ine] settlement with the UAW. Y[ou] have guaranteed us an annual [un-] employment wage settleme[nt]. You have guaranteed us tri[ple] pay for holidays. You have gu[ar-] anteed us almost everything. [Mr.] Ford, there is just one more gu[ar-] antee we would like for you [to] give us, and that is that you w[...]

not go broke." This to me is a rather pointed story. The time has arrived where the union employee is guaranteed everything from cradle to grave with no risks whatsoever. Nowhere is the businessman, the entrepreneur, or the risk capital guaranteed anything. This is only another spike in the cross which business must bear.

Obviously, no business can continue to carry these overhead costs. Therefore, the only one who can pay for them is the ultimate consumer, who, after all, is the very union employee receiving the guarantee. In other words, what he really means is that he is guaranteeing this to himself. It is the old story of lifting one's self by his own bootstraps.

This is bound to add to another spiral of price increases and inflation. I think this is evidenced very clearly by the fact that as soon as the Ford and General Motors settlements were announced publicly commodity stocks on the stock exchange took a sharp rise. The spiral of inflation is rising rapidly and getting larger.

Of course, all of this adds greatly to the prestige of Mr. Reuther and his CIO. This prestige, along with the merger with the A. F. of L., is bound to give rise to one of the greatest lobbies this country has ever known. It is now becoming so powerful that it will control the whole government in all of our future affairs.

You will note that in the past few days the maritime unions have struck for GAW, and they go a step further and state that it shall apply not only to those men who through no fault of their own are laid off because of the cyclical nature of the business but this now applies to those who voluntarily quit. This, then, means that a man only has to get a job, work for a certain length of time, and then take a vacation for six months at the cost of his employer. He can continue to do this periodically. This is really reaching the ultimate in getting paid for something you do not do.

The above rather brief comments are all I believe I have to say on this subject. As I said before, much has already been written expressing those same ideas.

HON. PAT. McNAMARA

U. S. Senator from Michigan
Member, Senate Labor and Public Welfare Committee

... the public now knows that the so-called guaranteed annual wage is simply an extension of unemployment compensation benefits. Inasmuch as the extension of unemployment compensation is generally accepted in industry as an important stabilizing factor in the entire national economy, the discussion appears somewhat pointless.


Sen. Pat. McNamara

Many years of experience have indicated to me that the bogeymen in the way of improvements in the standard of living of working people usually turn out to be just bogeymen after the improvement has been in operation for a while.

The so-called guaranteed annual wage was never that. It was neither more or less than an attempt by a segment of organized labor to obtain unemployment compensation covering one year, with no benefits claimed or payable beyond the limits of the employer's paid-in fund for the purpose. What was principally new about it was that it proposed to extend the field of liability beyond the state unemployment compensation fund so that this fund would be supplemented by a fund set up by the employer. This is hardly to be considered as revolutionary.

HON. LEE METCALF

U. S. Congressman from Montana

May I say that it seems to me a little unfortunate that you used as a starting point for your forum Mr. Rising's already disproved remarks on the Guaranteed Annual Wage, including his statement of belief that "UAW leaders want a strike—a big strike and a great and crushing 'victory by forceful militant action.'" As the American people know, this wild statement has been contradicted by the peaceful negotiations and settlements reached in direct negotiations between the UAW and the Ford Motor Company and the General Motors Corporation.


Rep. Lee Metcalf

In Walter Reuther's first words announcing the Ford settlement in a joint press conference with John Bugas, the Ford Vice-President in Charge of Industrial Relations, "we both won." Not only the Union and the employers won, but in my opinion, all of labor, all of the American people (including the farmers who will have bigger and firmer markets for their products as this plan is adapted and adopted elsewhere) are today richer and more secure in terms of future employment, future earnings, future markets than they were before the principle of employer responsibility for worker income was accepted by these two corporations.

It is a fact worth noting that those most vocal in opposing the idea of the Guaranted Annual Wage and in recommending the healthy incentives provided by workers' fear of unemployment are themselves bearing up well under the alleged threats to moral fiber, character and ambition said to be contained in guarantees of wages or salaries paid on an annual basis, or longer, plus pensions that, in the case of many executives, exceed $70,000 a year.

It seems to me that if the corporation executives earning from $100,000-$400,000 a year and up, plus bonuses and funded pension rights of $50,000-$100,000 and up, are able to drag themselves to the office and maintain their interest and efficiency, workers have the moral stamina to withstand similar temptation in much smaller amounts, viz. wages in the neighborhood of $4,000-$5,000 a year, pensions up to $3,000 a year.

The big challenge that Mr. Rising does **not** face and that **is** faced by Walter Reuther in urging the guaranteed annual wage, increased OASI pensions, increased unemployment compensation payments, $1.25 an hour minimum wage, and other necessary parts of a governmental and non-governmental program for achieving and maintaining a full employment economy, is the fundamental problem of distributing and consuming a chronic abundance of farm products and manufactured goods and services.

As my contribution to your symposium, I would suggest that Mr. Rising and others overcome their habitual fears of tomorrow, pull up their socks and begin to operate with the same confidence and cooperative spirit displayed by Walter Reuther, John Bugas, Ernest Breech, Harry Anderson and Harlow Curtice in their recent peaceful and successful negotiations and agreements.

There is still great truth and inspiration in the call to courage and confidence sounded by Franklin D. Roosevelt on March 4, 1933: "We have nothing to fear but fear itself."

ELLWOOD C. NANCE

President,
University of Tampa, Tampa, Fla.

I have read and agreed with Mr. Rising's article on the guaranteed annual wage. I concur in the thoughts that he expresses and add that I think the most ridiculous thing the labor movement has ever recommended is the guaranteed annual wage. If such a proposal were to be put into effect universally, personal initiative and ambition on the part of the average employee and the desire to risk capital on the part of the employer would be destroyed. If the guaranteed annual wage were made mandatory I think we would destroy our private enterprise system. Unemployment insurance, yes; but I don't see how it would be economically possible in all industries to make unemployment insurance as great as the average annual wage of an employee.


Dr. E. C. Nance

E. R. MELLEN

President, Weston Electrical Instrument Corporation

Since the publication of Mr. Rising's article in the May 25th issue of the "Chronicle," the Ford Company has signed up on a form of guaranteed annual wage and the trend, at least during the present year, in such wage negotiations is more clearly defined. There is little doubt that such payments are very important to all industry and, in fact, to our economy as a whole. Certainly the overall aspect must be inflationary in its ultimate influence, just as in the case of the succeeding rounds of wage increases since World War II with the continual upward trend in the cost-of-living and the depreciated purchasing power of the dollar.


Earl R. Mellen

I think we all felt that under the Eisenhower Administration, it would be possible to keep the dollar stable and avoid a continuance of the inflationary trend with all of its adverse effects on our economy.

While certain of the large companies like Ford, General Motors, etc. may be able to make these substantial concessions to labor and may be able to pass on part of the cost to the consumer or absorb the balance in the profit margins, to a very great degree many industries are not in such fortunate positions. This applies particularly to those companies where the labor content in their products is high.

Of course, competition is a most important factor in preventing increases in the cost of your products, and much will depend on the extent to which other industries, particularly the smaller companies located in small communities, follow through on a program involving guaranteed wage or an agreement to pay labor in the event of layoff for certain extended periods.

A more important phase of this situation is the possible influence on productivity. Will labor, having won such an outstanding concession, be more efficient, or will the reverse apply? Furthermore, since layoffs as such will be largely among the younger men, it would mean that some of the older employees in an industry with longer periods of service and with seniority will continue to work while the younger men will be in and out depending upon fluctuations in the industry and to some extent enjoy vacations when they are not working, perhaps at the expense of the older employees.

It is difficult to determine at this stage what the overall influences of this important labor contract concession will have on the industries of the United States and their industrial progress.

WALTER S. RYDER

Professor of Economics, Central Michigan College of Education
Member, Michigan State Bar

Although the principle of the guaranteed annual wage is not new to American business and industry, as it now appears in the large automobile industry it is surely something new under the sun. No enlightened person would gainsay that workers are entitled to a living wage, provided the productive capacity and costs of our economic system permit. That is the crux of the question. For over a hundred years, by Massachusetts court decision in 1842, the unionization of workers has been legal in the United States. By more recent legislation in the 1930's, collective bargaining has become a structural part of industrial relationships and a mark of progress, provided that collective bargaining is conducted on an equitable basis between employers and employees.


Prof. Walter S. Ryder

Ever since the late Lord Keynes enunciated the principles of saving, investment, consumption, full employment and compensatory spending, we have seen the desirability of so redistributing the national wealth and income as to ensure stability of employment and purchasing power. In so far as the guaranteed annual wage or any degree of it will contribute toward economic and financial and therefore political stability, well and good; it is to be welcomed.

We cannot deny, however, that all of these wage increases, fringe benefits and financial guarantees add to the costs of production and are eventually passed on to the consumers of goods and services in the form of higher prices and taxes. In other words, they are social costs. They lead to higher prices and higher prices are inflationary unless offset by increased productivity.

The very day after the General Motors Corporation and the UAW (CIO) agreed on a three-year contract, following substantially the Ford agreement and thus avoiding an industry-wide strike, stock prices on the New York Stock Exchange went up and retailers, such as dry cleaners, in-

Continued on page 56

Halsey, Stuart Group Offers Erie RR. Ctfs.

Halsey, Stuart & Co. Inc. and associates on June 21 offered $3,270,000 of Erie RR. 3% serial equipment trust certificates maturing annually July 15, 1956 to 1970, inclusive.

The certificates are priced to yield from 2.50% to 3.10%, according to maturity. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by 500 box cars estimated to cost $4,099,563.

Associated in the offering are: R. W. Pressprich & Co.; L. F. Rothschild & Co.; Freeman & Co.; Gregory & Sons; The Illinois Co. Inc.; Wm. E. Pollock & Co., Inc.; McMaster Hutchinson & Co.

Municipal Bondwomen Holding Annual Outing

The Municipal Bond Women's Club of New York held their 5th Annual Outing on Friday, June 17, at Sleepy Hollow Country Club, Scarborough, N. Y. with another perfect day of weather. Activities consisted of horseback riding, golf, tennis and swimming along with the secret surprise of a fortune teller who uncovered many unexpected pleasures for most of them. Golf scores were tallied with Mareb Vogel of Northern Trust Co. lowest, and Betty Dickinson of Dick & Merle-Smith runner-up. Prize donations were as follows—

Bar: Mitchell, Pershing, Shetterley & Mitchell.

$100 Toward Refreshments: Mr. John N. Mitchell.

Saks-5th Avenue Gift Certificate: Adams, McEntee & Co.

Amelia Earhart Luggage: The Bond Buyer.

Coronet Clock Radio: Municipal Bond Women's Club.

Hoover Vacuum Cleaner: Mrs. Norma Anderson (Club Member)

Lord & Taylor Gift Certificate: Rand & Co.

Mark Cross Radio: J. J. Kenny Co.

Best & Co. Gift Certificate: Geo. B. Gibbons & Co.

Clock Radio: Chase Manhattan Bank.

Altman's Gift Certificate: R. W. Pressprich & Co.

Kodak Flash Outfit (Duaflex III): Harris, Downs & Co.

Saks-5th Avenue Gift Certificate: Chas. H. Drew & Co.

Hamilton Lee Carroll & Co.

Weekend Case: R. D. White & Co.

Gold Bracelet: Tripp & Co.

Kodak Flash Outfit (Duaflex III): G. C. Haas & Co.

—and a vote of thanks was extended to all.

The "Stock Exchange" was oversubscribed and the following awards were made—

$100 Bond: Alice Kavanaugh of Equitable Securities Corp.

$50 Bond: Ann Carroll, Geo. B. Gibbons & Co.

$50 Bond: Madeline Sundstrom, Chemical Corn Exchange Bank.

$50 Bond: Josephine Rodd, Goldman Sachs & Co.

$50 Bond: Helen Potts, Dean, Witter & Co.

$50 Bond: Joan Theurer, Phelps, Fenn & Co.

$50 Bond: Irene Murphy, Glore, Forgan & Co.

—and twenty-two $25 bonds were also awarded.

Elsie Schuyler of Chemical Corn Exchange Bank, President of the Club, turned the day over to her Outing Committee: Helen D. Kane, G. C. Haas & Co., Chairman; Ann Carroll, Geo. B. Gibbons & Co.; Joan O'Brien, Caldwell, Marshall, Trimble & Mitchell; Lillian Whelen, C. F. Childs & Co.; Norma Detlef, Lehman Bros.; Elain Malast and Catherine Wies, both Halsey, Stuart & Co. A grand time was had by all!

Continued from first page

As We See It

brings, or should bring, to the attention of us all. What we hear most about is, of course, the hardship that would be imposed upon the grower if the price of wheat should be substantially further reduced at the same time that the farmers were to be obliged to reduce the volume of their output of this grain. But this is only a part of the story.

First of all, it may be well to inquire how the wheat growers ever got into this extremely vulnerable position. Then we must ask something about what must inevitably happen to the Federal Government—for which read the American people—were it to continue indefinitely to pay wheat growers to raise wheat that no one wants at anything approaching a profitable price—and then storing the growing surpluses until they rot. It will be found upon close analysis that the two questions are not wholly unrelated.

Too Much Wheat

Wheat farmers are in a very uncomfortable position simply because there are too many of them producing too much wheat. There is not enough demand for wheat to support so many farmers so fully equipped to produce the grain. Some time or other, whether they like it or not, or whether the politician thinks it hard hearted or not, some of the farmers will have to make their living in some other way. Such a transition, like all such transitions, is likely to bring hardship. At least for the time being a less favorable economic status would be theirs than they have been enjoying under a system which simply taxes the rest of us to pay for the economic sins of the wheat producer. Now for this same reason, and because the whole matter has taken on greater and greater proportions, the Federal Government—i.e., the people as a whole—has reached a point where some sort of change must be instituted, since not even this wealthy nation can afford to tax the people heavily to perpetuate a system which reduces tax paying ability.

The wheat situation is but an example of a much more general state of affairs and a much more general problem. The national government has been, in effect, taking wheat off the hands of farmers for years past and in large quantities. Today it has nearly two and three quarter billions of dollars tied up in wheat which has reached the stage where serious consideration has to be given to deterioration—assuming that serious deterioration has not already occurred. Funds provided by Congress—or rather funds that can be raised under existing laws—for such purposes are about exhausted, and that despite the application of very considerable ingenuity in making the most of the terms of present statutes. Wheat is in surplus the world over, in surplus, that is, in relation to effective demand for it. Even if not one additional bushel of the grain were acquired, the government would have a real problem on its hands of salvaging any very substantial part of the cost of acquiring the wheat it now possesses.

Let no one suppose, though, that wheat is an isolated case. Indeed, one of the arguments now popular with the campaigners for continued controls is the claim that, were wheat prices to go very much lower—as they are said to be certain to do without higher support than would be lawful without control of production—it would become competitive with corn as a livestock feed, and thus knock the bottom out from under that grain—and send corn farmers to Washington clamoring for more help from the generous vote seeking politicians in business there. Left to their own economic devices cattle growers and hog producers, to say nothing of various other types of farmers, would in these circumstances probably have to face lower prices for their output and thus be obliged to readjust their operations accordingly.

But, So What?

All of this may be true, at least in considerable part, but to state these facts is but to say, first, that the weakness in the agricultural industry in this country is general rather than confined to one or a few special sections or departments, and, second, that this weakness goes back to the very system of subsidies which some of the farmers' spokesmen are now insisting must be continued in the case of wheat. We have a real agricultural problem on our hands in this country. There is no denying that fact. Its solution has become affected with a public as well as political interest in light of its history. What its ultimate solution is or will be, we are not prepared to say at this time, except in terms of general principles. What we are very sure of is that it will never be cured by an application of a hair of the dog that did the biting. And we feel equally confident that in the end it will have to be cured by freeing the market and permitting natural forces to bring production into line with effective demand.

Of course, there are those who still echo the political campaign oratory of several decades ago to the effect that farming is not a business but a "way of life." We have never been quite certain what this term really meant or implied, but we can not understand why the American people should subsidize a "way of life" for some part of the population. A "way of life" to be worth a great deal to a people, so it seems to us, must, first of all, be able to stand on its own feet economically.

These are some of the basic issues which should receive the most careful attention by both the growers of wheat and all the rest of us as this test of "sentiment" among wheat farmers approaches. It would be a good prelude to the campaigning in the national elections next autumn.

Continued from page 5

Industry's Response To Nuclear Power

these principles in mind the company asked manufacturers to submit proposals and retained Vitro Corporation of America as a consultant to appraise the proposals. As a result of this, Con Ed awarded a lump-sum contract to Babcock and Wilcox, the company whose proposal appeared most attractive, for construction of the reactor and steam generators. The plant, scheduled to be completed in about five years, is to have an electrical capacity of 235,000 kw and will cost $55 million. The reactor is to be a pressurized water thorium-uranium converter. The cost of power from the plant is expected to approximate the average cost of power in the Con Ed system.

Perhaps the attitude of Con Ed is best summed up by the words of Mr. Searing himself: "We have no illusions that the reactor we are now considering will be the last word on reactor development. On the other hand, we think it will make a real contribution to the advancement of the art. We want to get on with the job, and as far as possible we want to do it in the same way we normally carry on our business."

Other companies have followed up in the same vein. The Nuclear Power Group, consisting of Commonwealth Edison Co., American Gas and Electric Service Corp., Bechtel Corp., Pacific Gas and Electric Co., and Union Electric Co. of Missouri proposed to AEC that it be permitted to construct and operate, entirely with private funds, a 180,000 kw boiling water reactor near Chicago. Two additional companies, Central Illinois Light Co. and Illinois Power Co., have since joined in this proposal. General Electric has contracted with the group to build the plant for $45,000,000 with completion scheduled for 1960. Under the financing arrangements among the participating companies, about one-third of the project cost will be shared by all the participants as research and development expense. The remainder will be borne by Commonwealth as installation cost. On this basis, the cost of the power produced is estimated to be approximately competitive with that from modern coal-fired generating units in Commonwealth Edison's service area.

The Detroit Edison Co. and nine associated utilities have made a proposal to AEC to build a 100,000 kw fast breeder reactor in the Detroit area. The estimated cost of the facility is $54 million, $45 million of which is for the reactor. This cost will be borne entirely by the sponsoring companies except for a small amount of assistance from the government for research work of interest to the entire program. Completion is scheduled for late 1958.

The Yankee Atomic Electric Co., a company formed by New England electric utilities supplying 90% of the electric requirements of the six New England states, has proposed to the AEC the building of a light water moderated and cooled reactor plant of 100,000 kw capacity in western Massachusetts. Monsanto Chemical Co. is working with the utility group in planning and designing the installation. The cost of this plant is estimated at $20-$25 million, wihch will be financed by the companies involved except for those research and development costs of an extraordinary nature. Completion is scheduled for 1958.

Consumers Public Power District of Nebraska has made a proposal to AEC requesting permission to build a 75,000 kw sodium graphite reactor for completion in 1959. North American Aviation, Inc., which is located just a few miles from the site of this Convention, is the leading proponent in developing this type of reactor. The cost of the Consumers plant has been estimated at about $24 million.

Role of the Equipment Manufacturers

The major equipment manufacturers are playing a most significant role in private development of nuclear power. The activities of some of them—General Electric, Babcock and Wilcox, and North American Aviation—have already been mentioned. Westinghouse has played a full part in the field, as witnessed by the fact that they are building the first full scale plant for AEC and Dequesne. Others, such as Foster Wheeler Co. and Combustion Engineering Co., are very active in this effort to achieve competitive nuclear power. All of these companies have established sizable staffs of engineers and scientists who are employed full-time on solving the problems that still lie before us. Many of them—and let me assure you that the companies I have named by no means constitute a complete list—have built or are building large facilities at a cost of millions of private dollars to build reactors or reactor components for us to use in utility plants. Referenced against this tremendous effort is the realization that it may be many years before there are any profits in this business, not only from the standpoint of the utilities, but from the standpoint of the equipment manufacturers themselves. There are many development dollars still to be spent and the equipment manufacturers will continue to pick up the check for many of them. So will the utilities, the engineering firms, the chemical companies, and other components of industry interested in this field.

It is my understanding that several of the equipment manufacturers are now prepared to discuss with utilities firm contract prices for building various types of reactors throughout the country.

Hurriedly adding up the estimates of the proposals made since February of this year by private companies, I find that they total nearly $180 million. If we were to add the past and planned future expenditures of the equipment manufacturers, of other industry in the field, and of the many utilities whose planning has not yet reached the proposal stage, we would end up with a very large total indeed. Please remember that it has still been less than 10 months since the new law permitted this private participation and that even to this day we do not know all the rules under which the game will have to be played. What, then, has been the response of industry to the AEC's industrial participation program? I think the answer is summed up accurately in just one word—outstanding! Mr. Lewis L. Strauss, Chairman of the AEC, has had the following to say on this score: "The fact that the proposals have been made is notable. But the significant point is the extent to which the proposers are prepared to risk their own capital. This willingness to assume risks is evidence of the vigor of competitive enterprise. It is also another indication of this nation's faith in the peaceful future of the atom." I couldn't agree with Mr. Strauss more wholeheartedly.

I think, however, that it would be a most serious error for us to assume that the job is complete and that we can now rest on our oars. I believe that our job has only begun and that we must continue to demonstrate to the people of this country that our traditional private enterprise system is still the best and most effective way to get this job done. Reliable surveys indicate that many people still feel that the government alone should develop nuclear power. We may expect continuing all-out efforts of the federalizers to return the atom to the province of the government. Their efforts are unrelenting, and they are ever critical of private endeavors. In one breath they criticize industry for its "reluctance" to accept the challenge of private development. In the next breath they criticize those companies who have made proposals because they don't feel the companies have studied the problems thoroughly enough. It might be appropriate at this point to quote from a speech delivered by a public official at the recent convention of the American Public Power Association. The speaker made the following observation:

"The Consolidated Edison Company of New York has applied for a 40-year license to construct and operate a 250 thousand kilowatt atomic power plant. While I heartily favor investment of private funds in atomic enterprise, I wonder whether the reactor art has been sufficiently developed to justify a 40-year license. More than likely, if this project is approved, the electricity customers of Consolidated Edison will find their rates increased to finance the atomic experiment."

A few paragraphs later he had this to say:

"Also the Tennessee Valley Authority and the Consumers Public Power District of Nebraska are engaged in atomic power studies. The latter recently proposed, under AEC license, to build and operate a 75,000 kilowatt atomic power plant in Nebraska. Congratulations to the Consumers Public Power District for its initiative and enterprise!"

In other words, while the proposal of Con Ed is viewed circumspectly, the proposal of Consumers Public Power District deserves an accolade. You may draw your own conclusions as to what sort of philosophy this represents.

Foreign Developments

For many reasons we would like to be the first country to achieve competitive nuclear power. How does our progress compare with that of other countries? It seems to me that we are in a fairly satisfactory position and that our position will become relatively stronger as the effort of private industry gains momentum. Great Britain, Canada, and, if we can take their word for it, Russia, appear to be our principal competitors.

Great Britain is apparently making a determined effort to become the world's nuclear power leader, as evidenced by their recently announced $840 million, 10-year, 16-reactor program. A power cost of 7 mills/kwh for the first of these stations is estimated. Construction of two British experimental power reactor types, started under a previous program, has been underway for some time. Britain, of course, has a greater incentive than we do because conventional fuel costs are much higher there than here. Further, they have elected to devote much of their reactor effort to power while this country, in the past, occupied itself primarily with production reactors for military purposes. My confidence in our private enterprise system is so strong that I believe we can overcome Britain's apparent head start.

Canada has for some years been doing research and development work on heavy water reactors and has announced plans for a 20,000 kw power reactor of this type to be in operation in 1958. They also have plans for a large 100,000 kw heavy water reactor.

France, Italy, Spain, Belgium, Holland, Switzerland, West Germany, Sweden, Norway, Turkey, Brazil, Columbia, South Africa, Australia, India and Japan are vitally interested in reactor programs and some of these countries already have experimental reactors either in operation or under construction. Although their progress has not advanced to the extent of that of the United States, Britain, and Canada, they may be expected to exert a strenuous effort to overtake the leaders.

It is not possible, of course, to evaluate Russian progress. For what it may be worth, they announced that on June 27, 1954, operation of a 5,000 kw nuclear power plant was started. This was claimed by them to be the first use of atomic energy in an industrial power station. The Russians have also announced that work is proceeding on a 100,000 kw nuclear power plant.

What About the Future?

I have attempted to outline for you some of the things that private industry has done and is proposing to do. Nearly all of the developments that have taken place this year are the result of modifying the Atomic Energy Act to permit private participation. While it is abundantly clear that there has been a sharp upswing in private activity since passage of the new law, in my opinion this is just the beginning. From this point forward we can expect this upswing to become more pronounced as more and more companies are able to assess their proper role in this business.

As I mentioned earlier, the latest statistics available indicated that there were 71 organizations participating in study agreements with AEC. Such agreements called for a commitment on the part of each group concerned to spend at least $100,000 on the study. Many companies were reluctant to commit such a sum simply to find out where they might fit into the program. In the cases of some electric utilities in relatively low fuel cost areas, it was felt, on the basis of unclassified information, that the near-term prospects for using nuclear fuels were not sufficiently attractive to justify spending such an amount.

Since publication of these statistics, AEC has issued new regulations covering access to classified technology. The new access agreements involve only minor expenditures which almost any interested company can justify making. I believe that this step on the part of AEC is a most important one which will pay big dividends in the future. It is my understanding that approximately 70 companies had taken advantage of this new arrangement by May 31. As more companies gain access to nuclear technology, and are thus able to bring their particular skills and abilities to bear on the problems involved, the inevitable result must be a more rapid and more thorough solution of those problems.

As for the electric utility industry, I think that through the courageous efforts of some of our colleagues our industry already has demonstrated that we are not going to wait to build power reactors until the technology has advanced to such a point that nuclear power is as cheap as power from the most modern conventional plants. As nuclear power costs inevitably come down, it is hoped that more utilities, including some in lower fuel cost areas, will be applying for licenses to build reactors in their territories. And when nuclear power costs go down still farther, utilities in all parts of the country may be turning to this energy source in constructing additional facilities. Thus, nuclear power should become a dynamic force, coming into ever increasing use as it begins to approach the cost of conventional power in the various areas of the country.

* * *

One of the purposes of the Atomic Energy Act of 1954 is "to encourage widespread participation in the development and utilization of atomic energy for peaceful purposes to the maximum extent consistent with the common defense and security and with the health and safety of the public." I hope you will agree with me that industry is doing an outstanding job of responding to the program provided by the AEC for this purpose. We must be sure that our industry continues to put forth its best efforts to harness the peaceful atom for the greatest good of all.

N. J. Bond Club Field Day Golf Winners

PRESIDENT'S TROPHY

Walter H. Stohl, Fidelity Union Trust Co., 99-40-59.

CLASS "A"

1st Low Gross: Martin M. Issler, 74.
Tie 1st and 2nd Low Net: Stanton M. Weissenborn, 81-15-66; Harry D. Miller, 84-18-66; George Underwood, 81-15-66.

CLASS "B"

1st Low Gross: Horace G. Houghton, 87.
1st Low Net: Edward W. Tallau, 88-21-67.
2nd Low Net: Rudolph H. Deetjen, 93-24-69; Walton R. Dunn, 93-24-69.

CLASS "C"

1st Low Gross: H. F. Graham, 94.
1st Low Net: Austin K. Patterson, 106-40-66.
2nd Low Net: Edward L. Winpenny, 95-25-70.

KICKERS' HANDICAP No. 79

Rowland C. Hike, 109-30-79; W. L. Brown, 99-30-79; Edward J. Keresy, 119-40-70.

The Bond Club of New Jersey held its Spring Field Day at The Rock Spring Country Club. West Orange, N. J. Richard H. Monaghan and Matthew F. Reilly Co-Chairmen presented the members many tests of their athletic prowess from darts to swimming. Before an excellent buffet supper cocktails were served. The Tiger Town Five provided entertainment for the balance of the evening. Edwin F. Kezer is President of the Jersey Bond Club.

Named to ASE Committee

The American Stock Exchange has announced the election of John D. Rissetto, Edwin Posner, Lawrence M. Stern and H. Lawrence Jones as regular members of the exchange's nominating committee for the ensuing year. All are regular members of the exchange.

Theodore A. Winter, Wm. P. Hoffman & Co., John Brick, Paine, Webber, Jackson & Curtis, and Ira Haupt of Ira Haupt & Co. were elected non-regular members of the nominating committee according to the announcement.

Forms Dorian & Co. In Dallas, Texas

DALLAS, Texas—Dorian Granowski has formed Dorian & Company with offices in the Dav[illegible] Building to engage in a securities business. Mr. Granowski was formerly Manager of the Mutual Funds Department of Garrett and Company.

R. D. Langlois Co.

SALT LAKE CITY, Utah—Robert D. Langlois has formed R. D. Langlois & Company with offices in the Beason Building to engage in a securities business.

'ontinued from page 6

The State of Trade and Industry

nstitute announced that the perating rate of steel companies aving 96.1% of the steelmaking apacity of the entire industry will e at an average of 97.4% of apacity for the week beginning une 20, 1955, equivalent to 2,- 0,000 tons of ingots and steel r castings as compared with .0% (revised) and 2,316,000 tons week ago.

The industry's ingot production te fcr the weeks in 1955 is ased cn an annual capacity of 5,828,310 tons as of Jan. 1, 1955. For the like week a month ago e rate was 96.4% and producon 2,326,000 tons. A year ago the tual weekly production was aced at 1,720,000 tons or 72.1%. he operating rate is not comparle because capacity was lower an capacity in 1955. The perntage figures for 1954 are based annual capacity of 124,330,410 ns as of Jan. 1, 1954.

ectric Output Dipped Mildly Due to Cooler Temperatures In Some Areas

The amount of electric energy stributed by the electric light d power industry for the week ded Saturday, June 18, 1955, as estimated at 9,987,000,000 wh., according to the Edison ectric Institute.

This week's output declined 54,- 0,000 kwh. below that of the evious week, when the actual tput stood at 10,041,000,000 wh. This decline was due to oler weather in some areas of e country. It increased 1,137,- 0,000 kwh., or 12.8% above the mparable 1954 week and 1,658,- 0,000 kwh. over the like week 1953.

ar Loadings Climbed 10.2% bove Preceding Holiday Week

Loadings of revenue freight for e week ended June 11, 1955, inased 73,034 cars or 10.2% above e preceding holiday week, acrding to the Association of nerican Railroads.

Loadings for the week ended ne 11, 1955, totaled 786,707 cars, increase of 89,124 cars, or 8% above the corresponding 54 week, but a decrease of 545 cars, or 1.3% below the rresponding week in 1953.

S. Automotive Output Expected To Rise 27% Above Level Of a Year Ago

The automobile industry for the est week, ended June 17, 1955, ording to "Ward's Automotive ports," assembled an estimated ,121 cars, compared with 134,- (revised) in the previous ek. The past week's producn total of cars and trucks ounted to 169,567 units, or an rease of 6% above the preced- week's output of 159,696 units 27% above the 133,893 units ported for the same week a r ago, states "Ward's."

Last week's car output advanced ve that of the previous week 11,448 cars, while truck output ped by 1,577 vehicles during week. In the corresponding ek last year 113,626 cars and 267 trucks were assembled.

Last week the agency reported re were 23,446 trucks made in United States. This compared h 25,023 in the previous week 20,267 a year ago.

Canadian output last week was ced at 10,815 cars an 2,580 cks. In the previous week Donion plants built 10,643 cars 2,455 trucks, and for the comable 1954 week 5,037 cars and 33 trucks.

iness Failures Register Mild Decline in Past Week

Commercial and industrial fails dipped to 214 in the week ed June 16 from 230 in the preceding week, Dun & Bradstreet, Inc., reports. Despite this mild decline, failures remained above the 207 which occurred last year and exceeded considerably the 1953 toll of 167. Failures continued 14% lighter, however, than the prewar total of 249 in the similar week of 1939.

There were 175 failures with liabilities of $5,000 or more, compared with 183 a week ago and 170 last year. Small failures, those with liabilities under $5,000, dipped to 39 from 47 but remained slightly above the 37 in 1954. Eighteen of the failures had liabilities in excess of $100,000 as compared with 12 in the previous week.

Trade and construction accounted for the week's down turn, with retailing failures off to 103 from 115, wholesaling to 14 from 21, and construction to 25 from 29. In contrast, the toll among manufacturers edged up to 52 from 47 and among commercial service concerns to 20 from 18. More businesses failed in manufacturing and retailing than last year, while construction held steady and wholesale trade and service showed mild dips from the 1954 level.

Failures declined during the week in six of the nine geographic regions. Failures in the Pacific States declined to 52 from 58, in the East North Central to 27 from 36, and in the South Atlantic to 16 from 20. Notable increases occurred in the Middle Atlantic States, up to 83 from 76, and in the New England States, up to 18 from 13. These two regions had considerably more failures than a year ago. Slight year-toyear rises prevailed in three other regions, while four had fewer failures than in 1954.

Wholesale Food Price Index Made Sharp Advances in Latest Week

In the sharpest advance in about eight months, the Dun & Bradstreet wholesale food price index rose 12 cents to stand at $6.51 on June 14. This represented a gain of 1.9% above last week's $6.39, but it was still 10.0% below the $7.23 of a year ago.

The current uptrend was sparked by higher wholesale prices for wheat, corn, rye, oats, beef, hams, bellies, lard, coffee, cottonseed oil, cocoa, beans, eggs, hogs and lambs. Only flour, barley, sugar, raisins and steers showed declines for the week.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Turned Sharply Upward the Past Week

The general commodity price level turned upward last week following the downward trend of the past few months. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 273.45 on June 14, from 271.66 a week earlier and 271.80 on the corresponding date a year ago.

All grains except barley scored sizable price advances the past week. Nearby wheat deliveries were in good demand with flour mills the major buyers. Recent soaking rains came too late to help the Winter wheat crop but were considered beneficial to the Spring wheat crop as well as to corn and soybeans in those areas where planting had been completed. The more distant wheat contracts were easier, reflecting the prospective heavy carryover and the announcement of lower support and parity prices for 1956.

The Department of Agriculture June crop report issued over the week-end, put this year's total wheat production at 845,215,000 bushels, the smallest since 1943, and 13% under last year's crop of 969,781,000 bushels. The Winter wheat yield was forecast at 639,- 224,000 bushels, or about 14,000,000 bushels less than the estimate of a month ago.

There was some improvement in bookings of Spring wheat bakery flours the past week with prices trending higher, particularly the high gluten varieties. Hard wheat flours worked irregularly lower with demand restricted by the expectation of lower prices in the near future.

The market for green coffee continued to strengthen, reflecting the prospect of an agreement among the producing countries to establish marketing quotas at levels expected to stabilize the market at between 50 and 60 cents a pound.

Some brands of coffee were advanced 2 to 3 cents a pound at the retail level.

Cocoa prices rose sharply in late dealings under active commission house and trade demand touched off by the upward move in other import commodities. Warehouse stocks of cocoa declined slightly to 237,912 bags, from 240,718 a week earlier and compared with 100,997 bags a year ago. Raw sugar was somewhat easier as demand for refined slackened with the recent drop in temperatures.

Domestic cotton prices held in a narrow range and moved slightly upward in the latter part of the week. Trading activity increased somewhat with reported sales in the 14 markets totaling 60,000 bales for the week, against 51,800 and 53,400 bales in the two preceding weeks.

Stabilizing influences included domestic and foreign price-fixing and reports of a number of foreign authorizations for the purchase of cotton.

Weakness in early trading was attributed to uncertainty over acreage allotments, slow export trade, steady loan redemptions and the prospect of a larger than expected carryover on July 31, as well as a report that Japan was contemplating cutting its imports of cotton in the new season. Loan repayments on 1954-crop cotton during the week ended June 3 totaled 30,900 bales, the largest volume reported in any week this season.

Trade Volume Slightly Lower for Week But Well Above Level Of a Year ago

Retail sales in the period ended on Wednesday of last week were slightly lower than in the previous week but remained well above the year-ago volume for the similar period.

Instalment buying was much greater than at that time and retailers' collections were more prompt. Consumers continued to spend proportionally larger amounts on hard than soft goods.

The total dollar volume of retail trade in the week ranged from 2 to 6% above a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from year-ago levels by the following percentages: East —3 to +1; New England +1 to +5; Northwest +2 to +6; South and Midwest +3 to +7; Southwest +5 to +9 and Pacific Coast +6 to +10.

Shoppers gave less attention to women's and children's apparel last week, as bad weather in many parts of the country curtailed interest somewhat in vacation items. Sales of men's clothing increased markedly, however, and were estimated to be about 10% higher than last year at this time. Light-weight suits, haberdashery and many gift items sold well.

Heavy appliances sold at last week's high level, but housewares, fiber rugs, bedding and outdoor furniture sold in smaller quantities than at that time.

Wholesale trade in the period ended on Wednesday of last week held close to the high level of recent weeks and was well above the total reached in the corresponding period of 1954.

Increased buying of apparel and home furnishings was offset by slower trade in textiles and food.

Dealers in New York, Chicago and Los Angeles reported favorable response at showings of women's Fall apparel, where buyers generally spent more for early orders than a year ago. New styling and good values also drew heavy attendance at other market centers. Sportswear was most popular, with dresses, sweaters and accessories in almost as good demand.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended June 11, 1955, advanced 3% from the like period of last year. In the preceding week, June 4, 1955, a rise of 5% was registered from that of the similar period of 1954, while for the four weeks ended June 11, 1955, an increase of 6% was recorded. For the period Jan. 1, 1955 to June 11, 1955, a gain of 6% was registered above that of 1954.

Retail trade in New York City the past week advanced about 4% above that of a year ago, trade observers estimated. Good weather, this source states, was largely responsible for the improved showing.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended June 11, 1955, declined 1% below that of the like period of last year. In the preceding week, June 4, 1955, a decrease of 2% (revised) was recorded. For the four weeks ended June 11, 1955, an increase of 2% occurred. For the period Jan. 1, 1955, to June 11, 1955, the index recorded a rise of 1% from that of the corresponding period of 1954.

C. R. Haig Opens

BUFFALO, N. Y. — Chester R. Haig, Jr., is engaging in a securities business from offices at 50 Gates Circle.

W. H. Haskins Opens

JACKSON HEIGHTS, N. Y.— William H. Haskins is conducting a securities business from offices at 35-34 84th Street.

Continued from page 13

Industry's Responsibility for Job Creation and Job Security

feel the burden of any slump in demand. The larger company, of course, would have a strong incentive to hold on to any partmaking business instead of farming it out to smaller suppliers. Yet the smaller business is much less able to stand the shock.

From every angle that you might view them, such guarantees would force businessmen to think twice, to move more cautiously, to slow down, to go slow on the bold planning and the risk-taking that have been the traditional driving power behind our industrial progress. And the nation should think twice before approving something which would tamper with the delicate balance of incentives which keep men and companies working hard and making progress together.

Automation—A Timely Blessing

Some who propose a guaranteed annual wage say that it is particularly essential now, because of a dark, mysterious thing called automation—this thief in the night that steals men's jobs. Some rabblerousers go further and utter grim predictions and paint black pictures of jobless workers roaming the streets aimlessly while fully automatic factories silently grind out endless streams of products. On the other hand, some more enlightened labor leaders recognize that the whole thing is essentially only a continuation of the long-time trend toward more labor-saving machinery—and that is the primary factor which has made it possible for us to make more products per unit of toil, and hence, make possible both higher wages and better living standards for all.

Actually, what is called automation is revolutionary only in the new markets it is opening up, the industries that are expanding with it, the increasing number of new and better jobs it is creating.

A recent visitor to the General Motors diesel locomotive factory at La Grange, Ill., asked a foreman how anyone could tell if such a complex operation was functioning well. "That's easy," answered the foreman. "If I see anyone who's either sweating or bored, I know something's wrong. When a man's sweating, it means he's doing a job that should be performed by a machine. And when he's bored, it means he's doing a humdrum job which a machine could do better. The best plant is one that hires men to use their heads, not their backs."

What is called automation, then, is not a threat but a promise to the American workers. A promise of more jobs, better-paying jobs, more interesting jobs, and more goods for all of us. Any unbiased study will show thtat jobs and pay have grown fastest in those industries where technical improvements have been most frequent. The telephone company reports that if they were still relying on the old operator system instead of dial phones, there would soon not be enough **total** women between the ages of 18 and 40 in the whole country to fill the jobs—and we do want some of them as wives and mothers! Of course, if dial phones had not solved this problem, costs would have soared and many of us could not have telephones today. Moreover, even with the dial system, the telephone company employs more people than it did under the old operator system.

In the last 100 years, our population has multiplied itself by seven times. But our industrial jobs have multiplied themselves by **nine times**.

It is mainly through such technological change that the nation's economy has retained its fresh impulses and the vigor to expand and provide more jobs, not fewer jobs. The faster we discard obsolete products, machines, and costly ways of work, the faster we will lift our living standards and increase our national wealth.

It is inconceivable that the promise of continued technological advance in helping us reach such goals for the general good should be blighted by shortsighted objections or misunderstandings. By 1975, it is estimated that this country will be consuming products at **twice** the present rate while the available work force is expected to increase by no more than 25%. Whether we call it automation or continued improvement in equipment, such progress holds our only hope for a rising standard of living.

Productivity and Standards of Living

The outstanding characteristic of this nation's economic history is productivity growth. But, even as it worked its magic in the lives of all of us, most of those who benefited from it were unaware or only dimly conscious of this growth. In some cases it took inquiries from foreign countries to make us aware that we had here something both good and unusual. We have begun to study the reasons for this productivity growth. And this is all to the good.

The output per man-hour in our country during this century has increased at an average rate of about 2% a year. Compounded, this means that every 35 years productivity doubles. One hour of a man's effort today produces twice as much as one hour of his father's generally more strenuous effort. Fifty years ago, machines provided less than half the power used for work. Today machines supply 95% of the energy required.

What has this meant to us as people? It means we don't have to work nearly as hard as we once did. The average work week of 60 hours at the turn of the century has dropped to 40 hours. Our children spend more years in school. Most employees get annual vacations, the privilege of only a very few 50 years ago. Physical effort averages far less than it did then—men use their brains more and their muscles less.

Rising pay rates have put the industrial employee into the prosperous, middle-class group of our society. His purchasing power is 5 times what it was 100 years ago, twice what it was 25 years ago. The industrial employee, more than any other single bracket, has been responsible for the purchase, in the past 5 years, of 30 million refrigerators and home freezers, 27 million TV sets, and 22 million new cars. Americans are today spending more than $30 billion a year satisfying their leisure-time needs!

Yet our gains have not been entirely material. Churches in this country have 89 million members who contribute $2½ billion a year. Hospitals have increased their capacity 50% in the last 20 years. Our schools have an enrollment of 33 million, of whom 2½ million are in higher education, 55% more than in 1940. While all indications point to greatly expanded educational facilities in the future, we are already spending a total of **$10 billion a year on our schools**, 32 times as much as in 1900. We have more than 40,000 libraries. We have 2,500 art museums and support 170 symphony orchestras.

Capitalism, as we know it in this country, has no more resemblance to the picture drawn by Karl Marx and his followers than a windmill has to an atomic energy plant. He predicted that capitalism would concentrate more and more wealth and income in fewer and fewer hands, and would impoverish the masses. The **exact opposite** has taken place in America. In the twelve years, 1941 to 1953, there has been a tenfold increase in the number of family incomes above $5,000 per year. In a climate of freedom, we have created the best life for the greatest number of people that the world has ever witnessed. No iron or bamboo curtain can begin to compare with us in the manner of life our system provides for the average worker.

The experience of Britain is also illuminating. Four years after their release from the controls and rigidities of state socialism, most Englishmen are enjoying a higher standard of living than ever before. Employment is at an all-time high of 22 million. Unemployment is at a minimum. Under Socialism, housing lagged badly in that bombed-out country. Today, with restrictions lifted, 700,000 new units will have been put up in the two-year period of 1954-55. The steel industry, freed from nationalization, and now being restored to private ownership, is expanding its capacity to 22½ million tons by 1958—double the prewar figure. New industries like chemicals, autos, and electronic equipment are heading the British challenge in overseas markets. And the average man appreciates it, as the recent election eloquently testifies.

Industry's Responsibilities

The moral seems plain. Industry's responsibility for job creation and greater job security consists in continuing and expanding the **opportunities** for Americans to find the work that suits them best. In a free society, the problem of fitting an individual into a job in which he is productive and content is one that must be left largely to the individual. The best industry can do is to see that an individual has enough attractive choices open to him.

Now, without going into specific programs of action, which will be outlined by the speakers to follow, it seems to me that we, as employers, can do two things to provide greater **job security**.

First, we can individually establish a clear-cut management policy toward factors affecting job security, so far as these factors are within our control. Study of past employment figures, sales and production curves, and seasonal fluctuations often shows where improvements can be made. Management has made heartening progress in modifying some of the swings in production and employment, but we must intensify our efforts for the job that still remains to be done.

Second, we must find ways to continue our remarkable record of job creation, and especially the creation of better, more interesting jobs for those who can fill them.

In this field the new technologies hold a world of promise. But we will need more capital to supply the needed equipment, and more well-trained technologists to build and maintain it.

Still more **industrial research** is needed to discover and develop new products, new industries, and, of course, new jobs. Industry's expenditures for research grew fifty-fold between 1920 and 1953 and now stand at over $1½ billion annually.

But such continued progress, however highly desirable it may be, is not inevitable. It will be achieved or not, depending on whether we keep alive the incentives from which progress springs.

The sums of money required for **capital investment** in industrial expansion and for the creation of new jobs will be available only if individuals are free to save and only if corporations have a chance to earn a **profit** that makes them willing to assume the necessary risks. Another requirement is that a fair share of the earnings can be retained and not confiscated by discriminatory tax rates and double taxation of dividends. Take away these incentives and you endanger the whole fabric of the economy that has already given so much to so many millions of Americans.

Industrial progress is the key that has opened up to Americans that greater share of security, economic independence, leisure, good housing, and schools that people have dreamed about for themselves and their children since the beginning of recorded history. All this has been possible because we are not afraid of progress and because in America all have shared in that progress.

Continued progress demands that we avoid clamping men, machines, and methods into rigid patterns of action and planning. To succumb to this in search of an illusory security would be letting the key to an even better future slip from our grasp. In such a climate, the new technologies with so much promise would wither away.

Industry can create the most true job security for Americans by remaining free to expand production and to widen markets, free to innovate and to diversify. This is the only realistic and time-tested way to provide more and better jobs for a people that is growing at the rate of 2½ million a year—a people that, by 1975, will need at least 15 million more jobs than exist today.

The best assurance of security for the industrial employee and his family rests in our continued economic growth and rising productivity as a whole nation. Tomorrow's "Want Ads" are being written by industry at this very moment. They will outline opportunities and rewards that can only be guessed at today. We will reach these bold, new horizons in proportion to our faith as a free people in our ability to solve our problems without compulsion. We must not jeopardize our successful system by loading it with burdens which might crush it—but neither should we assume that **any** new burden would be intolerable.

We have many reasons for confidence. For example, the latest McGraw-Hill survey of Business Plans for New Plants and Equipment —a vital sign of industrial and economic progress—indicates that, in this year of 1955, American business expects to invest $29½ billion in new plants and equipment. This is 5% more than was invested last year—and 5% more than industry expected, as recently as last fall, to spend this year. If attained, this will be a new high for any year in our history.

Even more encouraging is the fact that investment plans for new plants and equipment are already being formulated—and have reached a predictable stage—for 1956, 1957, and 1958. Such long-range capital investment planning is most promising. It is a reassuring and dynamic force in our economy. For it is upon such capital investment that our economy and our standard of living depend for future progress.

The task before us is great. In saying so, we are mindful of the temper of the public mind and the growing demands of society on the business segment of our society.

We know all too well that there are those who peddle the poisonous philosophy that a private economy cannot be counted upon to seed its own growth — those who would have the American people believe that sweeping government control or constant needling of the economy with hypodermics of artificial "purchasing power" is the only way to assure continued economic well-being. Purchasing power which outruns the production of desired goods is inflation. Increases in productivity are just as essential as increases in purchasing power. They must go hand-in-hand if our progress is to be soundly based.

And so, we come together — conscious of our responsibility and the size of our task—to seek out and agree upon some pivotal ideas. It is my earnest hope that from this meeting will emerge plans of action which will improve the continuity of operations in our own plants, strengthen industrial performance, as a whole, and add still more stature to the position of industry as a citizen of the community we all seek to serve.

Timothy Dunn Joins McManus in Texas

Joseph McManus & Co., members New York, American and Midwest Stock Exchanges, announce that Timothy H. Dunn of Dallas, Texas, has joined their organization as Western Manager. Mr. Dunn was recently with Southwestern Securities Co. of Dallas and Midland, Texas.

E. M. Miller Joins Cantor, Fitzgerald

BEVERLY HILLS, Calif. — Eugene M. Miller has been appointed manager of the Institutional Investment Department of Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

Mr. Miller had previously operated his own management consulting office in Los Angeles.

Fenmore Opens Office

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Maxwell J. Fenmore is conducting a securities business from offices at 7348 Melrose Avenue.

E. F. Hutton to Admit

On July 1 Theodore Weicker, Jr. will become a partner in E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange.

Zuckerman, Smith Partner

Zuckerman, Smith & Co., 61 Broadway, New York City, members of the New York Stock Exchange on July 1 will admit George J. Connors to partnership.

Form Bryant & Co.

ALEXANDRIA, Va.—J. C. Herbert Bryant, member of the New York Stock Exchange, will form Bryant & Co., with offices at 116 North Fairfax Street, in partnership with Thomas L. Wattles, effective July 1.

Alan Bruce Co. Opens

BOSTON, Mass.—Alan Bruce & Co. is engaging in a securities business from offices at 1 State St.

L. J. Mack Co. Opens

YONKERS, N. Y.—Lloyd Mack is engaging in a securities business from offices at 41 Kathwood Road. He has formed L. J. Mack & Co., Inc.

Mid America Secs. Inc.

SALT LAKE CITY, Utah—Mid American Securities Inc. of Utah has been formed with offices at 26 West Broadway to engage in a securities business. B. Leland Tanner is a principal of the firm.

Continued from page 3

Here Are Some More Opinions on The Guaranteed Annual Wage

uniform eligibility requirements for benefits.

The proposals of Unions on this matter have varied in the past and were fluid as we have seen this year in Detroit, and what has come out of the Ford agreement does not appear to be a guaranteed annual or semi-annual wage, but merely a supplement of existing Unemployment Compensation benefits.

There is danger, of course, that this is the preliminary step to the establishment of guaranteed annual income or prolonged severance pay for laid off employees which could be an impossible burden for some in business, while entirely within the means of others.

I believe, that there is danger to the economy in rising costs to all, including organized employees, with this additional operating expense. It could ultimately lead to a controlled economy. Its progress should be carefully watched.

L. D. FEDDERMAN

Chairman of the Board, Interstate Engineering Corportion, Anaheim, California

The many phases of a true guaranteed annual wage are so vast that in my opinion it would require several volumes to cover the subject. A true guaranteed annual wage, in the form that it was first presented to the American businessman, would probably be the greatest step toward Socialism that this country has made since it first elected Franklin D. Roosevelt as President of the United States. However, while I have not read the complete Ford or General Motors agreements, I must say that my understanding of the "Deal" that these corporations made with the CIO does not give Walter Reuther the right to clap his hands in high glee in the belief that he has a true guaranteed annual wage. No doubt in future contract talks he will, now that his foot is in the door, press for a more true GAW.

L. D. Fedderman

It appears to me that the Ford and General Motors contracts merely take a certain fixed amount and withhold it from a man's pay. This money it then put into a reserve fund so that at a later date, when lay-offs occur, the reserve fund will be called upon to pay a certain percentage of the laid-off employee's wages in addition to his regular State Unemployment Insurance. In other words, I feel that as it now stands, it is strictly an "insurance policy." So long as no other funds of the corporation are involved, I don't see where, in its present state, it contains any threat to the future financial corporate structure.

To my mind, the most dangerous element in the entire picture was the attitude of the American press during the negotiations between Ford, General Motors and the CIO. This attitude, which seemed to permeate every news article, gave me the impression that Walter Reuther was swinging a big stick and that two of our greatest corporations — Ford and General Motors, were cowering in the corner wondering when the next blow would fall. Neither corporation seemed to give any indication that this was not actually the true picture.

As to the argument that the compromise contracts are inflationary, this is undoubtedly true because the price of automobiles will no doubt be increased by at least the amount of the total hourly amount involved. However, isn't it true that the amount being put aside by these corporations for the fund is not now being spent and therefore the employee will not be adding this amount to his present spending? Likewise, at some later date, when we are in a deflationary spiral and perhaps even the beginning of a real depression, this money will then come out into circulation and will have the effect of helping to stop an oncoming panic. Furthermore, you may rest assured that had not Mr. Reuther obtained what he chooses to call a guaranteed annual wage, he would certainly have obtained its equivalent for his workers in cash which would have been even more inflationary.

If, however, the contracts are actually as I interpret them to be, I fail to see where the CIO has actually achieved a guaranteed annual wage rather than an insurance policy.

N. MATTHEW GOTTESMANN, ESQ.

New York City, N. Y.

The solution to the perplexing problem of guaranteeing an annual wage would in a great measure be aided by the plans which are described below—adapted in some acceptable form to an entire industry or individual enterprise.

N. M. Gottesmann

Thousands of deferred distribution profit-sharing plans have been established by management in the past fifteen years. For the most part each worker's participation in such profits has been based on the amount of his total annual earnings, including bonuses and overtime. There does not appear to be any known case, however, in which the profit-sharing contributions made on behalf of the worker has been based on or tied to his production, which is the fairest method of judging the worker's contribution to the profit element.

I recommend that deferred distribution profit-sharing plans administered through trusts be inaugurated which will allocate the employers' contributions thereto to the individual account of the worker participants reflecting the exact contribution made by each of the workers to the profits being shared (assuming of course that profits are experienced).

If desired, a definite portion of the amount allocated to each participant in the trust could be immediately disbursed to him. The balance would be held in trust until such time as wages fall below an agreed-upon predetermined level, or until such time as management signifies that it is unable to supply sufficient work to maintain the earning level by laying off the employee.

Upon the occurrence of either of these events the trustee would commence payment to the worker out of the trust fund in the amount of all or part of his basic wage, depending on which of the two events first occurs, out of the moneys credited to the worker in his account in the trust (adjusted for interim earnings or unemployment compensation) until the employee's account is exhausted or the worker is recalled.

Thus to the extent that the funds are accumulated the worker would have a guaranteed annual wage through his own efforts and not on a "give-away" basis. Such accumulation would either take the place of or supplement present union unemployment funds taxed at an undoubtedly lower rate than if immediately distributed.

Alternatively, to accomplish the result referred to in the previous paragraph, deferred profit-sharing trusts may be established which would in accordance with accepted practice allocate the profit share to the employee on a basis proportionate to each participant's annual compensation, or in accordance with the formula weighted for seniority as well as annual compensation. Of course existing profit-sharing trusts may be amended to provide the pay-outs on lay-off heretofore described.

The advantage of using the deferred profit-sharing trust in this connection has been proved over the years by the tax advantages accruing thereto under the provisions of the Internal Revenue Code.

P. S. the writer is an attorney specializing in tax and labor law matters.

W. HARNICHFEGER

President, Harnischfeger Corporation

Personally, I have always been opposed to a Guaranteed Annual Wage because I believe it is beyond the capacity of any employer to guarantee something beyond his control, and if adopted by the major basic industries, it would lead to State Socialism! I noticed that even Reuther agrees the only possible area where it would function is in the larger businesses as smaller businesses would not have the working capital even to begin to assume that kind of responsibility.

W. Harnischfeger

In the case of our operations, I might say that in the '30s our volume shrank about 80% and it took a number of years to get back to reasonable operations. It would certainly have been commercial suicide to have had an annual wage contract.

I do not believe the management of a company has a right to make any speculative commitment in business.

Another very questionable procedure in my opinion is that these types of agreements are being tied into the obligations of the State and the taxpayer is, apparently, going to become a party to this type of a guarantee. If we continue on this type of philosophy, it is only a question of time before the inflation will bring about a Ten-Cent Dollar. Naturally, the average workingman certainly is not interested in this type of paper transaction where he spends a lifetime working for a living and in return ends up with a so-called Unemployment Insurance and Pension which is paid out on the basis of a Ten-Cent Dollar.

Both industry and government must exercise their responsibility in the matter of getting back to sound fundamentals and a balanced Federal budget, which is the keystone to a sound economy.

HARRY W. DAVIES

Chairman of the Board, Marine Midland Trust Company of Central New York, Syracuse 1, New York

When Samuel Gompers organized one of the earlier American labor union movements, it is unlikely that he even thought that unions ever would gain the benefits of a "Guaranteed Annual Wage." Now, 65 years later, unions have blossomed and matured to the extent that "Guaranteed Annual Wage" is here and, make no mistake about it, it is here to stay. To some, GAW is a nasty word, to others a previous hard won panacea to the working man's problem of unduly severe seasonal wage fluctuations.

H. W. Davies

Perhaps, in fact, the truth is somewhere between these extreme views. A guaranteed annual wage certainly offers added security to labor and added expense to industry. In the long run, as everyone knows, the price for finished goods rises as a result of increased production costs. It follows accordingly in an inflationary movement that the purchasing power of the dollar shrinks. To me this is the other side of the coin. On one side security, on the other expense.

Certainly, "Guaranteed Annual Wage" has many good points and management has a real responsibility for the welfare of its workers. However, in a rush to obtain GAW's security, we will do well to consider its various costs. The past is our guide, the present is our testing ground and the future holds our judgment.

HUGH C. GRUWELL

President

First National Bank of Arizona, Phoenix, Arizona

It would appear that the so-called guaranteed annual wage marks a new inflationary step toward the more complete socialization of enterprise. It is difficult to see how small companies can face this additional financial burden and the end result would seem to be more and more mergers at the risk of anti-trust action, or the subsidizing of the smaller undertakings by the Federal Government. If workers are to be paid for work not done, we may be quite sure that farmers are again going to importune the government to reimburse them for crops not planted.

Hugh C. Gruwell

After all is said and done, it is probable that our large business enterprises in various fields (and

Continued on page 54

Continued from page 53

Here Are Some More Opinions on The Guaranteed Annual Wage

we may be sure that this gain by the unions will be pressed in many lines of industry) will be able to weather this additional burden, particularly under the dynamic nature of our economy at the present time. Through additional automaton developments and technological advances even this extra large load could probably be absorbed but the difficulty would seem to rest with the medium and small concerns who are not in the same position to adapt their operations toward large scale savings.

H. FREDERICK HAGEMANN, Jr.
President, Rockland-Atlas National Bank of Boston

Although the subject of the Guaranteed Annual Wage is an involved one with many facets, there are some economic fundamentals which are involved.

H. F. Hagemann, Jr.

In most manufacturing enterprises wages and fringe benefits to employees are the largest single element of cost, and as costs increase, obviously prices must increase if a company is to stay in business over any extended period of time. In the last analysis, therefore, it is the public which will pay for added costs through increased prices. If however, prices rise to a point which discourages consumption, no company can long continue paying people for producing goods for which there is a declining market. A basic fact is that in a free competitive society there are no guaranteed customers. The consumer is still king.

Obviously, the larger, more successful companies will be better able to underwrite the cost of a GAW, or some approach to it, then the smaller ones. This could well have the effect of increasing the merger trend as smaller units are absorbed by financially sounder and more profitable larger units.

Another angle is the effect that the GAW may have on employment levels. Certainly companies will be more cautious in hiring additional people to meet a demand which may not be long lived. Already in the automobile industry there is a tendency to prefer to pay overtime rather than take on additional people.

The objectives of trying to achieve greater economic security for a larger group of individuals, which means greater stability in purchasing power, is a good one but it can only be successful over the long run if labor by increased efficiency earns the additional wages paid to it, including all fringe benefits.

Automobile workers are also consumers and to the extent that the increased wages and fringe benefits are not earned by increased productivity, the new contract could be inflationary in its effect.

Certainly with the tremendous increase in the money supply over the last few years continuing up to date, and with the continued relatively easy money policy of the Federal Reserve, inflation is again a real threat. It seems likely that this year we are going to see a whole new round of wage increases.

P.S. There is a real distinction between the Ford Company or General Motors guaranteeing an annual wage and setting up a certain limited sum in a trust fund out of which unemployment payments are to be made.

JOHN HARPER
President, Harper Oil Co., Inc.

Your proposal to conduct a forum on the "Guaranteed Annual Wage," will stimulate some reflection on the part of many of us who would prefer to remain on the sidelines for a while. In his article on the subject, Frank Rising expresses forebodings which constitute the immediate reaction of most management.

John Harper

My meager experience with a small group of drivers, where from 60% to 80% have been working for five or six years on a guarantee against lay-off, has dispelled some of this anxiety, though of course this may be due to the fact that during this period our line of business has been pretty uniformly on the increase.

Such a relationship with these employees does not seem to have encouraged them to take advantage of the situation, but it has made our management much more solicitous in the maintenance of a steady rate of output.

I can see pitfalls and danger signals, but maybe it is well for two of our business giants to experiment with the plan, just so long as labor shows adequate restraint in forcing this principle on other industries and on smaller units with modest financial resources.

HON. EDGAR W. HIESTAND
U. S. Congressman from Calif.

Certainly the "Guaranteed Annual Wage" matter, so ably discussed by Frank Rising in your issue of May 26, is a matter of greater importance than simply Ford versus UAW.

Edgar W. Hiestand

The settlement, as I see it, certainly was **not** a guaranteed annual wage. It was simply a stepping up of unemployment insurance benefits and the creation of a fund therefore. The company, not being authorized by law to create money, is not paying for this fund —the public is. For that's the only place from which additional dollars can come.

In a sense, the Ford workers are paying for it, for except for this settlement they probably would have had the same amount in wage increases.

More importantly, however, this round of wage increases, for that is what it will be, is not essentially inflationary, since the money so accumulated is put into a fund, instead of distributed as spendable income. Even the government contributes to it by loss of income tax revenue from the amount of the projected raise.

Hats off to the company negotiators, Ford, GM and those to follow, for successfully side-stepping the vicious "Guaranteed Annual Wage" measure. Next to profit sharing, or stock-purchase options, I would say Unemployment Benefit Funds could do more good for company-employee continuity and relationship than anything else.

True, as some say, these settlements might conceivably team-up management with labor toward future inflationary pressure possibilities.

The greatest relief, however, in my judgment, is that this round of enforced wage increases is not inflationary. At all costs, we must continue to strive to protect from inflation the cost of living and assure the value of the dollar.

DAN W. HOGAN
President, City National Bank & Trust Co., Oklahoma City, Okla.

I have read with interest Frank Rising's address published by The Commercial and Financial Chronicle recently, picturing the drive for a "Guaranteed Annual Wage" by the UAW-CIO. I have also read an account of the settlement made with the Ford Motor Company which, in my opinion, borders on creeping socialism. The fact that many of the employees are not accepting the plan agreed upon, indicates they have in mind the taking over of the plant eventually. Whatever it costs the Ford Motor Company to comply with the new contract must be added to the cost of their output, thus forcing the producers of food, clothing, and shelter, to advance their prices to meet new costs of their equipment.

Dan W. Hogan, Sr.

Should the "Guaranteed Annual Wage" spread, a further inflation of the dollar is inevitable. Recently the reliable U. S. News and World Report published a chart showing our dollar was somewhat stabilized at 52 cents of the 1939 cent dollar. Our dollar in 1934 was devalued by the Roosevelt administration about 39 cents giving us a 61 cent dollar. This would make our dollar at the present time worth 61 multiplied by .52 which would make our non-redeemable dollar at the present time worth 31.72 cents. Proof of this valuation may be made by applying it to a loaf of bread, a pound of beef, or an acre of farm land.

EDWARD F. HUTTON
Partner, E. F. Hutton & Co., New York City

Mr. Reuther's guaranteed annual wage calls for setting up a "reserve" which, in the case of the big auto companies, would run into tens of millions of dollars — in the case of Ford, $55 million.

Edward F. Hutton

Would not this "reserve" have to be cashable on demand — probably in Government Bonds? It would be "frozen" money, not at work building cars or creating wealth. Maybe the industrial giants could stand the gaff—for a while, although this is doubtful. But what about the smaller companies, and especially businesses starting up?

What about the thousands of companies that supply Ford, General Motors and Chrysler? Could they put millions into a "deep freeze" and continue to grow and employ more men?

To keep their men at work, and thus prevent the fund from being exhausted, the giants would do work in their own shops that they are now contracting out to thousands of other companies. What does this do to the jobs of these other companies?

If there is a lay-off among the giants, the men with little experience will be first to go. How about the high seniority workers who stay on the job and in one way or another will be obliged to support the low seniority men who will be getting nearly full pay for doing nothing?

See—neighbor?

SAM J. IRVINE
Chairman of the Board, Aero Supply Manufacturing Co., Inc.

Like most others who had small companies, I am perturbed as to how a guarantee can be given workers of the small companies that an annual wage can be found for them by any existing means. The agreement reached between the UAW-CIO-Ford and General Motors has taken the form that most businessmen believed it would in companies of such enormous size and having the ability to gauge the potential demand for their output.

Sam J. Irvine

A precedent has been established so the thousands of us who run small plants know we are going to be faced with demands, foolish though they may be, that some kind of a guarantee be given our workers. While the Reuthers and the Meanys of labor realize that the small fellow cannot follow in line, nevertheless the heads of union at the local level will make the demand and will insist on many hours being put in discussing it. Somewhere there has to be a line of demarcation separating the possible from the impossible in considering guaranteed annual wage.

While I am an employer of labor, I cannot close my eyes to the fact that the laborer has the right to consider himself worthy of his hire and that thought should be given to the sustenance of himself and his family during periods of recession or depression. The only way I can see this as being possible of accomplishment for the smaller organizations is through greater State unemployment payment—the money for such payment to be obtainable through contribution by the worker and greater contribution by the employer.

As Editor and Publisher of your very readable paper you are to be commended in giving individuals in different walks of life an opportunity to express their opinion.

HON. IRVING M. IVES
U. S. Senator from New York

With many of Mr. Rising's observations and conclusions I am in agreement, although it occurs to me that, just as was true with pension funds and other fringe benefits, we can only ascertain the facts through a period of trial and error.

Irving M. Ives

What will be the consequences of the Ford and General Motors agreement with the UAW, on what appears to be a modified guaranteed annual wage, remains to be seen. Apparently it will affect bot Ford and General Motors deci sively, but it may affect othe industries even more.

I have always felt that som form of guaranteed annual wag is desirable in those industrie which can afford to provide without restricting production o employment. Certainly many o the unemployment compensatio laws in the states are inadequat and the demand for a guarantee annual wage springs in part fro this inadequacy.

I doubt that right now it is pos sible to anticipate with any de gree of accuracy the effects o any guaranteed annual wage pro gram.

E. FRED JOHNSON
President, Fourth National Ban Tulsa, Okla.

The universal desire for uni versal security—personal securit for the individual, economic se curity for industry and the na tion — can b attained onl when all fac tions are wil ing to agre on equal se curity for a rather tha special secu rity for a fev There ca certainly b wide di agreement o the practic results of th formula o fered by th Guaranteed Annual Wage. The seems no doubt, however, that e forced pay regardless of produ tivity carries a very real threat further upward economic spira and inflationary trends.

E. Fred Johnson

Personally, I am and will a ways be emphatically in favor the independence of the indivi ual, the dignity of the individu and the prosperity of the ind vidual. And, conversely, I a just as emphatically opposed either forced labor, on the pa of the worker, or forced pay, o the part of management. The tr mendous prosperity of the nati was built—entirely—on the fre dom of both. We cannot destr that freedom without destroyi the competitive system that h brought to the American indivi ual a standard of living tod never before known in the hi tory of the world.

W. C. KINGSOLVING
President, Sun Pipe Line Company

I have no desire to write lengthy article on this matt which has been so freely d cussed in the press and throu various publications by both the proponents and opponents of the plan. However, there are a few remarks which occur to me in a rather informal way.

Wm. C. Kinsolvi

Shortly after the UAW-CIO completed its negotiations with the Ford Motor Compa which resulted in the settlem with which we are all famil I heard a remark which I sure is somewhat redundant to the point. Mr. Reuther s to Mr. Ford, "We are very ha that you have made this f settlement with the UAW. have guaranteed us an annual employment wage settlem You have guaranteed us tr pay for holidays. You have gu anteed us almost everything. Ford, there is just one more gu antee we would like for you give us, and that is that you "not go broke." This to me is a rather pointed story. The time has arrived where the union employee is guaranteed everything from cradle to grave with no risks whatsoever. Nowhere is the businessman, the entrepreneur, or the risk capital guaranteed anything. This is only another spike in the cross which business must bear.

Obviously, no business can continue to carry these overhead costs. Therefore, the only one who can pay for them is the ultimate consumer, who, after all, is the very union employee receiving the guarantee. In other words, what he really means is that he is guaranteeing this to himself. It is the old story of lifting one's self by his own bootstraps.

This is bound to add to another spiral of price increases and inflation. I think this is evidenced very clearly by the fact that as soon as the Ford and General Motors settlements were announced publicly commodity stocks on the stock exchange took a sharp rise. The spiral of inflation is rising rapidly and getting larger.

Of course, all of this adds greatly to the prestige of Mr. Reuther and his CIO. This prestige, along with the merger with the A. F. of L., is bound to give rise to one of the greatest lobbies this country has ever known. It is now becoming so powerful that it will control the whole government in all of our future affairs.

You will note that in the past few days the maritime unions have struck for GAW, and they go a step further and state that it shall apply not only to those men who through no fault of their own are laid off because of the cyclical nature of the business but this now applies to those who voluntarily quit. This, then, means that a man only has to get a job, work for a certain length of time, and then take a vacation for six months at the cost of his employer. He can continue to do this periodically. This is really reaching the ultimate in getting paid for something you do not do.

The above rather brief comments are all I believe I have to say on this subject. As I said before, much has already been written expressing those same ideas.

HON. PAT. McNAMARA

U. S. Senator from Michigan
Member, Senate Labor and Public Welfare Committee

. . . the public now knows that the so-called guaranteed annual wage is simply an extension of unemployment compensation benefits. Inasmuch as the extension of unemployment compensation is generally accepted in industry as an important stabilizing factor in the entire national economy, the discussion appears somewhat pointless.


Sen. Pat. McNamara

Many years of experience have indicated to me that the bogeymen in the way of improvements in the standard of living of working people usually turn out to be just bogeymen after the improvement has been in operation for a while.

The so-called guaranteed annual wage was never that. It was neither more or less than an attempt by a segment of organized labor to obtain unemployment compensation covering one year, with no benefits claimed or payable beyond the limits of the employer's paid-in fund for the purpose. What was principally new about it was that it proposed to extend the field of liability beyond the state unemployment compensation fund so that this fund would be supplemented by a fund set up by the employer. This is hardly to be considered as revolutionary.

HON. LEE METCALF

U. S. Congressman from Montana

May I say that it seems to me a little unfortunate that you used as a starting point for your forum Mr. Rising's already disproved remarks on the Guaranteed Annual Wage, including his statement of belief that "UAW leaders want a strike—a big strike and a great and crushing 'victory' by forceful militant action."


Rep. Lee Metcalf

As the American people know, this wild statement has been contradicted by the peaceful negotiations and settlements reached in direct negotiations between the UAW and the Ford Motor Company and the General Motors Corporation.

In Walter Reuther's first words announcing the Ford settlement in a joint press conference with John Bugas, the Ford Vice-President in Charge of Industrial Relations, "we both won." Not only the Union and the employers won, but in my opinion, all of labor, all of the American people (including the farmers who will have bigger and firmer markets for their products as this plan is adapted and adopted elsewhere) are today richer and more secure in terms of future employment, future earnings, future markets than they were before the principle of employer responsibility for worker income was accepted by these two corporations.

It is a fact worth noting that those most vocal in opposing the idea of the Guaranteed Annual Wage and in recommending the healthy incentives provided by workers' fear of unemployment are themselves bearing up well under the alleged threats to moral fiber, character and ambition said to be contained in guarantees of wages or salaries paid on an annual basis, or longer, plus pensions that, in the case of many executives, exceed $70,000 a year.

It seems to me that if the corporation executives earning from $100,000-$400,000 a year and up, plus bonuses and funded pension rights of $50,000-$100,000 and up, are able to drag themselves to the office and maintain their interest and efficiency, workers have the moral stamina to withstand similar temptation in much smaller amounts, viz. wages in the neighborhood of $4,000-$5,000 a year, pensions up to $3,000 a year.

The big challenge that Mr. Rising does **not** face and that is faced by Walter Reuther in urging the guaranteed annual wage, increased OASI pensions, increased unemployment compensation payments, $1.25 an hour minimum wage, and other necessary parts of a governmental and non-governmental program for achieving and maintaining a full employment economy, is the fundamental problem of distributing and consuming a chronic abundance of farm products and manufactured goods and services.

As my contribution to your symposium, I would suggest that Mr. Rising and others overcome their habitual fears of tomorrow, pull up their socks and begin to operate with the same confidence and cooperative spirit displayed by Walter Reuther, John Bugas, Ernest Breech, Harry Anderson and Harlow Curtice in their recent peaceful and successful negotiations and agreements.

There is still great truth and inspiration in the call to courage and confidence sounded by Franklin D. Roosevelt on March 4, 1933: "We have nothing to fear but fear itself."

ELLWOOD C. NANCE

President,
University of Tampa, Tampa, Fla.

I have read and agreed with Mr. Rising's article on the guaranteed annual wage. I concur in the thoughts that he expresses and add that I think the most ridiculous thing the labor movement has ever recommended is the guaranteed annual wage. If such a proposal were to be put into effect universally, personal initiative and ambition on the part of the average employee and the desire to risk capital on the part of the employer would be destroyed. If the guaranteed annual wage were made mandatory I think we would destroy our private enterprise system. Unemployment insurance, yes; but I don't see how it would be economically possible in all industries to make unemployment insurance as great as the average annual wage of an employee.


Dr. E. C. Nance

E. R. MELLEN

President, Weston Electrical Instrument Corporation

Since the publication of Mr. Rising's article in the May 25th issue of the "Chronicle," the Ford Company has signed up on a form of guaranteed annual wage and the trend, at least during the present year, in such wage negotiations is more clearly defined. There is little doubt that such payments are very important to all industry and, in fact, to our economy as a whole. Certainly the overall aspect must be inflationary in its ultimate influence, just as in the case of the succeeding rounds of wage increases since World War II with the continual upward trend in the cost-of-living and the depreciated purchasing power of the dollar.


Earl R. Mellen

I think we all felt that under the Eisenhower Administration, it would be possible to keep the dollar stable and avoid a continuance of the inflationary trend with all of its adverse effects on our economy.

While certain of the large companies like Ford, General Motors, etc. may be able to make these substantial concessions to labor and may be able to pass on part of the cost to the consumer or absorb the balance in the profit margins, to a very great degree many industries are not in such fortunate positions. This applies particularly to those companies where the labor content in their products is high.

Of course, competition is a most important factor in preventing increases in the cost of your products, and much will depend on the extent to which other industries, particularly the smaller companies located in small communities, follow through on a program involving guaranteed wage or an agreement to pay labor in the event of layoff for certain extended periods.

A more important phase of this situation is the possible influence on productivity. Will labor, having won such an outstanding concession, be more efficient, or will the reverse apply? Furthermore, since layoffs as such will be largely among the younger men, it would mean that some of the older employees in an industry with longer periods of service and with seniority will continue to work while the younger men will be in and out depending upon fluctuations in the industry and to some extent enjoy vacations when they are not working, perhaps at the expense of the older employees.

It is difficult to determine at this stage what the overall influences of this important labor contract concession will have on the industries of the United States and their industrial progress.

WALTER S. RYDER

Professor of Economics, Central Michigan College of Education
Member, Michigan State Bar

Although the principle of the guaranteed annual wage is not new to American business and industry, as it now appears in the large automobile industry it is surely something new under the sun. No enlightened person would gainsay that workers are entitled to a living wage, provided the productive capacity and costs of our economic system permit. That is the crux of the question. For over a hundred years, by Massachusetts court decision in 1842, the unionization of workers has been legal in the United States. By more recent legislation in the 1930's, collective bargaining has become a structural part of industrial relationships and a mark of progress, provided that collective bargaining is conducted on an equitable basis between employers and employees.


Prof. Walter S. Ryder

Ever since the late Lord Keynes enunciated the principles of saving, investment, consumption, full employment and compensatory spending, we have seen the desirability of so redistributing the national wealth and income as to ensure stability of employment and purchasing power. In so far as the guaranteed annual wage or any degree of it will contribute toward economic and financial and therefore political stability, well and good; it is to be welcomed.

We cannot deny, however, that all of these wage increases, fringe benefits and financial guarantees add to the costs of production and are eventually passed on to the consumers of goods and services in the form of higher prices and taxes. In other words, they are social costs. They lead to higher prices and higher prices are inflationary unless offset by increased productivity.

The very day after the General Motors Corporation and the UAW (CIO) agreed on a three-year contract, following substantially the Ford agreement and thus avoiding an industry-wide strike, stock prices on the New York Stock Exchange went up and retailers, such as dry cleaners, in-

Continued on page 56

Continued from page 55

Here Are Some More Opinions on The Guaranteed Annual Wage

creased their prices to customers. We may therefore expect an across-the-board wage pattern in business and industry and a corresponding rise in the cost-of-living index. Many of our citizens on fixed incomes and without unions, as well as retired annuitants, will suffer.

Every citizen, irrespective of his social or economic rank, is implicated in the continuing demand for and achievement of guaranteed annual wages, and every citizen should be concerned with the extraordinary methods by which these advances for labor are being achieved. What we have is collective bargaining by extra-legal union pressure groups, the attainment of economic goals by the mass strike weapon or the ominous threat of it while negotiations are in progress, and the rule of the minority rather than the majority.

What organized labor is unable to bring about by legislative action and due process of law, it is bringing about by the coercive weapon of the mass industrial strike. One and one-half million automobile workers, under an astute leadership, are dictating to a population of 165 million people. What would surely be contrary to anti-trust and anti-monopoly laws for corporations becomes accepted without much popular or legal protest. Democratic action is supplanted by overt direct action and constitutional procedures of legislation and due process give way to communistic techniques. What the probable end of such strategies may be is not difficult to predict.

With the backing of the Wagner Act of 1935 and consequent unionization of tens of thousands of workers in the mass industries, organized labor has gone from one stage of conquest to another and is avowedly determined that the present attainments are to be regarded as mere milestones toward further demands and conquests. Such tactics are allowable under present legislation and will continue to be until we Americans through governmental or court action put a stop to it. Who will say that we are presently preserving the free-enterprise system and the prerogatives of management? That economic power is not becoming greater than political power in our nation? And that we are not inevitably drifting toward a completely planned and socialistic economy under the mass industrial pressures of the unions?

R. W. MOORE
President,
Canada Dry Ginger Ale, Inc.

There are three points which seem to me to be quite important when companies and industries undertake to guarantee an extension of unemployment compensation. In the first place, there will be a feeling and assurance of economic stability which will directly benefit the company, the community and the employee. When purchasing power increases and is more widely distributed there is a net gain for the economy.


R. W. Moore

Another point which has beneficial implications is the direct assumption by companies and industries, as part of their costs, of the responsibility for extended layoffs. It seems to me a great deal better for industries and companies to accept this responsibility than to have extended unemployment costs grow as a governmental obligation included in taxes. It is preferable to have the employment problems of a company and an industry paid or solved within the industry than it would be to extend governmental unemployment insurance where there is no connection between the tax source of the funds and the cause of the unemployment.

Lastly, employers conscious of the rights and privileges of their employees are increasingly concerned about the monetary values related to seniority. The "right to work" is given a higher and higher value, and the "right to quit and go to work somewhere else" may be a sacrifice which is prohibitive. So long as American business is backed by American tradition, American education and the American courts, this question will also be resolved in a democratic manner.

L. RIGGLEMAN
President, Morris Harvey College, Charleston 4, West Virginia

I do not feel sufficiently at home in the general field of economics to write with any degree of confidence upon the issue of a guaranteed annual wage. I can, therefore, only express as opinion.


Leonard Riggleman

I am of the opinion that a guaranteed annual wage is a most desirable arrangement for all employees in all areas of American life, provided such arrangements can be developed without too drastically disrupting our national economy.

I am quite sure that a guaranteed annual wage is inevitable over a period of years. It would certainly tend to stabilize our economy through a wider distribution of buying power, and should have a wholesome effect upon all wage earners since they would have reasonable security for themselves and their families.

If a guaranteed annual wage is good for some of us, it must be good for all of us. I realize, however, that there is no Santa Claus to provide such a guarantee. It must be developed upon dependable, honest and honorable workmen.

W. A. SHEAFFER, II
President, W. A. Sheaffer Pen Co.

In the first place, I don't think that in a free economy there can possibly be such a thing as a Guaranteed Annual Wage. We know from a review of the economic history of this country that thousands of companies — and even many entire industries— have arrived on the scene only to completely vanish with the passage of time. We know that this same thing is happening today and will happen again tomorrow—so long as customers are free to decide what products to buy and when to buy them.


W. A. Sheaffer, II

Under such circumstances, a contract "Guaranteeing" an annual wage is really no guarantee at all. If the customer does not find the product or the price to his liking, the producer just plain won't have the money to pay for the jobs that no longer exist.

If a manufacturer is to give an air-tight guarantee of annual wages, his sales and his markets must also be guaranteed. His dealers must agree to purchase the same volume of merchandise as they have been buying in the past, and they, in turn, must have a similar guarantee from their customers. However, the only customer I know of who would and could give such a guarantee is the Federal Government. And I am convinced that if the principle of the Guaranteed Annual Wage is widely adopted, Uncle Sam will have to become the ultimate guarantor. When that day arrives, we will see the end of free competitive enterprise in America and the substitution of a planned society.

No fair-minded individual will quarrel with the desirability of reducing unemployment to the barest minimum. It is just as important to management as it is to labor that production be stabilized and that employment be not only steady but ever-expanding as well. But, job security cannot be purchased with a contract containing a Guaranteed Annual Wage. The consumer is the only one who can provide that security in a free economy. And if we are to persuade the consumer to provide job security, management must have the greatest possible flexibility, must be given the greatest possible incentive and encouragement to take risks and expand, and must not be put in a strait-jacket by fixed and unduly burdensome costs.

S. S. SHATTUCK
President, Miners and Merchants Bank, Bisbee, Ariz.

In my opinion, the guaranteed annual wage, if it becomes standard in industry, will result in the liquidation of small business.

WALTER E. SPAHR
Executive Vice-President and Treasurer, Economists' National Committee on Monetary Policy

Apropos the recent article by Mr. Rising on the so-called guaranteed annual program of organized labor, may I say that it would be my judgment that the most fundamental issues involved relate to the questions of how much organized labor can obtain from the consumer dollar and from the investors of capital.


Walter E. Spahr

There is apparently no correct answer to those questions except that produced by the operation of the forces of competition for all the services and dollars involved. Presumably the officers of Ford and General Motors Companies and of the labor unions, who made the recently-announced contracts, think, or hope, that the buyers of the products or the owners of the capital of these corporations can and will absorb the costs involved. But it would seem to be doubtful that those officers, or anyone else, can know what the final results are to be before they are revealed by the subsequent operation of the forces of competition.

Since business enterprises and conditions of employment have an endless variety of forms in this country, it would hardly seem defensible to assume that a practice in respect to employment contracts, which proves workable in one type of undertaking, can necessarily operate elsewhere or in general. Employers and employees need to be free to make the best contracts they can under conditions of free and fair competition; and the soundness of their judgment should be left to the test of subsequent competition relating to all the dollars and services involved.

THOMAS J. STEARNS, Esq.
St. Paul 5, Minn.

Initially, I might warn you that this opinion will be disappointing if you merely wish an expression of a preference for either the large automobile producers or the autonomous Union organization. I am not in a position to offer any of them my sympathy.

On the part of the automobile producers, not long ago talk described circumstanes in which a new car was available to anyone who would smother the salesmen with bonuses, or surrender a trade-in at a ridiculously low price, or purchase each essential part of a vehicle separately. Now we have experienced the publicized transition to a buyers' market. When it first appeared, the Fird Thunderbird, a tiny sports car, was advertised as selling for approximately $2,700. However, by the time it materialized in the dealers' windows, with the addition of various parts, freight, etc., it had bloated its cumulative price in instances to $4,400.

My personal experience has, fortunately, proved less costly. In 1953, I bought a used 1948 automobile from a reputable dealer for a stated price of $1,095. In two subsequent years during which I paid this price, the cost of the car managed to total $2,148.46, $1,095 being paid for the purchase price and the warranties of the seller; $368.44 being paid for the finance charges, interest, and miscellaneous padding; and $685.02 being paid for repairs, most of which I believe should have been made before the car was offered for sale. The latest estimate I have had from a reputable dealer places the present trade-in value at $100, implying a more rapid depreciation schedule than that of almost any other machine.

Although the producers may blissfully disassociate themselves from the used car market and claim that we consumers should be more selective, more discreet, and possibly more intuitive, I feel the responsibility to produce and resell a good marketable product is primarily theirs. Whether new or used the cars carry their names. Their later condition is certainly directly related to the construction, workmanship, and type of vehicle that comes off the production line. They are financed through finance companies recommended by their dealers, are sold to the public by their agents, and are usually repurchased and repaired by their representatives. This business of rebuilt machinery is not new in any field. However, in the automobile industry it seems the price of either the new or reconditioned product is out of proportion with the short-lived durability.

The Automobile Union offers no solace to the consumer. Controlling an essential element of production, it has almost openly pitted its strength against the progressive development of a less costly product. Accordingly, its principal contention is no more encompassing than saying that, regardless of its contribution to consumption, employment is utterly an end in itself. Its demands from industry, including the main ones made to Ford this year, then naturally conceive higher wages with no compensating attempt at greater efficiency, a dogged antagonism toward the introduction, use, and retention of labor-saving machinery, and the dissemination of the notion that if, because of the high price or low quality, the consumers will not directly support the same level of employment in the automobile industry, then the Federal Government has a paternal obligation to rush forward and finance it from the consumers' hard earned tax payments. This later concept we sometimes call "full employment," but it outlines only a full waste of the men, machines, materials, and capital concerned. Leading in the direction of an inflation, it may in turn further reduce the very purchasing power which it is supposed to supplement.

The Guaranteed Wage proposal fits squarely into the confines of the trend above. Probably, even against his Union's encouragement, the marginal employee will not submit to a cut in his hourly wage to partake of its benefits. Therefore, assuming some usual periods of unemployment during the year this plan will effect simply a higher hourly wage for the productive work they do. To this degree the concept is somewhat strange, for the less these men contribute to production in man hours, the greater is to be their compensation per hour. As compared with the pay made to a worker who is steadily employed, it favors sporadic employment. Therefore, it would discourage any employee from thinking ahead of a good eight hour day for his future, since it is, at the time, more lucrative for him to ignore it. It would hardly invite him to exert himself in doing his job.

In regard to the market, if eventually the consumers' demand demonstrates an effective opposition to the ever soaring prices, under the Guaranteed Wage there would be an array of forces offsetting it. As the units being produced decrease, the total cost would remain about the same, and the unit cost would raise the individual prices at an appreciable rate. The result would be more padding, more hidden prices, and, if everything else fails, a less substantial product. Many of us have to buy on the basis of name, appearance, and reputation, and it is not too satisfying to discover after we have signed a conditional sale contract and a promissory note that we have been deceived. But, in the end, our disappointment would certainly inject itself rather harshly into the various companies themselves. When it comes, it will probably induce such unsettlement that any gradual adjustment by the producers will be impossible and the Union and its many constituents will suffer the results more severely than they would otherwise.

On the other hand, one commendable aspect of the proposal bears mentioning. Despite its many virtues, our concept of private property and private ownership of industry leaves the fate of many of us to the discretion of a few. Unpleasant as it seems, some of those who have placed themselves forward as business leaders offer only as capabilities their proclivities toward enjoying a prominent businessman's club and years of a dutiful and commodious relationship to the proper predecessors. It is quite possible that their decisions are not always judicious. Working under these people we face a peculiar situation. If we are in the four, five, or six hundred a month bracket, we are normally so overburdened with debts that the threat of unnecessary unemployment is extremely disheartening. We are not in a position to spend time or money seeking better positions. Nor can we save enough to allow us to enjoy some of the prolonged meditation other industries must undergo before they can make the relatively simple decision of whether to hire us. Consequently, when we do work, the persistent display of foolish or petty whims by our employers may deter our concentration on our chosen fields, prove to be a constant distraction, and quite unfortunately have far reaching consequences in our families and our lives.

I hardly mean to cast unwarranted aspersions at any particular employer. However, I cannot forget Ford's final mad dash to "outsell" Chevrolet last Christmas. The market was flooded with cars. They were reputedly registered in every available salesman's name and even in the name of some that were not available. The principal accomplishment was that both companies could publicize grandiose claims about superior sales. Now, it is almost impossible to depict this demonstration as not having a later effect on production schedules. If it did, the combination of a post Christmas slump and the temporary overproduction may have wrought an unusual amount of havoc on the individual least responsible for the situation and least able to bear the consequences of it. The possibility of its reappearance would be a no more encouraging Christmas present for him next year.

Consequently, the Guaranteed Annual Wage would, through its inexorable economic force compel many people not so inclined to think of someone else. It would adduce a special penalty for any flagrant outburst that had the immediate result of depriving the latter of their jobs. If there were mismanagement, the workers who would have nothing to do with causing it would no longer feel the dire effects when it occurred. At the same time, there would not be the uncertainty and helplessness that comes from the continual threat of ill advised unemployment for even short periods of time.

Nevertheless, considering its ominous shortcomings and the fact that the market for the product may be seasonal, I do not think that the Guaranteed Annual Wage proposal is the proper solution. Since it deters efficiency, increases unit cost on the basis it does, and fully ignores consumption, another less harmful method of directing management should be attempted. This may be accomplished by the employees' purchasing stock, as once proposed to the UAW by Mr. Ford, or if that is not deemed an immediately effective recourse, perhaps the Union and management may together decide operations affecting employment with less formality than the stock measure imports. Despite the method we can hope that the parties aim at developing the industry and favoring the consumers who pay for it. They should, for once, conscientiously attempt to diminish cost in production, financing, and distribution of the cars. They should try to sell a better vehicle whenever it is sold through their facilities. Having so many adverse qualities, the Guaranteed Annual Wage will, at the present time, only produce a contrary result.

RICHARD SPITZ, Esq.

Fortune's Rocks, Biddeford, Maine

The GAW leaves an impression that although labor and capital must be married to make the free enterprise system work, in the public interest, it is the means of obtaining alimony when human felicity and economic fact are in variance.

If the real economic gains are within the free enterprise system the conditions of mutuality must be measured by the philosophies of the free enterprise system. The most important of all is sound monetary conditions.

The GAW is no guarantee against unsound and continual inflationary economic spirals or the reverse, so it guarantees nothing. The best guarantee of labor and capital to the free enterprise system that comprehends economic variances, is contributing to instead of eroding sound monetary standards.

BLAKE R. Van LEER

President, Georgia Institute of Technology, Atlanta, Ga.

The so-called guaranteed annual wage is not entirely a new idea. Many white collar workers and professional people connected with our institutions of higher learning have annual contracts which amount to a GAW.

Blake R. Van Leer

Looking at it from the broad point of view, all of our people have to eat, sleep, and wear clothes 365 days a year. If they are paid for only nine months of that time they still have to be taken care of for the rest of the year. It, therefore seems to me that if an employer is big enough it would be wise for him to see that he has a relatively constant supply of employees. Evidently the Ford Motor Company and General Motors Company have come to that opinion too, because they have signed a contract for a GAW.

It is an exceedingly complicated problem and at this stage of our economic development, I am not sure that it has any simple easy answer. We shall simply have to experiment with it over a period of years. As far as the teaching profession is concerned, I have too many difficulties trying to get an adequate staff now at the salaries we can afford to pay, and if I told them that when the student enrollment dropped, I though I ought to shut down Georgia Tech and take them off the payroll, I wouldn't get any teachers at all.

CHARLES A. WARD

President, Brown & Bigelow

I fail to see how a guaranteed annual wage could be applied to one segment of the American population without applying it to all segments.

Charles A. Ward

If we did this, America would become a completely Socialistic state — and individual initiative would go out the window.

W. C. STEVENSON

Vice President of Industrial Relations, Union Oil Company of California

The fixed costs to which a company commits itself under most of the proposed guaranteed wage schemes are substantial. For the companies that are in a favorable competitive situation at present, the liability may not be too great a burden, but for the smaller company which is struggling to maintain or improve its competitive position, the costs of such a plan might seriously impair their ability to compete.

The penalties already inherent in our free economy for wrong decision on products, prices, or design are tough enough without saddling the smaller companies with this burden. If the big companies in the industry accept some form of the guaranteed annual wage and a monopolistic union forces the smaller companies into a pattern, it would further weaken the competitive structure of the industry. The end result of such a process could well be monopoly.

The real evil in the present picture is the fact that the unions, through the tremendous economic power they possess, are able to impose conditions upon an industry that are contrary to the basic concepts and practices of a free enterprise system — such conditions that will decrease competition and undermine our present business institutions.

Another result of guaranteed wage plans is the reduction of mobility of workers to move from one company to another or one industry to another as conditions change. It removes the incentive and, in fact, rewards the men who do not make such a move. This could only retard further growth of the economy.

I believe the payment of wages for not working is basically immoral. The emphasis should be placed on the encouragement of thrift to carry an individual through a seasonal layoff. To the extent that companies can encourage and even help finance thrift plans, savings plans, or stock purchase plans, it places the responsibility with the individual where it belongs. Corporate enterprise should not do things for the individual that should be done for himself.

S. D. WHITEMAN

President, Kansas-Nebraska Natural Gas Company, Inc.

American history has always been an intriguing subject for me, and I think I can rely upon the facts of history rather than resorting to philosophy to state that this country has grown to its present stature because of men who had an abundance of courage, initiative, and plain Yankee ingenuity. It was not built by men who sought easy berths and who relied upon some one else to take the necessary risks along the path to success. To me the American Way of Life means freedom —freedom of competition, freedom from unnecessary restriction, freedom to bargain, freedom to be successful or unsuccessful according to one's own initiative. We need only to look to the productive records of modern Russia, England and France to realize that our free way of life cannot be, and never has been, equalled.

S. D. Whiteman

The threat of a Guaranteed Annual Wage is a threat to our very way of life—our very freedom. Mr. Rising has most adequately pointed out that it will not be industry alone which will suffer; no, the consumer, the average citizen, the laborer, all Americans will suffer because of the encouragement of stagnation and lack of incentive. I have more confidence in my fellow Americans than to believe that they want to allow their creative abilities to rust and to be paid for not working. I believe that the character of Americans is still such that they take pride in accomplishment, in a pay check which they have honestly earned.

In the current arguments over GAW, much has been made of "Automation." Mr. Rising and many others have given adequate statistical proof that the mechanization of industry has led to more rather than fewer jobs. Because of technological advances, employment has risen and our productive capacities have reached unprecedented proportions. Our system of free competition demands that industry continue to invest in modern methods; the industry that does not keep up will drop by the wayside. Therefore, such improvements not only protect industry but they make for more secure employment within industry. The bugaboo built up around "Automation" simply doesn't live up to the facts.

Obviously we must face up to the question of who is going to pay for GAW if it becomes a reality. Certainly production costs will be increased, and in order to stay in competition and preserve present jobs, industry will be required to increase the price of its product to the consumer. If a particular industry could not competitively stand such an increase in price then it and its employees would be forced right out of the picture. The only other alternative is government subsidy of industry, and eventually out-and-out Socialism. To say that the costs of GAW can come out of industry profits is pure bunk. Our competitive system in most cases and government regulation in some cases keep profits from becoming exhorbitant, and without profits our industrial enterprises could not exist. No industry, no jobs—it's as simple as that.

In conclusion, let me say that it is not conceivable that there can be a Guaranteed Annual Wage without a corresponding scheme for Guaranteed Annual Sales. Those proposing the GAW should be ready to agree to a GAS plan. Obviously they are not. We in the natural gas industry invest heavily in exploration for new reserves in order to continually increase the supply for our customers and to insure employment within the industry. No one has yet suggested a Guaranteed Annual Production for the natural gas industry.

Bankers Offer Okla. Gas & Electric Bonds

Merrill Lynch, Pierce, Fenner & Beane and White Weld & Co. and associates on June 22 offered publicly $15,000,000 of Oklahoma Gas & Electric Co. first mortgage bonds, 3¼% series due June 1, 1985, at 100.959% and accrued interest, to yield 3.20%. Award of the issue was won by the group at competitive sale on June 21 on a bid of 100.4099%.

Net proceeds from the sale of the bonds will be used by the company to pay part of the cost of its construction program, including the prepayment of all of the company's outstanding bank loans totaling about $6,800,000, which were incurred in connection with the construction program. The company estimates that construction expenditures will amount to approximately $31,500,000 in 1955.

Oklahoma Gas & Electric Co. is an operating electric public utility furnishing retail electric service in 246 communities and contiguous rural and suburban territories in Oklahoma and western Arkansas having an estimated population of about 1,000,000, and electric service at wholesale for resale in 12 communities and to 10 rural electric cooperatives in those states. Of the communities served, 236 are located in Oklahoma and 22 in Arkansas.

For the year 1954, the company had operating revenues totaling $40,336,000 and net income of $6,975,000.

Continued from page 15

Foreign Tax Laws Applicable To American Enterprises

free profits from income and social welfare taxes for three years and allow a 50% reduction for two years. Israel still is considering the extension of the "Encouragement of Investments Law" to corporations, but the Knesset has yet to approve it. Corporate companies, of which many of the country's largest are formed with American capital, are subject to the 50% Federal tax and 7½% local tax, or a total of 53¾%, with 25% permitted to be set off from dividends distributed. Under Israeli law, foreign investors should take advantage of the maximum 26⅞% tax concession either by using the legal form of a limited partnership with Israeli investors who are full partners or by operating as individual firms or partnerships.

Moving over to Africa, we cannot help but note that withdrawal of British troops from the Suez Canal area is bringing increased foreign investments to Egypt. The Cairo Government has further liberalized law No. 156 of 1953 so that transfers of capital are greatly facilitated. Moreover, a new decree providing exemption from taxation on commercial and industrial profits for certain kinds of companies is sure to pass shortly. The object is to strengthen the national economy, with the 17% corporate tax waived for a seven-year period.

Several U. S. mining enterprises added to their huge investments in the Belgian Congo in the past year. The low 25% corporation tax—reduced by 25% if the profits are taxable in America — is only one of many incentives to lay out money in this once jungle territory. Company X — a large U. S. non-ferrous metal firm—paid a $375,000 tax on $2 million earnings from its Congo subsidiary in 1954, or an 18¾% aggregate assessment. Now other types of American enterprises are going into the Congo. One of this country's top three auto manufacturers is considering construction of a plant there.

Liberia a Haven

Liberia, undoubtedly one of the world's best havens for corporate organization, provides an answer to the U. S. investor's dream. Since 1954 over 100 American firms have created holding companies in this small Republic on the West Coast of Africa to take advantage of tax concessions and other benefits. First of all, absolutely no taxes are levied on income derived from sources outside of Liberia if the majority of the corporation's stock is held by non-citizens of Liberia.

In addition, there is a variety of other inducements to help the astute enterpreneur outwit his competitor. Absence of foreign exchange regulations, unlimited transfer of funds, no dividend or remittance levies, extremely liberal depreciation allowances up to 50%, speedy formation of corporations, as well as hidden identity of officers, directors and stockholders, are only a few.

The A. B. Company decided to form a Liberian corporation to act as its distributor in other nations. Its executives can be located anywhere desired — either inside or outside the U. S. It does not necessarily have to establish marketing subsidiaries in countries where a considerable potential exists for its items. The parent company sells goods made for foreign markets outright to the distributing subsidiary abroad, taking its manufacturing profit at that point.

As and when it makes subsequent sales to the various nations where it has dealer relationships, the distributing subsidiary accumulates its tax-free profits. Earnings built up by this distributor can be partially or wholly paid out as dividends to the home office. If preferred, they can be used for further expansion of the business in either the distribution or manufacturing field, or for a combination of both.

Another firm, the C. D. Company, organized a Liberian subsidiary as a holding company for a number of its profitable existing plants. The earnings of these branches are now being placed in an account of the newly formed Liberian company, which keeps them on deposit in New York, but as Liberian funds. This avoids both the income tax and the exchange risk. When new plants are desired, these funds will be withdrawn to pay for their construction.

Reduced taxes last year, more lenient depreciation and depletion allowances as well as other heavy deductions, are the principal reasons why four U. S. mining companies made investments in Northern and Southern Rhodesia within recent months. Although corporate taxes actually are high, coming to as much as 52½%, liberal deductions bring the average payment of U. S. enterprises down to 30%. The U. S. Foreign Operations Administration is endeavoring to get specific American projects started in the Federation of Rhodesia. Several joint ventures with Rhodesian capital are now possible.

The Union of South Africa recently added an undistributed profits tax of 25% in addition to the maximum 50% Federal taxes and 12½% provincial tax. These high taxes alone make it unprofitable for U. S. firms to operate in the Union. It is well known that political and labor difficulties add to the woes of the American investor. Despite a rapidly expanding consumer market, soaring gold and uranium production, and increased dollar reserves, it is still preferable to export to South Africa instead of directly manufacturing there.

Considerable progress is being made in the Far East to encourage private American capital. At least six nations recently have taken steps to attract U. S. investment. Moreover, President Eisenhower's Council on Foreign Economic Policy has recommended that a conference of American and Asiatic businessmen explore investment opportunities for private U. S. capital in the Far East. The meetings will be patterned after the New Orleans Inter-American Conference and probably be held in San Francisco this fall.

Pending Developments in India

American firms will not hesitate to invest in India once they receive a guarantee against expropriation, even though taxes are relatively complicated. Rebates to companies subject to the 26¼% normal rates and 29.7% supertax are liberal. Dividends received by companies which invest their surplus funds in certain selected industries are exempted from the corporation tax. In addition, the supertax is not levied on dividends in the hands of shareholder companies in the automobile, tractor, cement, electric motor, locomotive, rolling stock, machine tool, agricultural implement, ferromanganese and dyestuff industries.

India will soon sign an agreement with the U. S. that will guarantee American investors against expropriation and assure them of convertibility of profits. Eagerness on the part of Indians to sign the pact is regarded as a way to show foreign investors that they have nothing to worry about from the Nehru Government. A new oil exploitation contract to Standard Vacuum and permission given Caltex to extend the East Indian Refinery project, along with decision of U. S. investors to subscribe $1 million in the Indian Industrial and Investment Corporation, are tip-offs of better days to come.

Pakistan added a 10% supertax to the 16⅔% normal tax and 26¾% supertax but offset the hike with greater depreciation allowances and broad liberalization of investment laws. Companies controlled in the U. S. are granted substantial rebates while the Pakistani Government will guarantee repatriation of capital in approved industries. This applies to profits which are plowed back into business and to capital gains. Negotiations with the U. S. to avoid double taxation will soon be concluded. Good opportunities are open in Pakistan for American investment from mining to the manufacture of capital and consumer goods. The nation offers a promising market of 80 million persons who now import most of their necessities and luxuries.

Ceylon, too, offers profitable ventures as her government now welcomes private funds from the U. S. "without attaching strings," in the hope of diversifying the country's industry. The Finance Minister recently assured foreign investors that no restrictions will be placed on their capital. Tax assessments are low in Ceylon.

New tax concessions, including larger depreciation allowances, are definitely expected to be granted in Australia during the coming 1956 fiscal year. However, further inducements to the 800 American firms already operating there most successfully are not necessary. Another 5,000 U. S. companies are interested in overseas investment in Australia, according to top officials in Canberra. Extension by Washington of the Contact Clearing House Service to Australia will expedite closing of hundreds of these deals within the next year or two. Atlas Corporation has just signed an agreement to put $1 million in a leading Australian uranium prospecting concern.

To reap the greatest benefit from low Australian taxes, American companies having a United Kingdom subsidiary would be wise to have the British company hold the shares in the Australian company. By doing this, under the double taxation agreement between Australia and Britain, there is complete waiver of the 35% Australian dividend tax paid to a United Kingdom parent company. On the other hand, a subsidiary of a U. S. corporation in Australia pays the 35% corporation tax and the parent firm also pays a 15% tax on dividends received.

Japan Still Discouraging

Japan's basic attitude of discouraging U. S. investors through capital barriers has not changed, even though Washington was able to reach an agreement on double taxation. The exchange of instruments of ratification took place on April 1 and the new Convention applies to all income arising on or before Jan. 1, 1955. Three key clauses will help American enterprises operating in Japan: (1) corporations in U. S. receiving dividends from Japan will receive 25% credit on dividends; (2) interest paid by American companies in Japan with respect to loans used in their Japanese branch is not taxable; and (3) the withholding tax is reduced to 15% on bonds, securities, royalties and other forms of indebtedness.

The embedded Japanese fear of economic imperialism from outside impedes inducements to foreign capital. Financial assistance from Washington is much preferred to private U. S. investment. This is one reason corporate taxes are maintained at the high rates of 42% Federal, 12% local "Enterprise" and 12½% municipal. However, the few American companies which invested heavily have been well rewarded. Caltex, Tidewater and Standard Vacuum have tripled gross revenues since 1950.

Concerns such as Singer Sewing Machine, Parke-Davis, Johns-Manville and Studebaker-Packard, which have set up joint partnerships with Japanese capital, have had sad experiences. Although the Big Three automobile manufacturers here have investigated the possibility of producing in Japan, they have abandoned the idea. Yet there is a definite trend for large American chemical companies, including Monsanto and Dow, to associate with Japanese firms. Dow has just opened a Tokyo sales office to promote its foreign-made products.

Elimination of the 17% remittance tax on dividends and other exchange transfers from the Philippines as of Jan. 1, 1956, will inspire a rush of new private investment from the U. S. Ten groups of American investors will soon leave for Manila to investigate specific projects on which they would spend a total of $40 million. Plans include one copper smelter, two manganese mining enterprises, three lumber development projects including establishment of sawmills and millworks, one firm to expand embroidery exports, one button factory, and a large new iron ore smelter. The last is backed by an important New York bank.

Furthermore, some 75 companies in the U. S. and abroad have plans to use a new process to manufacture soap from sugar. Colgate-Palmolive Company will be among the American companies which will prepare these new products in the Philippines. These businesses will pay the very moderate corporate tax of 20% on the first 100,000 pesos ($50,000) and 28% over that amount unless they are exempted from taxes through 1958 under the law allowing "new and necessary" industries complete tax freedom. Djakarta still has no intention of abolishing the 66⅔% remittance tax in Indonesia so you can expect other U. S. firms in addition to General Motors to withdraw from the country.

Misunderstanding About Latin America

There is no doubt that considerable "misunderstanding" has been created by the recent United Nations study on conditions affecting capital investment in Latin America, as so aptly expressed by the National Foreign Trade Council. Continuing benefits of investments in the Republics are completely ignored, the Council emphasizes, thus more than offsetting the U. N. claim that U. S. investors take more out of the Americas than is plowed back.

Argentina is the best example of a country where it would be most difficult for the U. N. to prove its point. Since 1945 less than 2% of earned income of U. S. enterprises in Argentina has been permitted to be transferred here by the government. Of course, this does not consider the $150 million of capital repatriated by American companies forced to liquidate in the early postwar period. Actually, 5% of total investment is allowed to be remitted annually, although a new decree this year extended the 1953 investment law "to old established capital" so that any foreign-owned firm can remit 8% of capital annually after being in business two years. However, the measure actually is not a major step forward, despite considerable fanfare emanating both from Buenos Aires and New York, since it applies only to "national interest" industries.

The leading question, therefore, in your future capital outlays in Argentina is to make sure the Peron Administration classifies your investment in this privileged category. Not only did Atlas Corporation and Kaiser-Willys win this approval in their spectacular oil and auto deals respectively worked out with Peron, but they will get special consideration for remittances exceeding 8%. This latter type of international arrangement made by private U. S. corporations to secure and control foreign markets and to get around national trade barriers was recently questioned by participants at a leading Mid-Western University Conference. It was pointed out that such agreements made by private industry could become a threat to national security.

On the other hand, the Westinghouse Electric contract involving construction of a steel mill and the 40-year lease to Standard Oil of California to explore for oil are regarded by officials here as more constructive in expanding the consumer market in Argentina for American products. But despite the unquestionably reasonable flat corporate tax of 30% and the excess profits tax graduating from 10% to 30%, Peron's new attitude toward U. S. investment has not yet begun to pay off and it is still preferable for you to manufacture there under licensee arrangements.

Even though Rio de Janeiro is confronted with a severe dollar shortage due to low coffee prices here, and further devaluations of the cruzeiro are certain, U. S. companies still find that their most profitable Latin American operations are in Brazil. Of the 120 U. S. concerns with investments in Brazil, 27 companies ranging from a joint W. R. Grace-American Home Products chemical venture to a Higgins shipyard took the step in the past year. Actually, few firms have found little difficulty in getting dollar remittances out of the free market, although the exchange premium is exorbitant.

The Cafe Filho Administration increased taxes in a six-pronged measure that adds appreciably to total corporate tax assessments. As a result of a hike in the commercial profits tax to a flat 15%, an additional 4% levy on profits over 500,000 cruzeiros ($27,025), and a 5% jump to 20% in the non-resident tax and to 25% on bearer share dividends, the branch of the American retail merchandise firm which paid a $563,000 tax last year on a $2 million profit would now pay nearly $600,000. This makes the aggregate tax about 30%.

Bolivia eased regulations on foreign oil and tin ventures so that she now banks on production gains to lift the burden of inflation. Chile revised her laws to boost copper output and give U. S. firms a much fairer deal. Basic corporate tax now is 50% in both nations, with an additional 25% surtax in Chile which may be scaled down to zero as copper production increases. Seven American firms intend to increase outlays because of the lower taxes. Santiago also approved a decree giving foreign investment equal treatment to domestic capital.

Paraguay's new investment law just passed by Congress allows for a 25% reduction for a period ranging from five to 10 years on an already low corporate tax of 20%. U. S. investors, who are participating with Paraguayan shareholders in developing huge coffee plantations which will double that country's earnings in three years, will benefit from the lowered rate. Ecuador and Peru are the two latest countries to have signed agreements with the Foreign Operations Administration whereby U. S. investments can be insured against inconvertibility and expropriation. In both countries normal corporate taxes are only about 20% with an additional 20% excess profits tax in Peru.

Venezuela, the country with the second lowest tax in Latin America, amounting to a 3% basic levy and a surtax up to 26%, still presents no problems to U. S. enterprise other than those arising form the tight credit restrictions there. Curacao, the wealthy Netherlands Antilles island off Venezuela, will have a free port in operation before the end of 1955.

Colombia Still Blind to American Investment

Colombia, still with one of the highest tax structures of the Latin Republics, remains blind to American investment possibilities. The two U. S. construction firms which will build a housing project for 4.000 families in Bogota could be assessed as much as 60%, depending on the return on investment. Although Colombia did raise the depletion allowance recently to 35%, the incentive to such U. S. oil companies in Colombia as Shell, the Texas-Socony group and Standard of New Jersey is nil. These petroleum giants would prefer adding capital in Peru and Venezuela where the allowance is 50%. The only hope in Colombia to stimulate investment is the proposed double taxation agreement with U. S. This is likely to be signed soon after the first of the Latin American treaties with Honduras is completed early in 1956.

Panama became one of the principal tax paradises in the world during the past year, exceeding both Liechtenstein and Liberia in the number of foreign holding companies established there. At present there are over 10,000 of these externally-owned corporations enjoying complete tax freedom on all income earned from sources outside of Panama. If you conduct your export operations through a Panamanian company, you will not only save on taxes but you will enjoy numerous legal advantages, absence of documentary fees, freely interchangeable currency, no foreign exchange restrictions, fine ports and abundance of intelligent but cheap labor. It is reliably reported that Chrysler Corporation savings through operations out of its Panama company ran to eight figures in 1954. One of the chief reasons that Charles Pfizer Company increased foreign sales volume by 33% was use of Panama as a business center for its companies throughout the world.

Several large American firms have formed corporations in Panama just to use a 100-cent dollar for legitimate and necessary real estate, office, salary and capital equipment expenditures throughout the world. If the money is spent by a parent firm in the U. S., the transaction, of course, is made with a 48-cent dollar, since the corporate tax of 52% here has been deducted from earnings.

An American publishing house issues a foreign edition of a magazine which is sold and distributed entirely outside of the U. S. The publishers sell the magazine to their Panama subsidiary which sells advertising space to American exporters, thereby substantially reducing the U. S. tax. Another American firm built a plant in Brazil but wished to protect profits from exchange risks and U. S. taxes. The parent company formed a Panama subsidiary to serve as a holding company for the Brazilian operation and accumulated its profits free of all taxes.

United Fruit Company, with extensive holdings in Panama, has agreed to pay 30% of its net profits from annual operations there to the government not only for good relations but as a reward for the many benefits derived from its Panamanian business in the past. Standard Fruit Company of New Orleans, second largest exporter of bananas in the Caribbean area, is challenging United Fruit's domination of the industry. It is now purchasing or leasing land in Costa Rica, as well as in Colombia and Ecuador.

Costa Rica, however, has just increased her corporate profits tax to a maximum of 30%. Nicaragua's new liberal law covering many phases of foreign investment, including free remittance of capital and profits, gives U. S. firms equal treatment in tax and labor laws. Highest levy on corporation income is 18%. Guatemala has eliminated the so-called absentee tax on profits and signed an investment guarantee agreement with the U. S. Foreign Operations Administration.

Cuba has created a new free trade zone 60 miles east of Havana for industrial and manufacturing establishments and has approved a tax-incentive investment law which Secretary of Treasury Humphrey says is "ideal" for U. S. enterprise. Qualifying industries get a 6-year tax exemption on interest and loans; a 10-year waiver on dividend tax; partial exemption from the profits tax on income not in excess of 10% of capital; and a 40% reduction in the excess profits tax.

Mexican Tax Exemption

Under terms of the Mexican industrial encouragement law which went into effect in February, 1955, newly established industries continue to be eligible for tax exemptions up to ten years on import duties, surcharges, stamp taxes, gross receipts tax and the normal tax on profits. However, the new law limits the reduction in income tax to 40% of the basic corporate tax on industry. Regular rates range from 3.8% to 33%, with 5% to 25% on excess profits. Nevertheless, U. S. capital will continue to pour into Mexico for new oil, natural gas, pharmaceutical, chemical, textile, sulphur, zinc, lead, titanium and other mining ventures.

The industry shift from U. S. to Puerto Rico is gaining momentum. About 320 plants have been established on the Island since the Puerto Rican Government undertook its campaign to attract American industry. Practically all enjoy 100% tax exemption for ten years, although many do not qualify for U. S. Federal income tax credit since 80% of the total net income has not been derived in Puerto Rica for three years before the taxable year. An Ohio firm expects to increase its net profit from $187,000 to $442,000 a year by locating its new plant in Puerto Rico. A complete revision of the excise tax structure eliminating duties on 162 articles of general consumer goods has been recommended. On the other hand, a progressive tax progressing from 26% to 35% has been placed on automobiles.

It is obvious from the preceding review of 44 countries that the most promising markets for future U. S. overseas investment lie in those nations where the governments themselves have adopted a modern technique to lure foreign capital. Time has proven that low tax structures alone will not accomplish the trick. There is no doubt that at least 60% of the new capital invested abroad by private U. S. enterprises in the next 12 months will be a direct result of recently-approved regulations to encourage foreign investment.

Private Placements By Kidder, Peabody

Kidder, Peabody & Co., it was announced on June 21, has negotiated the private placement with institutional investors of senior securities aggregating $14,000,000, representing the obligations of three utility companies and two industrial concerns. Companies and issues are:

South Carolina Electric & Gas Co., $5,000,000 of 3½% first and refunding mortgage bonds due June 1, 1985. Proceeds will be used for general construction program.

United Utilities Inc., $4,000,000 of 4% sinking fund debentures due May 1, 1980. Proceeds to be applied to general construction program of subsidiaries.

International Milling Co., $3,000,000 of 3½% sinking fund notes due March 1, 1980. Proceeds will be used for additional working capital.

The Austin Co., Inc., $1,000,000 of 4½% notes due May 1, 1970. Money will be used for additional working capital.

Northern Indiana Fuel & Light Co., Inc., $1,000,000 first mortgage 4½% note series A due Feb. 1, 1975. Proceeds to be used for general construction and conversion from manufactured gas to natural gas.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — William H. Green is with Merrill Lynch, Pierce, Fenner & Beane, Rand Tower.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Charles R. Berg is with King Merritt & Co., Inc.

With Minneapolis Asso.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — John F. Oniskin and Allen E. Svendsen are now with Minneapolis Associates, Inc., Rand Tower.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — Philo J. Larrabee is now with State Bond & Mortgage Co., 28 North Minnesota Street.

Joins Smith, La Hue

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Holmer L. Peterson has become affiliated with Smith, La Hue & Co., Pioneer Building.

Mutual Funds

By ROBERT R. RICH

Electric Power to Show Leverage Increase in Industry Use

Electric power will be required to do an even greater share of the work, as industry, seeking lower costs, continues to adopt the efficiencies of automation and greater mechanization, according to an analysis by Calvin Bullock.

The industrial use of electric energy rose sharply after World War II when industry, after drawing to the limit on its resources of labor and existing capital equipment, was able to install new capital equipment. "From 1945 to 1953 the number of kilowatt hours consumed for each point of the Federal Reserve Board's Index of Industrial Production rose by 33%," the study notes.

Assuming the continuation of the Index's 4¼% average annual rate of growth (1946-1954) and based on the findings of an "Electrical World" study which estimated that a 20% increase in production would require about a 40% increase in the use of electric power, the use of electricity per point of the FRB index in 1962 will be 64% greater than that of 1945.

Most important, it points out, 68.5% of the industry's 1954 revenues were derived from "recession-resisting" classes—residential users and small light and power companies—although these accounted for only a little more than a third of total sales.

This contrasts with revenues from an area in which "sales have varied directly with the level of general economic activity"—the large light and power companies—where almost 50% of sales were concentrated but which accounted for only 27.2% of 1954 revenues.

The industry "slightly more than doubled its generating capacity in the nine years 1946-1954," the analysis states, "and is expected to match this feat in the coming nine."

These growth prospects combined with the eased financing possible under accelerated amortization mean "excellent earnings and dividend records for the better companies," the publication says. "For that reason their market performance over the longer term should be an improved one in relation to the past," it concludes.

Fund to Offer 'Spendthrift' Trust

INVESTMENT TRUST of Boston and The Income Fund of Boston, Inc. announce that shareholders may now create for their children, or other beneficiaries, living trusts with a "spendthrift clause" which is designed to protect the principal and income from possible future assignment, or attachment by any creditor.

Three forms are available:

(1) Revocable trust for a minor, (2) Revocable trust for an adult, and, (3) Irrevocable trust for a minor.

The "spendthrift clause" has been described as "that miraculous device which has been used to preserve the capital of Boston families."

When it is in effect, no creditor of the beneficiary can attach the principal or income of the trust, nor can the beneficiary assign or anticipate any portion of the trust property. Through this instrument the donor can be effectively assured that the trust will accomplish what it was set up to do.

GUARDIAN MUTUAL Fund on April 30, 1955, reported total net assets of $2,908,160, compared with $2,170,001 on Oct. 31, 1954.

The net asset value per share on April 30, 1955 was $16.37, in comparison with $13.34 on Oct. 31, 1954, the end of the fiscal year.

Keystone Assets Now Over "300"

On June 15, assets of the ten Keystone Custodian Funds amounted to $300,045,495, and combined net assets including undistributed income were $304,111,536. Net assets of the new Keystone Fund of Canada, Ltd., a Canadian corporation, amounted to $7,679,042 on the same date. The Keystone Company of Boston reports that the combined assets of the eleven Keystone Funds for which it is the principal underwriter now total more than $311,000,000.

SCIENCE & NUCLEAR Distributors, Inc., has prepared for general use by dealers a 4-page article on the men who make up the management of Science & Nuclear Fund.

The article outlines the thinking of the Fund's management on investing in the nuclear field and lists the Fund's initial investments. Nuclear science, says the article, offers two distinct areas of investment opportunity.

"One," it is pointed out, "is among those companies engaged in nuclear development through research, engineering, processing, production of equipment, mining, etc. The other is in that steadily broadening section of industry where the science is in use for improvement of competitive position or expansion of market."

Copies of the article may be obtained by writing to: Science & Nuclear Distributors, Inc., 1500 Walnut Street, Philadelphia 2, Pa.

GROSS SALES of Television-Electronics Fund shares in May amounted to $3,082,611. These sales represent an increase of 85% over those of $1,662,017 in May, 1954.

Gross sales of $33,280,435 for the first seven months of the fund's fiscal year were up 279% over sales of $8,776,790 in the like period last year.

Wellington Exec. Sees Continued Good Business

PHILADELPHIA, June 22—A forecast of continued good business conditions "so long as businessmen and consumers do not over-extend themselves," was made here today by A. Moyer Kulp, Vice-President and Executive Director of the Investment Committee of The Wellington Company. Mr. Kulp said that business has continued to improve so that the economy is now above the levels reached in the previous peak year—1953. "The real improvement is more substantial than appears on the surface, because defense spending is substantially lower than in 1953, clear evidence of the vigor of the civilian economy," he stated.

A. Moyer Kulp

It still looks as if the automobile industry and residential housing which led the recovery early this year, may settle down moderately, which would still leave them at a good level, Mr. Kulp said. "In the meantime, state and local expenditures are rising and business spending for plant and equipment which has turned up, is becoming a strong stimulating factor. The outlook for the steel industry for the year 1955 appears to have improved, largely because the summer slack may be smaller and shorter than previously expected."

In summation, Mr. Kulp said: "Altogether, the business outlook for the last half of the year 1955 appears promising. Employment is at high levels and consumer-spending income likewise, which in turn, suggest a level of retail trade this fall and winter above that of a year ago."

OPEN-END COMPANY STATISTICS—MONTH OF MAY, 1955

117 Open-End Funds*
(In 000's of $)

	May 31, 1955	April 30, 1955	Dec. 31, 1954
Total Net Assets	$6,789,619	$6,602,310	$6,109,390

	Month of— May, 1955	Month of— April, 1955	Five Months 1955
Sales of Shares	$79,537	$95,799	$505,435
Redemptions	34,947	35,628	210,614

Holdings of Cash, U. S. Governments and Short-Term Bonds

May 31, 1955	$384,166	Dec. 31, 1954	$308.701
Apr. 30, 1955	337,988	Dec. 31, 1953	263,647

Accumulation Plans

	Month of— May, 1955	Month of— April, 1955	Five Months 1955
No. of New Accumulation Plans Opened in Period	9,253	8,195	44,714

*The precise number of funds may vary slightly from period to period due to mergers, liquidations, new members, etc. and an individual company period estimate may, at times, be required. Except to a minor degree, however, the figures for different dates are comparable.

National's Report Stresses Role of Management

The annual report of the National Securities Series of mutual funds is presenting a new approach to the investment public on the advantages of investment management.

In a departure from the data usually presented in annual statements, the report for the fiscal year ended April 30, 1955 is designed to tell shareowners about the financial operations of the year with respect to their investments and to inspire confidence in the corporation's management of the National Securities Series on the part of present and future shareowners.

Taking as its theme "What Professional Investment Management Means To You," the report, signed by H. J. Simonson, Jr., President, delves into the mounting difficulties confronting the average investor who attempts to keep abreast of the many factors that affect his economic welfare as American business grows by leaps and bounds and becomes more complex almost daily.

It then presents advantages gained by individual investors who enlist the professional services of an investment management organization.

The report states that "even were an investor to study intimately the affairs of several companies or whole industries, he might still feel unequal to the task of arriving at informed conclusions."

"Many of the factors that handicap the individual investor do not affect professional investment management," shareowners are told.

The corporation, it is added, maintains a staff of trained analysts which "examines business, economic and statistical information, and weighs it against established investment principles; the pooling of the funds of many investors makes possible investment in a large number of important corporations and continuous supervision of the securities is carried on with the objective of eliminating weakening situations before it is too late and substituting others with an improving outlook."

Discussing the outlook for the economy and investments for the next 12 months, the report said: "The sustaining forces mentioned in the 1954 annual report of National Securities Series were instrumental in pulling the economy out of the mild set-back that lasted from mid-1953 to the third quarter of 1954. For the next year they should, in our opinion, foster continued growth, with expansion in some sectors more than offsetting contraction in others."

"Corporate earnings will, in our opinion, continue in an upward trend, and the strong financial condition of most U. S. corporations should permit liberal dividend disbursements."

Total assets of the National Securities Series funds aggregated $233,865,304 at April 30, last, a gain of over $70 million above the $162,021,914 reported on April 30, 1954. The number of shareowners increased from 84,281, to 95,184 at the close of the recent fiscal year; the number of shares outstanding advanced from 31,452,790 to 33,564,356 and net income distributions paid to shareowners set a new high at $11,335,164 for the year. The report traces the growth over the last 15 years of the National Securities Series of seven funds.

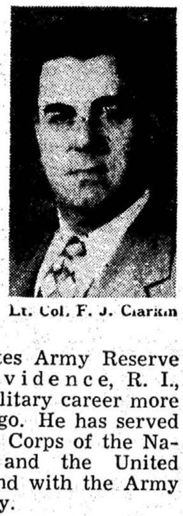
PRACTICALLY all of new money from Delaware Fund sales has been invested in additions to previous holdings. Sales have included a slight decrease of certain utility stocks whose market rise, and consequent low yield, seem to have rendered them a bit more vulnerable than the average; and to the elimination of our long-held position in United Aircraft, the Fund reports.

The latter was sold because of the possible threat to its earnings, and especially to its popularity, inherent in the two Congressional investigations now under way which are concerned with profits made by military suppliers, particularly aircraft manufacturers, it was stated.

TOTAL NET assets of Selected American Shares. Inc. at June 16, 1955 were $45,987,633, equal to $9.43 a share. This compares with total net assets of $31,545,775 or $7.44 a share at June 16, 1954. Shares outstanding at June 16, 1955 were 4,874,281 compared with 4,240,031 on June 16, 1954. The figures as of June 16, 1954 are adjusted to reflect the two-for-one stock split, effective April 5, 1955.

Lt. Col. Clarkin Joins Chapman in Boston

BOSTON, Mass.—Lt. Col. Francis J. Clarkin, U. S. A. R., has become associated with Chapman & Co., Inc., 84 State Street, Eastern wholesale representatives for Television Shares Management Corporation, sponsors of the $100 million Television-Electronics Fund, it was announced here June 22.



Lt. Col. F. J. Clarkin

Col. Clarkin who directs the Signal Branch of the United States Army Reserve School at Providence, R. I., launched his military career more than 20 years ago. He has served with the Signal Corps of the National Guard and the United States Army, and with the Army Security Agency.

TOTAL NET ASSETS of The Colonial Fund as of April 30 were $24,781,468 as compared with $19,484,569 last Oct. 31, the end of the fund's last fiscal year.

Major new additions to the portfolio include El Paso Natural Gas, Florence Stove, Puget Sound Power & Light, Thatcher Glass Manufacturing, and Canadian Petrofina debentures.

FINANCIAL Industrial Fund, Inc., reported net assets at the end of May totaling $36.8 million compared with $33.5 three months earlier and $21.1 at the end of May a year ago.

FIF has more than 98% of investments in common stocks covering 19 industry classifications and concentrated in such growth industries as chemicals, 14.9% of total assets; industrial and business equipment, 12.3%; oils and natural gas, 11.2%; transportation, 10.0%; automotive, 7.6%; and, electronics, 4.7%.

ELECTRONICS & ELECTRICAL Equipment Shares of Group Securities reported a net asset value per share of $8.12 on May 31 against $5.67 on the same date a year ago.

NET ASSET value per share of the Capital Growth Fund of Group Securities, Inc., rose from $7.14 at May 31, 1954, to $9.72 at May 31, 1955.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Better earnings are in prospect for the country's leading banks as the fundamentals of the economy continue to point to sustained "good times."

Interest rates are firming. A recent "Wall Street Journal" special article brought out that the banks are less avid about going after loans, and that there is a definite trend toward better rates from the banks' standpoint. Brokers' loans have been rising, and trade loans which, normally, are in a decline at this season, continue near their peak of the cycle.

Another factor that will contribute to loan volume at the banks is the operation of the Mills tax plan under which the Federal Treasury is, by annual steps, gradually getting corporations on a current tax basis as individuals now are. This requires no small amount of accommodation for many corporations as under the plan tax payments are somewhat accelerated until the current payment basis has been attained. This accommodation will be supplied largely by the banks.

A Dow-Jones news ticker item last week discussed the outlook for interest rates as predicted at the Buffalo Convention of the New York State Bankers Association. It said in part:

"Business borrowing costs will move up a notch in the fall if the economy keeps moving along at the present clip. That prediction was made by a group of small and big city bankers here (Buffalo). They were confident the business pace will continue strong during the last half year."

The article continued on the note of a sufficiently strong demand for loans to bring about an increase in the prime-name rate from the present 3% to 3¼%. Now, percentagewise, this is only an 8% increase, but any increase in the best-name loan rates is immediately felt in the rates for all loan categories. And as the predictions among the Buffalo conventioneers set September as about the time the prime rate may be raised, it means that the banks will be going into the start of their season of greatest loan demand with rising rates.

The same article states that the bankers interviewed also looked for commercial, industrial and agricultural loans, the mainstays of the banks' loan business, to be higher by 10% in the 1955 second half over the like period of 1954. The combination of better rates and any such increase as 10% in loan volume cannot but result in higher earnings for the banks, particularly as their expense factor has been flattening out and will in no sense increase proportionately with volume. The banks, in other words, can handle a heavier volume of loans with no great increase in costs of doing the business.

These are points that have prompted the estimates of increases in earnings of from 5% to 10% in 1955. And as the average pay-out (dividend) ratio among the leading New York City banks is only about 61% of operating earnings, it becomes logical to expect some dividend increases with higher earnings. This is the more probable because these banks are so well fortified with bad-debt and other reserves; and, further, as they are not in pressing need of new capital with an average deposit ratio of only about 10.7 to 1. Indeed, this ratio figure is approximately the standard basis of the 1920's when bank assets contained a far greater proportion of risk assets than they do today.

Added to these factors, there has been a rising trend of deposits, and, as a consequence, of invested assets.

Bank stock yields dipped a little below 4% in the spring rise; but they are now at an average of modestly above 4%. However, as some dividend increases may be confidently expected, yields should improve as long as market prices remain in the present area.

There can be little doubt that bank earnings will continue to do better in 1955, and that the stocks of our leading banks are still among the better values for conservative investment accounts.

Blair Group Offers Bogue Electric Mfg. Co. Debentures & Stk.

Blair & Co. Incorporated and associates are offering today (June 23) $2,000,000 of 5% convertible subordinated debentures due June 1, 1970 and 200,000 shares of common stock of Bogue Electric Manufacturing Co. The debentures are priced at 100% and accrued interest and the common stock at $8 per share.

Of the proceeds from the sale of the debentures and common shares approximately $750,000 will be used to complete and equip the plant of Bogue Electric of Canada, Ltd., a wholly-owned subsidiary of the company, currently under construction in Ottawa, Ontario. The balance will be added to general funds and will be utilized to increase working capital, which the company deems desirable, and to reduce the accounts payable, including to the extent necessary Federal income taxes.

The debentures will be initially convertible into common stock at $9.009 per share or approximately 111 shares for each $1,000 debenture. They will be redeemable at prices ranging from 105% to par.

Bogue Electric Manufacturing Co. engineers, designs and manufactures electrical and electronic ground support, ground handling, servicing and testing equipment for aircraft and a wide range of high precision power supply and servo systems, rotating electrical equipment and related control equipment. In addition, the company manufactures a wide variety of basic electrical and electronic components, such as motors, generators; rectifiers, coils, amplifiers, transformers, control panels, regulators and filters.

With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Frederic C. Scribner has been added to the staff of Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Continued from page 7

We Can Avoid Severe Business Depressions!

fluctuations. The period from 1932 to 1936 was, as you well know, a period of very extensive unemployment. The number of the unemployed was in the neighborhood of 10 million or higher. Unemployment in the best year of this quinquennium was 17% of the civilian labor force. Unemployment in the worst year was 25%. This period is often remembered for its monetary experiments and governmental spending programs, but these years also witnessed extraordinary new burdens of taxation.

During this period exemptions under the individual income tax were lowered from $3,500 to $2,500 for married persons. The minimum rate of the tax was raised from 1.5 to 4%, and the maximum rate from 25 to 79%. The exemption of dividends from the normal tax was repealed. The rate of tax on capital gains was substantially increased. The tax rate on corporate profits was raised from 12 to 15%, besides enacting a capital stock tax. An undistributed profits tax was imposed, with a maximum rate of 27%. The exemption under the estate tax was sharply reduced, while the maximum rate of tax was raised from 20 to 70%. A gifts tax was enacted, with a maximum rate of 52%. A wide variety of new excise taxes were levied — on automobiles and parts, cameras, phonograph records, sporting goods, furs, jewelry, radios, refrigerators, gasoline, electrical energy, telephone and telegraph messages, and toilet preparations. For a time, even candy, chewing gum, and soft drinks carried excises, as did checks drawn on bank accounts.

The heaviest increases of taxation were imposed under the Revenue Act of 1932, but new and still larger burdens came in quick succession — in 1934, 1935, and again in 1936. These drastic increases of taxation served to reduce the spending power of consumers and business firms; they also created grave uncertainty about the future. By spreading fear that the tax system was increasingly being used to redistribute incomes and to punish success, they weakened the incentives to invest and to innovate. In retrospect, there can be little doubt that the fiscal policies of the 1930's, which combined onerous taxation with sharply increased spending and borrowing, disrupted the confidence of many people in the country's economic future and thus reduced the effectiveness of the constructive measures taken at the time to lay a foundation for economic recovery and to speed its course. Even as late as 1940 the unemployed constituted nearly 15% of the civilian labor force.

The Recent Encounter With Business Recession

The failure to reckon adequately with the state of confidence during the 1930's has taught our generation a lesson that proved useful in our most recent encounter with business recession. Around the middle of 1953, a contraction in economic activity got under way, initially as a result of businessmen's efforts to correct an imbalance between production and sales that had emerged earlier in the year. This inventory adjustment was soon complicated and aggravated by the decline in military spending that followed upon the close of hostilities in Korea. To curb the gathering forces of contraction, the Federal Government promptly embarked on a program of encouraging private spending through tax reductions, monetary ease, and good housekeeping.

In September, 1953 the Administration announced that a cut in personal income taxes, averaging around 10% for the lower and middle incomes and about 1 or 2% in the highest brackets, would become effective on Jan. 1, 1954. The excess profits tax was allowed to terminate on the same date. Three months later a substantial reduction of excise taxes was enacted by the Congress. A little later the Internal Revenue Code of 1954 was adopted which, besides correcting various personal inequities, liberalized depreciation allowances on new investments, reduced the double taxation of dividends, and facilitated the treatment of research and development outlays as current expenses.

These tax revisions, which reduced the nation's tax bill by the huge sum of $7.4 billion on a full-year basis, were debated by the Congress extensively and, at times, with acrimony. The most significant fact about last year's tax debates, however, is that they centered on the magnitude and kind of tax cuts that would be most desirable, not on the question whether taxes should be raised or lowered. We had learned through hard experience that in a time of declining business activity it is wiser to reduce taxes than to raise them, that tax reductions can effectively offset the decline in incomes that accompanies a decline of production, and that tax revisions can be used to bolster that confidence in the economic future on which any significant increase in private spending and employment must ultimately rest. Having learned these lessons well, we were able to carry out a tax policy which increased the ability as well as the willingness of consumers and businesses to augment spending.

Another lesson that we have learned through experience — it would perhaps be more accurate to say relearned—is that an easing of credit conditions can be very helpful in checking an economic decline. No central bank is likely to repeat in the near future the blunder of the Federal Reserve System in the autumn of 1931 when, in the face of widespread economic fears and troubles, a tightening of credit was permitted to occur. Nor has the ineffectiveness of the liberalizing actions that followed in early 1932 escaped the attention of experienced observers. It is not enough that the monetary authorities increase the availability and reduce the cost of credit during the declining phase of a business cycle. If such action is to be used with maximum effectiveness, it must come when the level of business and consumer confidence is high. This condition is more likely to prevail in the early than in an advanced stage of a business contraction, and it is most likely to prevail when the government is attentive to the need for maintaining policies that protect and strengthen economic incentives.

In a changing world, monetary policy must be flexible and there are times when economic stability requires that the changes come swiftly. In May and June of 1953, when an incipient but potentially dangerous scramble for liquidity developed, the Federal Reserve authorities responded promptly by adopting a policy of credit ease. This shift was carried through even before a perceptible decline had occurred in business activity. During the rest of 1953 and the greater part of 1954 the Federal Reserve System pursued energetically a policy of making credit readily available on liberal terms to businessmen, State and local governments, prospective home-owners, and consumers. These boldly executed monetary measures, together with the tax reductions and other encouragements to enterprise, bolstered the confidence of people in their own and the country's economic future. They go far to explain why the recent contraction in business activity proved so mild and brief and why our nation is now again setting new records in production, employment, and incomes.

System of Unemployment Compensation

Besides better and wider understanding of how fiscal and monetary policies can contribute to economic stability, we have made progress along other directions for dealing with the business cycle. One of the most constructive achievements of the 1930's was the introduction of a system of unemployment compensation. This system, which provides a first line of defense against business recession, has been greatly strengthened during the past two years. Last year the Congress extended unemployment insurance to over two million Federal employees and to 1.3 million employees of small establishments—that is, firms having less than eight but more than three employees. The Congress also established a fund from which a State whose unemployment reserves became dangerously low could borrow.

Furthermore, the President has repeatedly urged the States to modernize their unemployment insurance laws, first, by raising benefits in keeping with the increases that had occurred in wages; second, by extending the duration of benefits. Many States have already responded to the call for action. In the past two years, 25 States, besides the District of Columbia, have raised the amounts that could be paid weekly to unemployed men and women covered by the insurance system. Seven States and the District of Columbia have also lengthened the duration of the period for which unemployment benefits may be paid. Of special significance is the recent statute in Pennsylvania which sets a maximum of 30 weeks' benefits. This is the first instance in which a State has allowed benefits to run beyond a 26-week period.

Public Works Planning

Another direction in which we have made headway during the past two years is in the field of public works planning. The objective of Federal planning has been to prevent a repetion of the experience during the 1930's when great delays in construction work followed substantial appropriations by the Congress, and when considerable sums were spent on some dubious undertakings. We have now developed an inventory of plans for Federal public works projects which have been screened from the viewpoint of their importance and usefulness. The individual projects are distinguished according to their location, their cost, the period required for their execution, the amount of employment they would provide, the status of their planning and financing, and the number of months that must elapse before actual construction can start—provided there are no obstacles on the side of financing. With information of this sort at hand, supplemented by similar but less detailed data for States and localities, it would be possible to embark on an accelerated public works program, if that became desirable, with little delay and with the assurance that the money would be usefully spent.

Steps have also been taken by the Federal Government to increase the backlog of plans, so that a substantial as well as accelerated public works program could be inaugurated if economic conditions ever warranted such action. Larger sums have been budgeted by various Federal agencies for the development of preliminary plans for future projects. Furthermore, the Congress authorized last year a three-year program of advances to aid States and localities in making preliminary engineering surveys and designs for public works. This year the Administration has requested that the authorization be raised and that a revolving fund of indefinite duration, instead of a three-year program, be established. In making this recommendation to the Congress the Administration has said in effect, first, that the need for extending local public works planning is continuous and that it will therefore not do to set up a program for a limited period, second, that the current backlog of local plans is inadequate and that a much larger sum is needed to improve the backlog.

Besides these steps in the direction of a realistic public works policy, the President has submitted to the Congress a carefully devised plan for a National Highway System, which calls for a Federal expenditure of $25 billion over a 10-year period, besides Federal grants-in-aid for other parts of our network of streets and roads. The primary aim of the Administration's road plan is to meet the urgent need for modern highways and thereby stimulate economic growth. However, if this plan becomes law, it will undoubtedly be possible as well as desirable to adjust the rate at which the construction work proceeds to the state of the nation's business and employment.

In addition to the measures I have sketched, the government has recently taken other steps that strengthen our defenses against the threat of a possible depression, such as the extension of the "carry-back" of losses for income tax purposes from one year to two, and the grant of a limited discretionary authority to the President to liberalize the terms on which the Federal Government will underwrite home mortgages. These and realted measures illustrate the increasing attention of government to the encouragement of economic growth and the avoidance of unemployment. They reflect our improved understanding of the processes of business cycles, an awareness that governmental actions to check recessionary influences must be timely, and a recognition that these actions need by no means encroach on the sphere of the private economy or inaugurate new spending programs, but may instead increase the scope and vigor of private enterprise.

We Can Expect An Avoidance of Severe Depressions

In view of our improved knowledge of business cycles and the general acceptance of government's responsibility to help achieve a stable prosperity it is reasonable to expect that we shall be able to avoid deep and protracted depressions in the future. There is no good basis as yet, however, for assuming that the business cycle has been eliminated or that this will soon happen. Neither in our own history nor that of any other country has an economy ever realized the ideal of stable growth for a long period of time. If businessmen or consumers choose to speculate in inventories, a curtailment of production is sooner or later bound to follow. If speculative builders create an oversupply of housing, years may need to pass before the supply of dwellings is brought into balance with the demand. If stock prices are bid up sharply, especially if this occurs with the aid of borrowed money, a price reaction may create financial pressure or despondency later. If the quality of credit deteriorates, whether for housing or automobiles or anything else, even a very temporary decline of employment may cause embarrassment to both lender and borrower. If several such developments should occur simultaneously, the ability of the government to limit an economic downturn might be severely tested.

That is why it is so important to prevent the confidence that generates prosperity from passing into the overconfidence that generates speculative booms. Private citizens must share this responsibility with the government. It is not prudent to rely on our ability to check an economic recession once it develops. The time to begin combatting recessionary forces is during the prosperity phase of the business cycle, when excesses often develop in the sphere of prices, credit, and inventories. Such a course is not popular because it is not yet fully understood. This makes the task of the government harder but it does not diminish its responsibility. Balancing the budget is imperative in a time of high prosperity, and so too is the need for moderating the expansion of credit. I can assure you that the present Administration is mindful of its great responsibility to use all practicable means to prevent overemphasis of speculative activities, to protect the integrity of the dollar, and to help realize a balanced economic growth.

Halsey, Stuart Group Offer So. New Eng. Telephone Debens.

An underwriting syndicate headed by Halsey, Stuart & Co. Inc. yesterday (June 22) offered $20,000,000 of Southern New England Telephone Co. 34-year 3¼% debentures, due June 1, 1989, at 101.031% and accrued interest, to yield 3.20%. The group won award of the issue at competitive sale on June 21 on a bid of 100.41%.

Net proceeds from the sale of the bonds will be used by the company for the repayment to American Telephone & Telegraph Co. of advances which are expected to approximate $12,800,000 at the time the proceeds are received. The balance of the proceeds, together with other funds, will be applied toward the cost of extensions, additions and improvements to the company's telephone plant.

The debentures will be redeemable at the option of the company, as a whole or in part, at redemption prices ranging from 104.031% to par, plus accrued interest.

The Southern New England Telephone Co. furnishes local telephone service within the State of Connecticut, except in the principal portion of the Town of Greenwich, and in a few small communities. On March 31, 1955, the company had 954,641 telephones in service, of which slightly more than one-half were in the Bridgeport, Hartford, New Britain, New Haven, Stamford and Waterbury exchange areas. The company also furnishes toll service within Connecticut and, in conjunction with other companies, between points within and points outside of the state. Services of the company also include teletypewriter exchange service, mobile radio-telephone service, and services and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs, and for other purposes.

For the year 1954, the company had total operating revenues of $80.529.447 and net income of $9,862,225.

Two With Walston

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Henry A. Stecher and Jack H. Trego are now associated with Walston & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Stecher in the past was with Kaiser & Co. and Stewart, Scanlon & Co.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 26	§97.4	*96.0	96.4	72.1
Equivalent to—					
Steel ingots and castings (net tons)	June 26	§2,350,000	*2,316,000	2,326,000	1,720,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	June 10	6,600,250	6,591,950	6,681,050	6,495,400
Crude runs to stills—daily average (bbls.)	June 10	¶7,522,000	7,565,000	7,061,000	6,820,000
Gasoline output (bbls.)	June 10	25,985,000	24,973,000	24,416,000	22,934,000
Kerosene output (bbls.)	June 10	1,579,000	2,159,000	2,070,000	1,729,000
Distillate fuel oil output (bbls.)	June 10	11,755,000	11,838,000	10,040,000	9,792,000
Residual fuel oil output (bbls.)	June 10	7,956,000	7,894,000	7,470,000	8,455,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 10	166,233,000	168,985,000	171,034,000	171,370,000
Kerosene (bbls.) at	June 10	27,032,000	26,344,000	22,951,000	24,807,000
Distillate fuel oil (bbls.) at	June 10	88,414,000	84,345,000	72,710,000	77,495,000
Residual fuel oil (bbls.) at	June 10	45,194,000	44,359,000	44,161,000	48,530,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 11	786,707	713,673	757,333	697,583
Revenue freight received from connections (no. of cars)	June 11	655,242	631,838	651,343	585,620
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 16	$327,950,000	$378,269,000	$475,705,000	$317,924,000
Private construction	June 16	192,942,000	193,339,000	324,471,000	171,780,000
Public construction	June 16	135,008,000	184,930,000	151,234,000	146,144,000
State and municipal	June 16	98,511,000	151,785,000	117,460,000	111,001,000
Federal	June 16	36,497,000	33,145,000	33,774,000	35,143,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 11	9,345,000	8,790,000	8,865,000	7,571,000
Pennsylvania anthracite (tons)	June 11	502,000	412,000	395,000	551,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	June 11	114	102	108	111
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 18	9,987,000	10,041,000	9,730,000	8,850,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 16	214	230	226	207
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 14	4.797c	4.797c	4.797c	4.634c
Pig iron (per gross ton)	June 14	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	June 14	$34.00	$34.00	$34.33	$28.08
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 15	35.700c	35.700c	35.700c	29.700c
Export refinery at	June 15	36.800c	36.800c	37.150c	29.650c
Straits tin (New York) at	June 15	93.625c	92.125c	91.500c	93.375c
Lead (New York) at	June 15	15.000c	15.000c	15.000c	14.000c
Lead (St. Louis) at	June 15	14.800c	14.800c	14.800c	13.800c
Zinc (East St. Louis) at	June 15	12.000c	12.000c	12.000c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 21	96.28	96.73	96.54	99.98
Average corporate	June 21	108.88	108.88	108.88	110.15
Aaa	June 21	112.19	112.19	112.19	115.04
Aa	June 21	110.52	110.52	110.34	112.00
A	June 21	109.06	109.06	109.06	109.97
Baa	June 21	103.97	103.97	104.31	104.31
Railroad Group	June 21	107.62	107.44	107.27	108.88
Public Utilities Group	June 21	109.24	109.24	109.42	110.52
Industrials Group	June 21	109.79	109.97	109.97	111.44
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 21	2.77	2.74	2.75	2.50
Average corporate	June 21	3.23	3.23	3.23	3.16
Aaa	June 21	3.05	3.05	3.05	2.90
Aa	June 21	3.14	3.14	3.15	3.06
A	June 21	3.22	3.22	3.22	3.17
Baa	June 21	3.51	3.51	3.49	3.49
Railroad Group	June 21	3.30	3.31	3.32	3.23
Public Utilities Group	June 21	3.21	3.21	3.20	3.14
Industrials Group	June 21	3.18	3.17	3.17	3.09
MOODY'S COMMODITY INDEX	June 21	411.2	407.6	403.3	428.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 11	263,819	376,979	243,958	239,638
Production (tons)	June 11	282,825	263,148	274,269	256,496
Percentage of activity	June 11	100	90	97	95
Unfilled orders (tons) at end of period	June 11	598,936	621,016	578,264	408,682
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	June 17	106.75	106.76	106.73	106.95
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	May 28	949,591	1,054,685	1,246,390	958,824
Dollar value	May 28	$49,452,043	$53,075,203	$66,416,081	$43,646,639
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 28	907,341	937,188	1,122,658	985,582
Customers' short sales	May 28	5,142	7,171	7,697	5,667
Customers' other sales	May 28	902,199	930,017	1,114,961	979,917
Dollar value	May 28	$44,600,658	$45,306,462	$56,990,244	$41,910,730
Round-lot sales by dealers—					
Number of shares—Total sales	May 28	239,870	233,010	303,440	325,430
Short sales	May 28	------	------	------	------
Other sales	May 28	239,870	233,010	303,440	325,430
Round-lot purchases by dealers—					
Number of shares	May 28	320,140	406,470	432,380	290,460
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	May 28	451,640	481,520	533,740	433,750
Other sales	May 28	10,318,740	10,858,620	12,830,950	10,700,330
Total sales	May 28	10,770,380	11,340,140	13,364,690	11,134,080
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	May 28	1,303,420	1,370,930	1,750,490	1,218,820
Short sales	May 28	258,740	271,420	302,850	260,670
Other sales	May 28	1,055,170	1,165,720	1,432,410	959,670
Total sales	May 28	1,313,910	1,437,140	1,735,260	1,220,340
Other transactions initiated on the floor—					
Total purchases	May 28	214,140	254,710	322,540	381,970
Short sales	May 28	20,070	33,760	24,400	26,500
Other sales	May 28	214,670	256,600	315,620	374,500
Total sales	May 28	234,740	290,360	340,020	401,000
Other transactions initiated off the floor—					
Total purchases	May 28	483,685	525,405	639,229	379,070
Short sales	May 28	73,030	65,000	106,330	47,740
Other sales	May 28	514,055	566,019	658,033	392,675
Total sales	May 28	587,085	631,019	764,363	440,415
Total round-lot transactions for account of members—					
Total purchases	May 28	2,001,245	2,151,045	2,712,259	1,979,860
Short sales	May 28	351,840	370,180	433,580	334,910
Other sales	May 28	1,783,895	1,988,339	2,406,063	1,726,845
Total sales	May 28	2,135,735	2,358,519	2,839,643	2,061,755
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	June 14	110.2	*110.0	110.3	110.0
Farm products	June 14	91.9	*90.8	91.7	94.7
Processed foods	June 14	*103.0	104.0	103.0	104.8
Meats	June 14	90.2	87.8	84.1	92.9
All commodities other than farm and foods	June 14	115.5	*115.5	115.7	114.4

*Revised figure. ¶Includes 800,000 barrels of foreign crude runs. §Based on new annual capacity of 125,828,310 tons as of Jan. 1, 1955, as against Jan. 1, 1954 basis of 124,330,410 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of April	126,394	130,272	120,434
Stocks of aluminum (short tons) end of April	13,949	11,970	62,894
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of May	10,331,000	*9,815,095	6,970,937
Shipments of steel products (net tons)—Month of April	7,279,321	7,268,795	5,287,972
AMERICAN RAILWAY CAR INSTITUTE—			
Month of May:			
New domestic freight cars delivered	4,083	2,750	3,173
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of May 31:			
Imports	$206,901,000	$229,023,000	$276,821,000
Exports	188,114,000	189,255,000	143,195,000
Domestic shipments	11,534,000	10,633,000	16,810,000
Domestic warehouse credits	138,767,000	178,901,000	98,096,000
Dollar exchange	52,865,000	67,628,000	36,246,000
Based on goods stored and shipped between foreign countries	87,665,000	91,881,000	44,702,000
Total	$685,846,000	$767,321,000	$615,870,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of May:			
Manufacturing number	168	154	200
Wholesale number	87	93	91
Retail number	499	484	460
Construction number	121	106	111
Commercial service number	80	66	81
Total number	955	903	943
Manufacturers liabilities	$14,093,000	$12,653,000	$15,621,000
Wholesale liabilities	2,864,000	3,871,000	4,499,000
Retail liabilities	10,874,000	10,765,000	11,739,000
Construction liabilities	4,885,000	6,450,000	3,674,000
Commercial service liabilities	1,998,000	2,229,000	2,961,000
Total liabilities	$34,714,000	$35,968,000	$38,494,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of May	12,029	11,756	9,280
COPPER INSTITUTE—For month of May:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	106,882	*104,228	78,626
Refined (tons of 2,000 pounds)	135,042	122,129	108,723
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	124,853	119,863	111,005
Refined copper stocks at end of period (tons of 2,000 pounds)	43,340	42,759	82,124
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of April:			
Gas, water heater shipments (units)	260,100	*263,100	**
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of May:			
Seasonally adjusted	138	136	125
Unadjusted	137	138	124
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of May (1947-49 Average=100)	80.2	79.3	81.2
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of April:			
Death benefits	$182,525,000	$201,474,000	$171,064,000
Matured endowments	45,512,000	58,805,000	45,376,000
Disability payments	9,064,000	9,216,000	9,573,000
Annuity payments	33,921,000	39,210,000	36,458,000
Surrender values	73,970,000	86,702,000	72,312,000
Policy dividends	75,986,000	102,651,000	73,908,000
Total	$420,978,000	$498,058,000	$408,691,000
METAL OUTPUT (BUREAU OF MINES)—			
Month of April:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	146,687	*150,708	138,689
Silver (in fine ounces)	3,307,011	*3,548,980	3,095,460
Copper (in short tons)	89,004	*93,728	68,397
Lead (in short tons)	28,697	*30,961	26,900
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of May	£27,122,000	£10,356,000	£27,830,000
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of April:			
Total operating revenues	$795,972,328	$825,160,081	$763,054,170
Total operating expenses	602,163,740	612,028,913	609,484,580
Operating ratio	75.65	74.17	79.87
Taxes	$85,412,650	$93,921,574	$73,170,444
Net railway operating income before charges	87,376,958	97,733,239	59,613,928
Net income after charges (estimated)	67,000,000	77,000,000	40,000,000
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of May:			
Net sales	------	------	------
Net purchases	$56,222,000	$29,872,000	$2,761,200
U. S. GOVT. STATUTORY DEBT LIMITATION—As of May 31 (000's omitted):			
Total face amount that may be outstanding at any time	$281,000,000	$281,000,000	$275,000,000
Outstanding—			
Total gross public debt	277,472,387	276,648,829	271,046,794
Guaranteed obligations not owned by the Treasury	42,820	37,455	79,825
Total gross public debt and guaranteed obligations	$277,515,000	$276,686,284	$271,126,620
Deduct—other outstanding public debt obligations not subject to debt limitation	505,577	507,253	554,613
Grand total outstanding	$277,009,630	$276,179,031	$270,572,006
Balance face amount of obligations, issuable under above authority	3,990,369	4,820,968	4,427,993
WINTER WHEAT AND RYE—U. S. DEPT. OF AGRICULTURE—As of June 1, 1955:			
Winter wheat—Production (000's omitted)	639,224	652,886	790,737
Rye—Production (000's omitted)	25,786	29,345	23,688
ZINC OXIDE (BUREAU OF MINES)—Month of April:			
Production (short tons)	14,303	14,990	10,074
Shipments (short tons)	15,440	14,380	12,827
Stocks at end of month (short tons)	14,823	15,960	17,109

*Revised. **Being revised on basis of new data.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Abbott Laboratories, North Chicago, Ill.
June 16 filed $525,000 of participations in the company's stock bonus plan for employees of the company and its subsidiaries, together with 30,000 shares of common stock which may be purchased under said plan.

★ Academy Uranium & Oil Corp.
June 10 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—65 East Fourth South St., Salt Lake City, Utah. **Underwriter**—Western States Investment Co., same city.

• All State Uranium Corp., Moab., Utah (6/29)
April 19 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—30 cents per share. **Proceeds**—For mining operations. **Underwriter**—General Investing Corp., New York.

★ Amarilla Uranium, Inc., Las Vegas, Nev.
June 13 (letter of notification) 6,500,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—1112 Fremont St., Las Vegas, Nev. **Underwriter**—None.

American Asbestos Co., Ltd.
Feb. 17 (Regulation "D") 600,000 shares of common stock (par $1). **Price** — 50 cents per share. **Proceeds**—For general corporate purposes. **Underwriter**—Maine Investment Co., Ltd.

American Machine & Metals, Inc.
June 3 filed 80,000 shares of common stock (no par) to be offered from time to time on the New York Stock Exchange. **Price**—At market then prevailing. **Proceeds** To certain stockholders who are receiving such shares in exchange for stock of The Lamb Electric Co. pursuant to a reorganization plan. **Agent**—American Securities Co., New York.

★ American Natural Gas Co. (7/7)
June 15 filed 736,856 shares of common stock (par $25) to be offered for subscription by common stockholders on the basis of one new share for each five shares held on or about July 7 (with an oversubscription privilege); rights to expire about July 21. **Price**—To be supplied by amendment. **Proceeds**—To be applied to the purchase of equity securities of subsidiaries or to replace other corporate funds used for that purpose. **Underwriter**—None.

American Rare Metals Corp., N. Y.
May 11 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To repay debt and for general corporate purposes. **Underwriter**—Equity Securities Co., 11 Broadway, New York, N. Y.

★ Arden Farms Co.
May 20 (letter of notification) 16,666 shares of common stock (par $1). **Price**—$18 per share. **Proceeds**—To liquidate obligations. **Office**—1900 West Clauson Ave., Los Angeles 47, Calif. **Underwriter**—None.

Arizona Amortibanc, Phoenix, Ariz.
April 4 (letter of notification) 300,000 shares of common stock, class A. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—807 West Washington St., Phoenix, Ariz. **Underwriter**—First National Life Insurance Co. of Phoenix, same address.

Artesian Water Co., Newport, Del.
April 26 (letter of notification) 5,446 shares of class A common stock (no par) being offered first to common and class A common stockholders of record May 28 on a 1-for-3 basis; rights to expire on June 30. **Price**—$20 per share to stockholders; and $22 to public. **Proceeds**—For additions and improvements. **Underwriter**—Laird, Bissell & Meeds, Wilmington, Del.

Artloom Carpet Co., Inc., Philadelphia, Pa.
May 11 filed 98,195 shares of common stock (no par) being offered for subscription by stockholders of record June 6, 1955, on the basis of one new share for each four shares held; rights to expire on June 27. Additional subscription privilege for unsubscribed shares, by stockholders and employees. **Price**—$5 per share. **Proceeds**—To reduce bank loans. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C.

Automatic Remote Systems, Inc.
March 3 filed 540,000 shares of common stock (par 50 cents). **Price**—$3.75 per share. **Proceeds**—For manufacture of Teleac Sending and Receiving Units, working capital and general corporate purposes. **Office**—Baltimore, Md. **Underwriter**—Mitchell Securities, Inc., same city

Bankline Oil Co., San Francisco, Calif. (6/29)
June 8 filed 65,000 shares of cumulative convertible preferred stock (par $25). **Price** — To be supplied by amendment. **Proceeds**—To retire indebtedness, for expansion and other corporate purposes. **Underwriter**—J. Barth & Co., San Francisco, Calif.

Beaumont Factors Corp., New York
June 7 filed $1,000,000 of five-year 8% subordinated debentures due July 1, 1960. **Price**—100% of principal amount. **Proceeds**—For working capital and expansion of loan business. **Office**—325 Lafayette Street, New York 12, N. Y. **Underwriter**—None.

Beehive Uranium Corp., Salt Lake City, Utah
May 26 (letter of notification) 20,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office** — 156 East Third South St., Salt Lake City, Utah. **Underwriter**—Columbia Securities Co., Denver, Colo., and Salt Lake City, Utah.

Blue Goose Mining, Inc.
June 7 (letter of notification) 1,950,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Offices**—Boulder, Garfield County, Utah, and Box 1055, Farmington, N. M. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Bonnyville Oil & Refining Corp., Montreal, Can.
April 29 filed $2,000,000 5% convertible notes due July 1, 1975 to be offered for subscription by common stockholders at rate of $100 of notes for each 100 shares of stock held. **Price**—95% of principal amount to stockholders and 100% to public. **Proceeds**—For development costs and general corporate purposes. **Underwriter**—None.

Bridgeport Hydraulic Co.
May 11 filed 55,000 shares of common stock (par $20) being offered first for subscription by common stockholders of record on June 8, 1955 on the basis of one new share for each eight shares held; rights to expire on June 28. **Price**—$28 per share. **Proceeds**—To repay bank loans and for property additions and improvements. **Underwriter**—Smith, Ramsay & Co.; Chas. W. Scranton & Co.; G. H. Walker & Co.; Hincks Bros. & Co., Inc.; and T. L. Watson & Co., all of Bridgeport, Conn.

★ Broadway-Hale Stores, Inc., Los Angeles, Calif.
May 19 (letter of notification) an estimated 40,000 share of common stock (par $10) to be purchased and reoffered to employees under an executive stock plan **Price**—Not exceeding prevailing market price. **Underwriter**—None.

★ Brockway Glass Co., Inc., Brockway, Pa.
May 24 (letter of notification) 6,000 shares of 5% cumulative preferred stock. **Price**—At par ($50 per share). **Proceeds**—For expansion and working capital. **Underwriter**—None.

Brown Co., Berlin, N. H.
March 17 filed $14,217,100 of debentures due May 15, 1975, and 142,171 shares of common stock (par $1) being offered for subscription by holders of "called" $5 cumulative convertible first preference stock of record June 7, 1955, who have not surrendered their shares for redemption or conversion into common stock. These holders may subscribe for $100 of debentures and one share of common stock for each $5 preference share held. Rights will expire on July 6. Price—$100 per unit. Proceeds—For redemption of $5 preference stock. Underwriter—None. Statement effective May 18.

★ California Water & Telephone Co. (7/7)
June 16 filed 200,000 shares of common stock (par $12.50). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Cal-U-Mines, Inc., Reno, Nev.
May 2 (letter of notification) 2,250,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—139 Virginia St., Reno, Nev. **Underwriter**—Coombs & Co. of Las Vegas, Inc., Las Vegas, Nev.

Calumet & Hecla, Inc.
June 9 filed 113,592 shares of common stock (par $5) to be offered in exchange for all of the issued and outstanding capital stock of Goodman Lumber Co., Goodman, Wis., on the following basis: 18 shares for each share of Goodman common stock; seven shares for each share of Goodman 2nd preferred stock; and eight shares for each share of Goodman 1st preferred stock; offer to terminate on Sept. 15, 1955 (subject to withdrawal by Calumet if the required number of Goodman shares have not been deposited and accepted within 30 days from the date of the mailing of the prospectus to the Goodman stockholders). **Underwriter**—None.

★ Canadian Uranium Mines, Ltd., Montreal, Canada
June 3 (regulation "D") 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—Tellier & Co., Jersey City, N. J.

Capitol Reef Uranium Corp., Reno, Nev.
May 18 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—First National Bank Bldg., Reno, Nev. **Underwriter**—Franklin, Meyer & Bartlett, New York.

Carbon Uranium Co. (Utah)
April 27 (letter of notification) 746,280 shares of common stock (par one cent). **Price** — 25 cents per share. **Proceeds**—For mining costs. **Underwriter**—J. E. Call & Co., Salt Lake City, Utah.

★ Carter Blatchford Corp., Chicago, Ill.
June 8 (letter of notification) 14,250 shares of common stock (par $1). **Price**—$3.50 per share. **Proceeds**—For working capital. **Office**—80 East Jackson Blvd., Chicago, Ill. **Underwriter**—Pacific Coast Securities Co., San Francisco, Calif.

★ Caterpillar Tractor Co., East Peoria, Ill.
June 20 filed 102,648 shares of common stock (par $10) to be sold pursuant to the company's Restricted Stock Option Plan for officers and other key employees.

★ Cedar Springs Uranium Co., Moab, Utah
June 8 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Underwriter**—Universal Investment Corp., Washington, D. C.

Central Reserve Oil Co. (N. Y.)
May 31 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—130 West 42nd Street, New York, N. Y. **Underwriter**—United Equities Co., 136 Liberty Street, New York, N. Y.

★ Charmin Paper Mills, Inc., Green Bay, Wis.
June 17 filed $5,000,000 of convertible debentures due July 1, 1975. **Price** — To be supplied by amendment. **Proceeds**—For plant expansion. **Underwriter**—Robert W. Baird & Co., Inc., Milwaukee, Wis.

Chieftain Uranium Mines, Inc.
April 22 (letter of notification) 4,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining operations. **Office**—223 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., same city.

Clad-Rex Steel Co., Denver, Colo.
June 6 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To retire outstanding debts and for working capital. **Office**—40th Ave. and Ulster St., Denver, Colo. **Underwriters**—Mountain States Securities Corp. and Carroll, Kirchner & Jaquith, Inc., both of Denver, Colo.

★ Clark Oil & Refining Corp.
May 16 (letter of notification) 2,500 shares of common stock (par $1). **Price**—At market. **Proceeds**—To Emory T. Clark, President of company. **Office**—8530 West National Ave., Milwaukee, Wis. **Underwriter**—None.

Colohoma Uranium, Inc., Montrose, Colo. (7/5)
April 21 filed 2,960,000 shares of common stock (par one cent), of which 2,500,000 shares are to be offered publicly. **Price**—50 cents per share. **Proceeds**—For exploration and development expenses and for general corporate purposes. **Underwriters**—General Investing Corp., New York; and Shaiman & Co., Denver, Colo.

Colorado Oil & Uranuim Corp.
June 7 (letter of notification) 300,000 shares of common stock (par 20 cents). **Price**—$1 per share. **Proceeds**—For oil and mining activities. **Office** — 350 Equitable Bldg., Denver, Colo. **Underwriter**—Birkenmayer & Co., same city.

• Colorado Sports Racing Association (6/29)
April 29 filed 600,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For purchase of land and other facilities and for working capital. **Office**—Grand Junction, Colo. **Underwriter**—General Investing Corp., New York.

Colzona Oil & Uranium Corp., Denver, Colo.
April 29 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1300 Larimer St., Denver, Colo. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

★ Commercial Uranium Corp., Flagstaff, Ariz.
June 10 (letter of notification) 65,025 shares of class A stock. **Price**—At par ($1 per share). **Proceeds** — For mining expenses. **Office** — Talkington Bldg., Flagstaff Ariz. **Underwriter**—None.

Community Credit Co., Omaha, Neb.
June 6 (letter of notification) 1,000 shares of 5½% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—302[illegible] Farnam St., Omaha, Neb. **Underwriter**—Wachob-Bende[r] Corp., same city.

Confidential Finance Corp., Omaha, Neb
March 11 (letter of notification) 150,000 shares of 7% cumulative preferred stock (par 95 cents) and 15,00[0] shares of common stock (par one cent) to be offered in units of 10 shares of preferred stock and one share of common stock. **Price** — $10 per unit. **Proceeds** — For working capital. **Underwriter**—J. J. Riordan & Co., Inc 42 Broadway, New York City.

Conjecture Mines, Inc., Coeur d'Alene, Idaho
May 5 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office**—326 Wiggett Bldg Coeur d'Alene, Idaho. **Underwriter**—M. A. Cleek, Spokane, Wash.

Constellation Uranium Corp., Denver, Colo.
March 22 (letter of notification) 2,855,000 shares of common stock (par one cent). **Price** — 10 cents per share **Proceeds**—For mining expenses. **Office**—206 Mercantile Bldg., Denver, Colo. **Underwriter**—Bay Securities Corp., New York.

• Consolidated Cigar Corp., New York (7/7)
June 3 filed $17,500,000 of 20-year sinking fund debentures due June 1, 1975. **Price**—To be supplied by amendment. **Proceeds**—To repay outstanding long-term indebtedness and short-term bank loans and for working capital. **Underwriter**—Eastman, Dillon & Co., New York.

Consolidated Sudbury Basin Mines, Ltd., Toronto, Canada
Jan. 31 filed 3,000,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—For exploration and development of properties. **Underwriter**—Stock to be sold on Toronto Stock Exchange or through underwriters or selected dealers in United States.

★ Cordillera Mining Co., Denver, Colo.
June 8 (letter of notification) 2,995,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining operations. **Offices** — 738 Majestic Bldg., Denver, Colo., and 317 Main St., Grand Junction, Colo. **Underwriter**—Lasseter & Co., Denver, Colo.

Cortez Uranium & Mining Co., Denver, Colo.
May 27 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—404 University Building, Denver, Colo. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

Coso Uranium, Inc., Long Beach, Calif.
May 31 (letter of notification) 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—2485—American Ave., Long Beach 6, Calif. **Underwriter**—Coombs & Co., of Los Angeles, Inc., San Francisco and Los Angeles, Calif.

★ Cowchie Telephone Co., Cowchie, Wash.
June 8 (letter of notification) 110,000 of 5% 20-year first mortgage sinking fund bonds. **Price** — At par (in denominations of $1,000 each). **Proceeds**—To retire indebtedness and for new construction, etc. **Underwriter**—None.

★ Cromwell Uranium & Development Co., Inc.
May 25 (regulation "D") 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses, etc. **Offices**—Toronto, Canada, and New York, N. Y. **Underwriter**—James Anthony Securities Corp., New York.

Crown Uranium Co., Casper, Wyo.
May 6 (letter of notification) 225,435 shares of common stock (par five cents). **Price**—At market (estimated at about 15 cents per share). **Proceeds**—To selling stockholder who received these shares in exchange for shares of Kontika Lead & Zinc Mines, Ltd. **Office**—205 Star Bldg., Casper, Wyo. **Underwriter**—Justin Steppler, Inc., New York.

● Cuba (Republic of) (6/27-29)
April 29 filed $2,500,000 of 4% Veterans, Courts and Public Works bonds due 1983. **Price**—Expected as 99% of principal amount. **Proceeds**—To Romenpower Electra Construction Co. **Underwriter**—Allen & Co., New York.

★ Dahl Uranium Mine, Inc., Spokane, Wash.
June 9 (letter of notification) 500,000 shares of capital stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office**—408 Hutton Bldg., Spokane, Wash. **Underwriter** — Standard Securities Corp., same city.

Deep Rock Water Co., West Palm Beach, Fla.
May 23 (letter of notification) 150,000 shares of class A common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To acquire Grapette Bottling Co. and for working capital. **Office**—314 Flamingo Drive, West Palm Beach, Fla. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Florida.

Deseret Uranium Corp., Salt Lake City, Utah
June 9 (letter of notification) 2,000,000 shares of capital stock. **Price**—At par (15 cents per share). **Proceeds**—For mining expenses. **Office**—527 Atlas Bldg., Salt Lake City, Utah. **Underwriters**—Western Securities Corp. and Potter Investment Co., both of Salt Lake City, Utah.

★ Desert County Club Estates, Inc.
May 23 (letter of notification) 1,120 shares of capital stock. **Price**—At par ($10 per share). **Proceeds**—For general corporate purposes. **Address** — c/o Thompson & Colegate, 444 N. Palm Canyon Drive, Palm Springs, Calif. **Underwriter**—None.

Desert Sun Uranium Co., Inc.
April 18 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office** — 343 South State St., Salt Lake City, Utah. **Underwriter** — J. W. Hicks & Co., Inc., Denver, Colo.

Durango Kid Uranium Corp., Moab, Utah
April 1 (letter of notification) 30,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Underwriter**—Guss & Mednick, Arches Building, Moab, Utah.

Dyno Mines, Ltd., Toronto, Canada.
March 25 filed 1,100,000 shares of common stock (par $1). **Price**—To be related to the current market price on the Toronto Stock Exchange. **Proceeds**—To American Trading Co. Ltd., the selling stockholder. **Underwriter**—R. W. Brown Ltd., Toronto, Canada, on a "best-efforts basis."

Economy Auto Stores, Inc., Atlanta, Ga. (6/28)
June 1 filed 120,222 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire $528,125 of 6%-8% unsecured and subordinated purchase money notes and $497,250 to retire outstanding $6 cumulative preferred stock. **Underwriter**—Courts & Co., Atlanta, Ga.

★ E-I Mutual Association
June 16 (letter of notification) 1,023 shares of class B special stock to be offered to certain employees and former employees of Thomas A. Edison, Inc. **Price**—$10 per share. **Proceeds**—For redemption fund. **Office**—180 Main St., West Orange, N. J. **Underwriter**—None.

Electronics Co. of Ireland
Jan. 6 filed 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For machinery and building and working capital. **Office** — 407 Liberty Trust Bldg., Philadelphia, Pa. **Underwriter**—None.

Fairway Uranium Corp., Salt Lake City, Utah
May 23 (letter of notification) 275,000 shares of capital stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—2320 South Main Street, Salt Lake City, Utah. **Underwriter** — Eliason, Taylor, Cafarelli Co., Las Vegas, Nev.

Farmington Funding Corp., Colorado Springs, Colorado
May 17 filed 3,000,000 shares of capital stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For exploration and development expenses and working capital. **Underwriter**—French & Co., Houston, Tex.

Federal Security Insurance Co.
April 21 (letter of notification) 6,000 shares of common stock (par $10) to be offered first to stockholders on the basis of one new share for each five shares held. **Price**—$40 per share. **Proceeds**—For general corporate purposes. **Office**—Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Allied Underwriters Co., same address.

Fidelity Insurance Co., Mullins, S. C.
March 25 (letter of notification) 86,666 shares of common stock (par $1). **Price**—$1.87½ per share. **Proceeds**—To increase capital and surplus. **Underwriters**—McDaniel Lewis & Co., Greensboro, N. C.; Dietenhofer & Heartfeld, Southern Pines, N. C.; and Calhoun & Co., Spartanburg, S. C.

Fowler Telephone Co., Pella, Ia.
May 6 (letter of notification) $260,000 of 4% first mortgage bonds, series A, due May 1, 1975. **Price**—At par (in denominations of $1,000 each). **Proceeds**—To retire existing debt, acquire Northwestern Bell properties in Leighton, Ia., and for conversion of both exchanges to dial operation. **Underwriter** — Wachob-Bender Corp., Omaha, Neb.

Freedom Insurance Co., Berkeley, Calif.
June 6 filed 1,000,000 shares of common stock (par $10). **Price**—$22 per share. **Proceeds**—For capital and surplus. **Business**—All insurance coverages, except, life, title and mortgage. **Office**—2054 University Avenue, Berkeley, Calif., c/o Ray B. Wiser, President. **Underwriter**—Any underwriting agreement will be made on behalf of this company by Uni-Insurance Service Corp.

Fremont Uranium Corp., Denver, Colo.
April 22 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds**—For mining expenses. **Office**—235 Ivy St., Denver, Colo. **Underwriter**—L. A. Huey Co., same city.

★ Frio Frozen Foods, Inc., Anthony, Texas
June 10 (letter of notification) 34,997 shares of common stock. **Price** — At par ($5 per share). **Proceeds** — For working capital. **Underwriter** — Norman D. Patterson, Jr., El Paso, Tex.

★ Gas Industries Fund, Inc., Boston, Mass.
June 20 filed 1,000,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

General Acceptance Corp. (6/28)
June 7 filed $6,000,000 of 5% subordinated debentures due June 1, 1970. **Price**—To be supplied by amendment. **Proceeds**—To redeem 15-year 5% convertible subordinated debentures due 1967; balance to general working

Continued on page 66

NEW ISSUE CALENDAR

June 24 (Friday)
Personal Industrial Bankers, Inc. **Pfd. & Common**
(Johnston, Lemon & Co.) $1,380,000

June 27 (Monday)
Cuba (Republic of) **Bonds**
(Allen & Co.) $2,500,000
Hertz Corp. **Debentures**
(Offering to stockholders—underwritten by Lehman Brothers and Hornblower & Weeks) $5,058,300
Idaho Power Co. **Preferred**
(Wagener & Daly Corp.) $1,500,000.
Jerrold Electronics Corp. **Debentures**
(Van Alstyne, Noel & Co. and Butcher & Sherrerd) $2,750,000
Jerrold Electronics Corp. **Common**
(Van Alstyne, Noel & Co. and Butcher & Sherrerd) $800,000
Kerr-McGee Oil Industries, Inc. **Preferred**
(Exchange offer to Deep Rock Oil Corp. common stock—Gregory & Son, Inc. and Sutro Bros. & Co. to acts as agents) $11,250,000
Pyramid Electric Co. **Preferred**
(S. D. Fuller & Co.) $750,000
Pyramid Electric Co. **Common**
(S. D. Fuller & Co.) 50,000 shares
Silver Creek Precision Corp. **Debentures**
(General Investing Corp.) $600,000

June 28 (Tuesday)
Economy Auto Stores, Inc. **Common**
(Courts & Co.) 120,222 shares
General Acceptance Corp. **Debentures**
(Paine, Webber, Jackson & Curtis) $6,000,000
Ionics, Inc. **Common**
(Lee Higginson Corp.) 150,000 shares
Purity Stores, Ltd. **Common**
(A. G. Becker & Co. Inc.) 100,000 shares
Therm-O-Disc, Inc. **Common**
(McDonald & Co.) 89,600 shares
United Telephone Co. of Pennsylvania **Preferred**
(Kidder, Peabody & Co.) $1,500,000

June 29 (Wednesday)
All State Uranium Corp. (Utah) **Common**
(General Investing Corp.) $300,000
Bankline Oil Co. **Preferred**
(J. Barth & Co.) $1,625,000
Chicago & North Western Ry. **Equip. Trust Ctfs.**
(Bids noon CDT) $3,330,000
Colorado Sports Racing Association **Common**
(General Investing Corp.) $600,000
Merritt-Chapman & Scott Corp. **Debentures**
(A. C. Allyn & Co. Inc.) $25,000,000
Mountain Fuel Supply Co. **Common**
(Offering to stockholders—underwritten by The First Boston Corp.) 198,990 shares
North Penn Gas Co. **Common**
(Eastman, Dillon & Co. and Allen & Co.) 419,000 shares
Vitro Corp. of America **Common**
(Blyth & Co., Inc.) 160,000 shares

June 30 (Thursday)
Southland Racing Corp. **Common**
(General Investing Corp.) $1,250,000

July 1 (Friday)
Long Island Lighting Co. **Common**
(Offering to stockholders—underwritten by Blyth & Co., Inc.; The First Boston Corp.; and W. C. Langley & Co.) 624,170 shares
Old Republic Insurance Co. **Common**
(Offering to stockholders—underwritten by The First Boston Corp.) 100,000 shares

July 5 (Tuesday)
Colohoma Uranium, Inc. **Common**
(General Investing Corp. and Shalman & Co.) $1,250,000
McLean Securities Corp. **Preferred & Common**
(White, Weld & Co.) 148,000 units

Stewart Oil & Gas Co. **Common**
(Barrett Herrick & Co., Inc.) $750,000
Vanadium Queen Uranium Corp. **Common**
(Van Alstyne, Noel & Co.) $2,112,500
Washington Natural Gas Co. **Common**
(Barrett Herrick & Co., Inc.) $298,290

July 6 (Wednesday)
Industrial Hardware Mfg. Co., Inc. **Debentures & Common**
(Milton D. Blauner & Co., Inc.; Hallowell, Sulzberger & Co.; and Baruch Brothers & Co., Inc.) $1,500,000 debentures and 300,000 shares of stock

July 7 (Thursday)
American Natural Gas Co. **Common**
(Offering to stockholders—no underwriting) 736,856 shares
California Water & Telephone Co. **Common**
(Blyth & Co., Inc.) 200,000 shares
Consolidated Cigar Corp. **Debentures**
(Eastman, Dillon & Co.) $17,500,000
Gulf Sulphur Corp. **Debentures**
(Bear, Stearns & Co.) $4,500,000
Northern Indiana Public Service Co. **Preferred**
(Central Republic Co., Inc.; Blyth & Co., Inc.; and Merrill Lynch, Pierce, Fenner & Beane) $12,000,000
Wright Line, Inc. **Class B Common**
(Paine, Webber, Jackson & Curtis) 110,000 shares

July 8 (Friday)
Primary Metals Corp. **Common**
(General Investing Corp.) $700,000

July 11 (Monday)
Siegler Corp. **Common**
(William R. Staats & Co.) 225,000 shares
Western Nebraska Oil & Uranium Co., Inc. **Com.**
(Israel & Co.) $300,000

July 12 (Tuesday)
Illinois Bell Telephone Co. **Bonds**
(Bids to be invited) $30,000,000

July 13 (Wednesday)
Texas Eastern Transmission Corp. **Preferred**
(Dillon, Read & Co. Inc.) $16,000,000

July 20 (Wednesday)
Consumers Power Co. **Common**
(Offering to stockholders—bids 11 a.m. EDT) 373,689 shares

July 21 (Thursday)
Consumers Power Co. **Preferred**
(Morgan Stanley & Co.) 100,000 shares

Sept. 5 (Monday)
Housatonic Public Service Corp. **Common**
(Offering to stockholders—no underwriting) $325,974

September 13 (Tuesday)
Utah Power & Light Co. **Bonds**
(Bids to be invited) $15,000,000
Utah Power & Light Co. **Common**
(Bids to be invited) 177,500 shares

Sept. 20 (Tuesday)
Ohio Power Co. **Preferred**
(Bids 11 a.m. EDT) $6,000,000
Ohio Power Co. **Bonds**
(Bids 11 a.m. EDT) $22,000,000

Oct. 18 (Tuesday)
Worcester County Electric Co. **Bonds**
(Bids to be invited) $8,500,000

November 9 (Wednesday)
Southern Co. **Common**
(Bids to be invited) 500,000 shares

Continued from page 65

funds of company and subsidiaries. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass., and New York, N. Y.

★ General Finance Co., Phoenix, Ariz.
June 6 (letter of notification) 100,000 shares of class B common stock (par $1). **Price**—$3 per share. **Proceeds**—To make loans. **Office** — 1436 East Van Buren St., Phoenix, Ariz. **Underwriter**—None.

General Homes, Inc.
Dec. 15 filed 300,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For plant expansion, new equipment, inventory and working capital. **Office**—Huntington Station, L. I., N. Y. **Underwriter**—S. D. Fuller & Co., New York.

★ Geo Chem Development Co., Butte, Mont.
June 13 (letter of notification) 200,000 shares of capital stock. **Price**—At par (25 cents per share). **Proceeds**—For mining expenses. **Underwriter**—Graeme Robertson, Cincinnati, O.

★ Gibraltar Uranium & Oil Co., Denver Colo.
June 14 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office**—907 Midland Saving Bldg., Denver, Colo. **Underwriter**—Robert Pons Lipton, Paramount Bldg., Denver 2, Colo.

Given Manufacturing Co., Los Angeles, Calif.
June 10 filed 87,500 shares of 6% cumulative convertible preferred stock, series B (par $10). **Price**—To be supplied by amendment. **Proceeds** — To redeem series A 6% convertible preferred stock, of which there are outstanding 7,310 shares; for machinery and equipment; and for working capital and other general corporate purposes. **Underwriter** — Straus, Blosser & McDowell, Chicago, Ill.

★ Gulf Sulphur Corp., Houston, Texas (7/7)
June 17 filed $3,000,000 of 5% series A convertible deebntures due July 1, 1970, and $1,500,000 of 5% series B convertible debentures due July 1, 1970. **Price**—To be supplied by amendment. **Proceeds**—To repay promissory note and for working capital and general corporate purposes. **Underwriter**—Bear, Stearns & Co., New York.

★ Hardrock Mining Syndicate, Reno, Nev.
June 16 (letter of notification) 6,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—139 No. Virginia St., Reno, Nev. **Underwriter** — None, sales to be made through Thomas P. Sidwell, a director.

Hartford Gas Co., Hartford, Conn.
May 10 filed $1,500,000 of 3¼% 10-year convertible debentures due July 1, 1965, being offered first to preferred and common stockholders of record May 6 at rate of $25 principal amount of debentures for each three shares of stock held; rights to expire on July 1. **Price**—At par. **Proceeds**—To repay bank loans and for additions and improvements. **Underwriter**—None.

Hawk Lake Uranium Corp.
April 12 filed 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds** — For mining expenses, etc. **Underwriter**—Dobbs & Co., New York City, will act as agents.

★ Hercules Plastics Corp.
June 16 (letter of notification) 141,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For equipment, loan to subsidiary and working capital. **Office**—9 Rockefeller Plaza, New York, N. Y. **Underwriter**—Lincoln Securities Corp., same city.

Hertz Corp., Chicago, Ill. (6/27)
June 3 filed $5,058,300 convertible subordinated debentures due July 1, 1970 to be offered for subscription by stockholders on basis of $100 of debentures for each 15 shares held as of June 24; rights to expire on July 11. **Price**—To be supplied by amendment. **Proceeds**—For working capital for expanded operations. **Business** — Automobile rental and truck leasing. **Underwriters**—Lehman Brothers and Hornblower & Weeks, both of New York.

★ Hesco, Inc., Milwaukee, Wis.
May 23 (letter of notification) 4,000 shares of common stock (par $10). **Price**—$14 per share. **Proceeds**—To redeem outstanding promissory notes and for working capital. **Office**—517 North Broadway, Milwaukee, Wis. **Underwriter**—None.

Holmes (D. H.), Ltd., New Orleans, La.
May 20 (letter of notification) 7,228 shares of common stock (par $20) being first offered for subscription by stockholders of record as of June 10; rights to expire on June 24. **Price**—$38.50 per share. **Proceeds**—To acquire The Dalton Co. of Baton Rouge, La., and for general corporate purposes. **Office**—819 Canal St., New Orleans, La. **Underwriters**—Arnold & Crane; Nusloch, Baudean & Smith; Scharff & Jones, Inc.; and Howard, Weil, Labouisse, Friedrichs & Co.; all of New Orleans, La.

Home-Stake Production Co., Tulsa, Okla.
May 12 filed 60,000 shares of capital stock (par $5) and 1,000 debentures (par $100) to be offered for sale in units of 60 shares of stock and one $100 debenture, or multiples thereof. **Price**—$400 per unit. **Proceeds**—For working capital. **Underwriter**—None. O. Strother Simpson, of Tulsa, Okla., is President.

Horseshoe Bend Uranium, Inc.
March 16 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For exploration and development expenses. **Office**—10 West 2nd South, Salt Lake City, Utah. **Underwriters**—James Anthony Securities Corp., New York; Lawrence A. Hays Co., Rochester, N. Y., and Ned J. Bowman Co., Salt Lake City, Utah.

Horton Aircraft Corp., Las Vegas, Nev.
April 26 filed 500,000 shares of common stock (no par), of which 400,000 shares are to be offered for account of company and 100,000 shares for account of William E. Horton, President. **Price**—$1 per share. **Proceeds**—For construction of model of "Horton Wingless Aircraft" and expenses incident thereto. **Underwriter**—None.

Humble Sulphur Co., Houston, Texas
April 25 filed 500,000 shares of common stock (par 1¢). **Price**—$1.20 per share. **Proceeds**—For exploration for sulphur and related activities. **Underwriter**—Garrett & Co., Dallas, Texas.

Idaho Power Co., Boise, Idaho (6/27-30)
June 7 filed 15,000 shares of 4% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For additions to properties. **Underwriter**—Wegener & Daly Corp., Boise, Idaho, which has agreed to purchase 3,000 shares and has an option to purchase up to 12,000 additional shares.

Illinois American Casualty Co.
May 5 filed 100,000 shares of common stock (par $2). **Price**—$5 per share. **Proceeds**—To engage in insurance business. **Office**—Champaign, Ill. **Underwriter**—None.

Illinois American Fire Insurance Co.
May 5 filed 100,000 shares of common stock (par $2). **Price**—$5 per share. **Proceeds**—To engage in insurance business. **Office**—Champaign, Ill. **Underwriter**—None.

Illinois Bell Telephone Co.
May 17 filed 663,469 shares of capital stock being offered for subscription by stockholders of record June 3, 1955, on the basis of one new share for each six shares held; rights to expire on June 30. American Telephone & Telegraph Co., the parent, owns 99.32% of the presently outstanding stock. **Price**—At par ($100 per share). **Proceeds**—For repayment of advances from parent company. **Underwriter**—None.

★ Illinois Bell Telephone Co. (7/12)
June 21 filed $30,000,000 of first mortgage bonds, series D, due July 15, 1995. **Proceeds**—To repay advances from American Telephone & Telegraph Co., parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co. **Bids**—Expected to be received on July 12.

★ Illinois Brick Co., Chicago, Ill.
June 10 (letter of notification) 7,800 shares of common stock (par $10). **Price**—At market (estimated at $18 per share). **Proceeds**—For general corporate purposes. **Office**—228 No. La Salle St., Chicago, Ill. **Underwriter**—Kidder, Peabody & Co., same city.

Inca Uranium Corp., Salt Lake City, Utah
April 25 (letter of notification) 15,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—1946 S. Main St., Salt Lake City, Utah. **Underwriter** — Guss & Mednick Co., Salt Lake City, and Moab, Utah.

● Industrial Hardware Mfg. Co., Inc. (7/6-7)
May 12 (amendment) $1,500,000 of 5% debentures due 1975 and 300,000 shares of common stock (par 50 cents), of which 85,000 shares are to be sold to Seymour and Bernard Offerman at $5 per share. **Price**—To be supplied by amendment. **Proceeds**—To purchase Hugh H. Eby Co. and Wirt Co. **Underwriters**—Milton D. Blauner & Co., Inc., New York; Hallowell, Sulzberger & Co., Philadelphia; and Baruch Brothers & Co., Inc., New York.

● International Fidelity Insurance Co., Dallas, Tex.
March 30 filed 110,000 shares of common stock (no par). **Price**—$5.75 per share. **Proceeds**—To 12 selling stockholders. **Underwriter**—Franklin Securities Co., Dallas, Texas.

● Ionics, Inc., Cambridge, Mass. (6/28-29)
June 3 filed 150,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for working capital and general corporate purposes. **Underwriter**—Lee Higginson Corp., New York and Boston.

Israel Pecan Plantations, Ltd.
Feb. 28 filed 24,900 shares of ordinary common stock (par one Israeli pound). **Price**—$10 per share. **Proceeds**—For capital expenditures. **Underwriter**—None. **Offices**—Natanya, Israel, and New York, N Y

★ J & R Motor Supply Corp., Chicago Ill.
June 10 (letter of notification) 1,000 shares of preferred stock (par $100) and 20,000 shares of common stock (par $10). **Price**—At par. **Proceeds**—For rent for leases of stores and purchase of equipment and merchandise. **Office**—3932 S. Wolcott Ave., Chicago, Ill. **Underwriter**—None.

● Jerrold Electronics Corp. (Pa.) (6/27-30)
May 19 filed $2,750,000 of 6% convertible subordinated debentures due June 1, 1975. **Price**—100% and accrued interest. **Proceeds**—To repay $450,000 of 4% promissory notes and for general corporate purposes and working capital. **Underwriters**—Van Alstyne, Noel & Co., New York; and Butcher & Sherrerd, Philadelphia, Pa.

● Jerrold Electronics Corp. (Pa.) (6/27-30)
May 19 filed 200,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds** — For working capital and general corporate purposes. **Underwriters**—Van Alstyne, Noel & Co., New York; and Butcher & Sherrerd, Philadelphia, Pa.

★ Jet Uranium Corp., Las Vegas, Nev.
June 2 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For mining operations. **Office**—Room 4, Cornet Bldg., Las Vegas, Nev. **Underwriter**—None.

Kachina Uranium Corp., Reno, Nev.
May 12 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—206 N. Virginia St., Reno, Nev. **Underwriter**—Whitney, Cranmer & Schulder, Inc., Denver, Colo.

Kansas City Power & Light Co.
May 23 filed 245,000 shares of common stock (no par) being offered for subscription by common stockholders of record June 9, 1955 on the basis of one new share for each 10 shares held; rights to expire on June 27, 1955. **Price**—$37 per share. **Proceeds**—To retire bank loans and for construction program. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc., both of New York.

● Kerr-McGee Oil Industries, Inc. (6/27)
June 6 filed 450,000 shares of prior convertible preferred stock (par $25) to be offered on June 27 (with a 16-day standby) in exchange for 150,000 shares of Deep Rock Oil Corp. common stock on a three-for-one basis. These preferred shares are part of a block of 674,880 shares owned by Deep Rock which were acquired by them on April 27, 1955. **Agents**—Gregory & Son, Inc., and Sutro Bros. & Co., New York City, have agreed to solicit tenders.

Knapp Uranium & Development Co.
April 21 (letter of notification) 20,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—2174 S. Main St., Salt Lake City, Utah. **Underwriter** — Guss & Mednick Co., same city.

La Sal Uranium Corp., Salt Lake City, Utah
May 11 (letter of notification) 2,850,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—209 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Amos C. Sudler & Co., Denver, Colo.

LeBlanc Medicine Co., Inc., Lafayette, La.
April 6 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For purchase of land, plant, warehouse, office building and equipment; and additional working capital. **Business**—Processing, packaging and merchandising of new proprietory medicine, KARY-ON. **Underwriter**—None.

Leborn Oil & Uranium Co.
June 8 (letter of notification) 6,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office** — 124½ South Main St., Newcastle, Wyo. **Underwriter** — Mid-American Securities, Inc. of Utah, Salt Lake City, Utah.

Life and Accident Insurance Co. of Alabama
June 2 filed 750,000 shares of class B (non-voting) common stock (par $1). **Price**—$3 per share. **Proceeds**—To increase capital and surplus. **Office**—Gadsden, Ala. **Underwriter** — None, sales to be handled by Burlus Randolph Winstead, Secretary and Treasurer of the company.

Little Star Uranium Co., Inc., Casper, Wyo.
May 25 filed 5,000,000 shares of common stock (par 10 cents). **Price**—15 cents per share. **Proceeds**—To purchase machinery and equipment; for drilling and reconnaissance surveys; for acquisition of additional properties; and for working capital and other purposes. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

★ Livingston Oil Co., Tulsa, Okla.
June 16 filed 742,000 shares of common stock (par 10 cents). **Price**—$2.75 per share. **Proceeds**—For purchase of properties and working capital. **Underwriter** — Van Alstyne, Noel & Co., New York.

★ Lone Star Mining Corp., Fort Worth, Texas
June 13 (letter of notification) 125,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office** — 817 Taylor St., Fort Worth, Tex. **Underwriter**—None.

Lone Star Uranium & Drilling Co., Inc.
April 7 (letter of notification) 570,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—1100 Fidelity Union Life Bldg., Dallas, Tex. **Underwriter** — Christopulos-Nichols Co., Las Vegas, Nev.

Long Island Lighting Co. (7/1)
June 10 filed 657,713 shares of common stock (par $10), of which 624,170 shares are to be offered for subscription by common stockholders of record July 1 on the basis of one new share for each 10 shares held; rights to expire on July 18. The remaining 33,543 shares are to be offered to employees by company. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—W. C. Langley & Co.; Blyth & Co., Inc.; and The First Boston Corp.; all of New York.

Lutah Uranium & Oil, Inc.
May 23 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office**—Suite 1003, Continental Bank Bldg., Salt Lake City, Utah. **Underwriter**—Havenor-Cayias, Inc., same city.

Magna Theatre Corp., New York
May 23 filed 122,300 shares of common stock (par five cents), 6,000 outstanding warrants for the purchase of 439,800 shares of common stock (as well as the common stock), and 6,000 outstanding units of "Oklahoma" participation certificates (each certificate entitling the holder to receive 1/6,000th of 5/12ths of Magna's percentage of profits due from the distribution of "Oklahoma." **Proceeds**—To present holders, including Kuhn, Loeb & Co.; United California Theatres, Inc.; Harris, Upham & Co.; Prudential Theatres, Inc.; Carl M. Loeb, Rhoades & Co.; Brown Brothers Harriman & Co.; and United Artists Theatre Circuit, Inc.

Marine Midland Corp., Buffalo, N. Y.
May 17 filed 45,000 shares of common stock (par $5) to be offered in exchange for all issued and outstanding capital stock of The First National Bank of Falconer, N. Y., at rate of 30 shares of Marine stock for one of First National held of record June 1. The offer, which

l expire on June 24 (subject to 60 days extension), is ject to acceptance of not less than 80% of the stock First National.

Marine Midland Corp., Buffalo, N. Y.
e 2 filed 160,500 shares of common stock (par $5) to offered in exchange for all of the issued and out-nding capital stock of The Jamaica National Bank of w York, Jamaica, L. I., N. Y. at rate of 1.6 shares of rine Midland stock for each share of Jamaica National k held of record June 17. The offer, which will ex-e on July 1 (subject to 60 days extension), is subject acceptance of not less than 80% (80,000 shares) of stock of Jamaica National.

Marine Midland Corp., Buffalo, N. Y.
e 20 filed 96,000 shares of common stock (par $1) to offered in exchange for all the issued and outstanding ital stock of Auburn Trust Co., Auburn, N. Y., at e of four shares of Marine Midland stock for each re of Auburn stock held of record July 1, 1955. The r is subject to acceptance by the holders of not less n 80% (19,200 shares) of the stock of Auburn. Under-ter—None.

Market Basket, Los Angeles, Calif.
y 27 (letter of notification) 4,696 shares of common k (par 50 cents) to be issued upon exercise of stock chase options granted by the company to certain cers and employees. **Price**—$11.50 per share. **Pro-ds**—For working capital and general corporate pur-es. **Office**—6014 S. Eastern Ave., Los Angeles, Calif. **erwriter**—None.

Matthew Corp., Washington, D. C.
y 6 (letter of notification) 250,000 shares of class A mon stock (par 10 cents). **Price** — $1 per share. **ceeds**—For sewage and water facilities and related enses, and for working capital. **Office**—1526 Connec-t Ave., Washington, D. C. **Underwriter**—None.

McLean Securities Corp. (7/5-7)
e 8 filed 148,000 units, each to consist of one share of umulative preferred and between one-half and one re of common stock. **Price** — To be supplied by endment. **Proceeds**—To pay off bank loan which the pany recently secured in connection with its pur-se of approximately 99.5% of the outstanding capital k of the Waterman Steamship Corp. **Underwriter**—te, Weld & Co., New York.

Mechling (A. L.) Barge Lines, Inc., Joliet, Ill.
ch 31 filed $337,252 of instalment note certificates be-offered in exchange for the 3,578 shares of authorized issued common stock of Marine Transit Co. at rate 234 per share. The balance of $1 of a total purchase r price of $235 per share is to be paid in cash. The hange will be contingent upon acceptance of the r by holders of not less than 81% of the Marine nsit shares. Statement effective May 11.

Medical Abstracts, Inc., Philadelphia, Pa.
e 15 (letter of notification) 300,000 shares of com-stock (par one cent). **Price**—$1 per share. **Proceeds** r working capital, etc. **Office**—825 Western Savings d Bldg., Philadelphia, Pa. **Underwriter** — Carl J. dung, Washington, D. C.

Mehadrin Plantations, Inc., New York
il 28 filed 70,000 shares of common stock (par $10). e—$10.75 per share. **Proceeds**—For acquisition of tional groves and working capital and other gen-corporate purposes. **Business**—Production and sale trus fruits in State of Israel; also plans to grow sub-cal fruits. **Underwriter**—None.

Merritt-Chapman & Scott Corp. (6/29)
e 3 filed $25,000,000 convertible subordinated deben-s due July 1, 1975. **Price**—To be supplied by amend-t. **Proceeds**—To refinance certain bank loans and debt of company and its subsidiaries; and for gen-corporate purposes. **Underwritre**—A. C. Allyn & Inc., Chicago and New York.

Mid American Oil & Gas Co., Chicago, Ill.
8 (letter of notification) 149,500 shares of common k (par 10 cents). **Price**—At market. **Proceeds**—For king capital, etc. **Office**—231 So. LaSalle St., Chi-Ill. **Underwriter**—None.

Midwestern United Life Insurance Co.
25 filed 75,000 shares of common stock to be of-for subscription by stockholders of record June 1 1-for-4 basis. **Price**—$2 per share. **Proceeds**—capital and surplus. **Office**—229 West Berry St., Wayne, Ind. **Underwriter**—None. **Offering**—Tempo-y delayed.

Millsap Oil & Gas Co., Siloam Springs, Ark.
h 17 (letter of notification) 599,200 shares of com-stock (par 10 cents). **Price** — 50 cents per share **eeds**—For oil and gas activities. **Office**—518 Main Siloam Springs, Ark. **Underwriter**—Dewitt Invest-Co., Wilmington, Del.

Moab King, Inc.
4 (letter of notification) 10,000,000 shares of com-stock. **Price**—At par (one cent per share). **Pro-**—For mining expenses. **Office**—210 Zions Savings Building, Salt Lake City, Utah. **Underwriter** — r Investment Co., same city.

Moab Valley Uranium Co.
16 (letter of notification) 2,000,000 shares of com-stock. **Price**—At par (10 cents per share). **Pro-**—For mining costs. **Office**—716 Newhouse Bldg., Lake City, Utah. **Underwriter** — Moab Brokerage ame city.

Monte Carlo Uranium Mines, Inc.
6 (letter of notification) 6,000,000 shares of com-stock. **Price**—At par (five cents per share). **Pro-**—For mining expenses. **Office** — 706 Newhouse , Salt Lake City, Utah. **Underwriter**—Mid-Con-t Securities, Inc., same city.

★ **Morning Sun Uranium, Inc., Spokane, Wash.**
June 14 (letter of notification) 700,000 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds**—For mining expenses. **Office** — 415 Paulsen Bldg., Spokane, Wash. **Underwriter**—Pennaluna & Co., same city.

Morrell (John) & Co., Ottumwa, Iowa
March 31 (letter of notification) 16,000 shares of capital stock (no par) to be offered in exchange for a like number of shares of John J. Felin Co., Inc., plus a cash payment. **Underwriter**—None.

★ **Mortgage Associates, Inc., Philadelphia, Pa.**
June 7 (letter of notification) 20,000 shares of 60-cent convertible preferred stock (par $5) and 20,000 shares of common stock (par 10 cents). **Price**—For preferred, $10 per share; and for common, $2.50 per share. **Proceeds**—For construction loans and acquisitions. **Underwriters**—Rambo, Close & Kerner Inc., Philadelphia, Pa.; and J. S. Hope & Co., Scranton, Pa.

Mountain Fuel Supply Co. (6/29)
June 8 filed 198,990 shares of capital stock (par $10) to be offered for subscription by stockholders of record about June 28 on the basis of one new share for each 10 shares held; rights to expire on July 18. **Price**—To be supplied by amendment. **Proceeds**—To finance expansion program. **Underwriter** — The First Boston Corp., New York.

★ **Mountain States Life Insurance Co.**
June 14 (letter of notification) 50,000 shares of common stock (par $1). **Price** — $6 per share. **Proceeds** — For working capital, etc. **Address** — Box 2302, Colorado Springs, Colo. **Underwriter**—None.

Multi-Minerals Corp., Salt Lake City, Utah
May 5 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For payment on uranium claims and for exploration and other costs. **Underwriter**—M. Raymond & Co., Inc., New York.

★ **Natick Chemical Industries, Inc., Natick, Mass.**
June 13 (letter of notification) 266,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For working capital, etc. **Office** — 780 Worcester St., Natick, Mass. **Underwriter**—L. F. Rothschild & Co., Inc., New York.

National Credit Corp., Phoenix, Ariz.
May 6 filed 300,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ **National Securities & Research Corp.**
June 15 filed 8,000,000 shares of National Securities Series. **Price**—At market. **Proceeds**—For investment.

New Bristol Oils, Ltd., Toronto, Canada
April 11 filed 2,400,000 shares of common stock (par $1), of which 1,600,000 shares were issued to Newton-Conroe Oil Corp. and 800,000 shares to The Phoenix-Campbell Corp., in exchange for properties. Newton-Conroe is distributing its stock to its stockholders in a liquidation. As holder of 51% of the Newton-Conroe stock, Phoenix-Campbell will receive about 800,000 shares which it proposes to offer to the public, together with the 800,000 shares received directly from New Bristol Oils. **Price**—At market. **Proceeds**—To selling stockholder. **Underwriter**—None, the distributing stockholders having undertaken to market their holdings directly.

● **New Haven Water Co.**
May 17 filed 40,000 shares of capital stock (par $50) to be offered for subscription by stockholders of record June 15, 1955 on basis of two new shares for each seven shares held; rights to expire on July 15. **Price**—$51 per share. **Proceeds**—To repay bank loans and for new construction. **Office**—New Haven, Conn. **Underwriter**—None.

Newmex Uranium & Development Corp.
May 2 (letter of notification) 8,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—El Rancho Hotel, Gallup, N. M. **Underwriter** — Rocky Mountain Securities, Salt Lake City, Utah.

● **North Penn Gas Co. (6/29)**
April 29 filed 419,000 shares of capital stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To John Fox of Boston, Mass., who is the selling stockholder. **Underwriters**—Eastman, Dillon & Co. and Allen & Co., both of New York.

★ **Northern Indiana Public Service Co. (7/7)**
June 20 filed 120,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—Central Republic Co. (Inc.), Chicago; and Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Old Faithful Uranium, Inc., Casper, Wyo.
April 22 (letter of notification) 4,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Office**—300 Consolidated Royalty Bldg., Casper, Wyo. **Underwriter**—E. L. Aaron & Co., New York.

● **Old Republic Insurance Co., Greensburg, Pa. (7/1)**
June 10 filed 100,000 shares of common stock (par $5) to be offered for subscription by stockholders of record June 30 on the basis of one new share for each share held; rights to expire on Aug. 1. **Price**—To be supplied by amendment. **Proceeds**—To diversify and increase its premium volume. **Underwriter**—The First Boston Corp., New York.

Pacific Uranium & Oil Corp.
June 6 (letter of notification) 3,000,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — 811 Boston Bldg., Denver, Colo. **Underwriter**—Amos C. Sudler & Co., same city.

Peabody Coal Co., Chicago, Ill.
June 6 filed 6,492,164 shares of common stock (par $5) to be offered in exchange as follows: 578,739 shares for stock of Sentry Royalty Co. on a 147-for-1 basis; 216,000 shares of stock of Power Coal Co. on an 18-for-1 basis; 3,565,000 shares for stock of Homestead Coal Co. on a 713-for-1 basis; 794,200 shares for stock of Sinclair Coal Co. on a 44-for-1 basis; 611,064 shares for stock of Key Coal co. on a 54-for-1 basis; 546,000 shares for stock of Broken Aro Coal Co. on a 60-for-1 basis; 100,000 shares for stock of Alston Coal Co. on a 10-for-1 basis; and 81,161 shares for all of the properties of Sinclair Mines, Inc. (other than shares of any of the above seven companies owned by the Sinclair firm. The exchange offer is conditioned upon the acceptance of the offer by at least 80% of the total number of shares of each company to be acquired. **Underwriters**—None.

Pelican Uranium Corp., Salt Lake City, Utah
May 25 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — 688 East 21st South, Salt Lake City, Utah. **Underwriter** — Trans-Western Brokerage Co., New Orleans, La., and Salt Lake City, Utah.

Peoples Gas Light & Coke Co.
May 9 filed 111,836 shares of capital stock (par $100) being offered for subscription by stockholders of record June 2 at the rate of one additional share of stock for each ten shares held (with an oversubscription privilege); rights to expire on June 24. **Price**—$140 per share. **Proceeds**—To repay bank loans, acquire additional stock of Peoples Production Co. and for general corporate purposes. **Office**—Chicago, Ill. **Underwriter**—None.

Permian Basin Uranium Corp.
June 2 (letter of notification) 640,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining costs. **Office**—613 Simms Building, Albuquerque, N. Mex. **Underwriter** — Western Securities Corp., Salt Lake City, Utah.

● **Personal Industrial Bankers, Inc., Washington, D. C. (6/24)**
May 23 filed 60,000 shares of $1.40 prior preferred stock ($18 stated value) and 60,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$23 per unit. **Proceeds**—For working capital to be used primarily to increase receivables or for the acquisition of additional assets from others, or both. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

★ **Pictograph Mining & Uranium Co., Inc.**
June 15 filed 2,400,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—For exploration and mining operations and for purchase of equipment and additional claims or leases when justified. **Office**—Edgemont, S. D. **Underwriters**—General Investing Corp., J. H. Lederer Co. and McGrath Securities Corp., all of New York City; and Shaiman & Co., Denver, Colo.

Pinon Uranium Co., Inc., Santa Fe, N. Mex.
June 6 (letter of notification) 300,000 shares of capital stock (par 20 cents). **Price**—$1 per share. **Proceeds**—For drilling expenses, equipment, acquisition of additional properties and working capital and general corporate purposes. **Address**—P. O. Box 23, Santa Fe, N. Mex. **Underwriter**—Frederic H. Hatch & Co., Inc., New York.

Pioneer Mortgage & Development Corp.
April 27 filed 300,000 shares of common stock (par $1), with warrants attached entitling the holder to purchase one additional share at prices ranging from $13 to $20 depending upon the exercise date. **Price**—$10 per share "as a speculation." **Proceeds**—For working capital and general corporate purposes. **Office**—Houston, Tex. **Underwriter**—None.

★ **Powder River Pipeline, Inc., Billings, Mont.**
May 31 (letter of notification) $300,000 of 5½% 10-year debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds**—For expenses incident to oil and gas activities. **Underwriter**—The First Trust Co. of Lincoln, Neb. **Office**—Fratt Bldg., Billings, Mont.

★ **Powder River Uranium, Inc., Elko, Nev.**
June 13 (letter of notification) 10,000,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds**—For mining expenses. **Office**—522 South 5th St., Elko, Nev. **Underwriter**—Lerellen-Bybee Co., Washington, D. C. **Underwriter**—None.

Primary Minerals Corp. (7/8)
May 24 filed 1,400,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For acquisition of mining equipment and other mining expenses. **Office** — San Francisco, Calif. **Underwriter** — General Investing Corp., New York.

● **Purity Stores, Ltd. (6/28)**
June 7 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—San Francisco, Calif. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

● **Pyramid Electric Co. (6/27-30)**
May 3 filed 75,000 shares of 5% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—For new facilities, equipment and machinery and working capital. **Underwriter**—S. D. Fuller & Co., New York.

● **Pyramid Electric Co. (6/27-30)**
May 3 filed 50,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter** — S. D. Fuller & Co., New York.

Continued on page 68

Continued from page 67

★ Rand McNally & Co., Skokie, Ill.
June 9 (letter of notification) not to exceed 3,045 shares of common stock (par $10) to be offered for subscription by stockholders. **Price**—$16 per share. **Proceeds**—For general corporate purposes. **Office**—8255 Central Park Ave., Skokie, Ill. **Underwriter**—None.

Rebel Oil & Uranium Co., Denver, Colo.
May 27 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—636 South Broadway, Denver, Colo. **Underwriter**—Lester Gould & Co., Inc., same city.

Revere Realty, Inc., Cincinnati, Ohio
March 8 filed $1,000,000 of 5½% cumulative convertible debentures due Jan. 1, 1980 and 25,000 shares of common stock (no par). **Price**—Par for debentures and $100 per share for stock. **Proceeds** — To purchase real estate or interest therein. **Underwriter**—Stanley Cooper Co., Inc., Cincinnati, O.

● Royal Uranium Corp.
May 26 (letter of notification) 200,000 shares of common stock (par five cents). **Price**—At market (total not to exceed $150,000). **Proceeds**—For working capital. **Office**—Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Whitney & Co., same city. No general offer planned.

Saint Anne's Oil Production Co.
May 9 (letter of notification) 20,000 shares of common stock (par $1) to be first offered to stockholders. **Price**—$6.25 per share. **Proceeds** — For oil and mineral and related activities. **Office**—Northwood, Iowa. **Underwriter**—None.

Santa Fe Uranium & Oil Co., Inc.
May 26 (letter of notification) 2,959,500 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining operations. **Office**—416 Independence Bldg., Colorado Springs, Colo. **Underwriter**—Columbia Securities Co., Denver, Colo.

★ Savannah River Navigation Co., Inc.
June 13 (letter of notification) 500,000 shares (par one cent). **Price**—15 cents per share. **Proceeds**—For acquisition of equipment and working capital. **Office**—South Finance Corporation Bldg., Augusta, Ga. **Underwriter**—None.

Saxon Uranium Mines Ltd., Toronto, Canada
April 29 filed 1,500,000 shares of common stock (par $1). **Price**—40 cents per share. **Proceeds**—For exploration and working capital; also to repay advances and other liabilities. **Underwriter** — Degaetano Securities Corp., New York.

★ Searle (G. D.) & Co., Chicago, Ill.
June 10 (letter of notification) an undetermined number of shares of common stock (par $5) to be offered for subscription by employees. **Price**—85% of market on June 27, 1955. **Proceeds**—For working capital. **Address**—P. O. Box 5110, Chicago, Ill. **Underwriter**—None.

Shoni Uranium Corp., Riverton, Wyo.
April 21 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 15 cents per share. **Proceeds** — For mining expenses. **Address** — Box 489, Riverton, Wyo. **Underwriter** — Melvin F. Schroeder, Denver, Colo.

★ Siegler Corp., Centralia, Ill. (7/11-12)
June 20 filed 225,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay current indebtedness and for general corporate purposes. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

★ Sierra Uranium Co.
June 16 (letter of notification) 200,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds** — For mining expenses. **Offices**—655 South Flower St., Los Angeles, Calif., and 206 No. Virginia St., Reno, Nev. **Underwriter**—None.

● Silver Creek Precision Corp. (6/27-28)
March 31 filed $600,000 of 10-year convertible 6% debentures due June 30, 1965. **Price**—At 100% of principal amount (in denominations of $100 each). **Proceeds**—For working capital and general corporate purposes. **Office**—Silver Creek, N. Y. **Underwriter**—General Investing Corp., New York.

Sonoma Quicksilver Mines, Inc.
April 27 filed 800,000 shares of capital stock (par 10 cents), of which 80,000 shares are to be initially offered to public. **Price**—To be fixed on the basis of the market value at the time of their first sale or $1 per share, which ever is lower. **Purpose** — To increase facilities and invest in other quicksilver properties; and for working capital. **Office**—San Francisco, Calif. **Underwriter**—Norman R. Whittall, Ltd., Vancouver, B. C., Canada.

● Southeastern Public Service Co.
May 20 filed 100,000 shares of common stock (par 10 cents) being offered for subscription by stockholders of record June 10 on the basis of one new share for each eight shares held (with an oversubscription privilege); rights to expire June 29. **Price**—$10.50. **Proceeds**—For general corporate purposes, including investments in subsidiaries. **Underwriter**—Bioren & Co., Philadelphia, Pa.

● Southland Racing Corp., West Memphis, Ark. (6/30)
June 10 filed 1,250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For construction and related purposes, and for operating capital and reserve for future expansion. **Underwriter**—General Investing Corp., New York.

★ Southwestern American Houses, Inc., Houston, Texas
June 6 (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—To repay bank loans and for working capital and general corporate purposes. **Underwriter**—Aetna Securities Corp., New York. **Offering**—Now being made.

Sovereign Uranium Gas & Oil Co.
May 13 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—704 Equitable Bldg., Denver, Colo. **Underwriter**—Daggett Securities, Inc., Newark, N. J.

Stancan Uranium Corp., Toronto, Canada
April 18 filed 200,000 shares of cumulative convertible preferred stock, series A (par one cent). **Price**—To be supplied by amendment. **Proceeds**—For exploration and development expenses and for general corporate purposes. **Underwriters**—Gearhart & Otis, Inc. and F. H. Crerie & Co., Inc., both of New York.

● Stewart Oil & Gas Co. (7/5-8)
March 14 filed 750,000 shares of common stock (par 10¢). **Price**—$1 per share. **Proceeds**—To repay bank loan, and for development of properties and other activities incident to oil and gas operations. **Office** — San Angelo, Texas. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Sun Hotel, Inc., Las Vegas, Nev.
Feb. 16 filed 760,000 shares of pfd. capital stk. (par $9.50) and 1,540,000 shares of common capital stock (par 25 cents), of which 680,000 shares of preferred and 1,360,000 shares are to be offered in units of one preferred and two common shares; the remaining 80,000 shares of preferred stock and 180,000 shares of common stock may be exchanged for properties. **Price**—$10 per unit. **Proceeds**—To purchase property; for construction of hotel; and for working capital. **Underwriter**—Coombs & Co., Salt Lake City, Utah.

Sunshine Park Racing Association, Inc. (Fla.)
Nov. 18 filed $700,000 of 6% convertible sinking fund debentures due 1966 and 70,000 shares of common stock (par 10 cents). **Price** — 100% and accrued interest for debentures and $2 per share for stock. **Proceeds**—To repay bank loans, for new construction and for working capital. **Underwriter**—Gulf-Atlantic, Inc., Tampa, Fla.

★ Super-Seal Piston Ring Corp., Brownwood, Tex.
June 3 (letter of notification) 575,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For machinery and working capital. **Underwriter**—Great Southwest Securities Co.

Tasha Oil & Uranium Co., Denver, Colo.
May 11 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—1890 S. Pearl St., Denver, Colo. **Underwriter** — Carroll, Kirchner & Jaquith, Inc., same city.

Tekoil Corp., Robinson, Ill.
May 31 filed 280,000 shares of common stock (par $1). **Price**—To be supplied by amendement. **Proceeds**—To retire liabilities assumed in connection with acquisition of present properties; to retire short-term bank loan; for payment on properties acquired from G. S. Hammonds; and for general corporate purposes. **Underwriter**—Eppler, Guerin & Turner, Dallas, Texas.

★ Texas Eastern Transmission Corp. (7/13)
June 21 filed 160,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay borrowings made in connection with reconversion of a portion of the Little Big Inch pipeline to the transportation of petroleum products. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ Texas Western Oil & Uranium Co., Denver, Colo.
June 15 (letter of notification) 5,960,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Office** — 407 Denver National Bldg., Denver, Colo. **Underwriter**—Floyd Koster & Co., same address.

Texboard, Inc., Dallas, Texas
Jan. 17 filed $1,500,000 of 6% series A debentures due serially from Feb. 1, 1957 to Aug. 1, 1961, and $1,000,000 of 6% series B convertible debentures due serially from Feb. 1, 1962 to Aug. 1, 1966. Price—To be supplied by **amendment. Proceeds**—To construct and operate a **manufacturing plant near Orange, Tex., for the purpose of manufacturing insulation building products. Underwriter**—Emerson Cook Co., Palm Beach, Fla

● Therm-O-Disc, Inc., Mansfield, Ohio (6/28)
June 7 filed 89,600 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter** — McDonald & Co., Cleveland, Ohio.

★ Thermoid Co.
June 15 filed $480,000 of memberships in the company's Employees' Thrift Bonus Plan, together with 15,000 shares of preferred stock and 78,000 shares of common stock of the company which may be purchased under the plan.

★ Thorofare Markets, Inc., Murrysville, Pa.
June 22 filed $2,000,000 of sinking fund subordinated debentures, series A (convertible on or before June 30, 1962), due July 1, 1975. **Price** — To be supplied by amendment. **Proceeds**—To retire note, and for expansion and working capital. **Underwriter**—Hulme, Applegate & Humphrey, Inc., Pittsburgh, Pa.

★ Thorp Finance Corp., Thorp, Wis.
June 15 (letter of notification) 5,000 shares of common stock (par $10) to be offered to holders of 7,528 shares of common stock of Northwestern Acceptance Co. **Price**—$24.50 per share. **Underwriter**—None.

Thunderbird Uranium Corp., Albuquerque, New Mexico
June 9 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—915 Simms Bldg., Albuquerque, N. M. **Underwriter**—Hicks, Newton & Co., I[nc.], Denver, Colo.

★ Tremont Motel Corp.
June 13 (letter of notification) 150,000 shares of co[m]mon stock (par 10 cents). **Price**—$2 per share. **Procee[ds]**—For new construction, furniture and equipment a[nd] working capital. **Office** — 321 Milburn Ave., Milbu[rn], N. J. **Underwriter**—Berry & Co., Plainfield, N. J.

Triangle Mines, Inc., Salt Lake City, Utah
May 3 (letter of notification) 100,000 shares of comm[on] stock. **Price**—At par (50 cents per share). **Proceed[s]**—For mining operations. **Office** — 506 Judge Bldg., S[alt] Lake City, Utah. **Underwriter** — Lewellen-Bybee C[o.], Washington, D. C.

★ Tungsten Mountain Mining Co., Fallon, Nev.
June 8 (letter of notification) 149,800 shares of comm[on] stock (par $1). **Price**—$1.50 per share. **Proceeds**—[For] mining operations. **Address** — P. O. Box 456, Fall[on], Churchill County, Nev. **Underwriter**—H. P. Pratt & C[o.], Seattle, Wash.

Turner Uranium Corp.
April 1 (letter of notification) 2,000,000 shares of co[m]mon stock (par 2½ cents). **Price**—10 cents per sha[re]. **Proceeds** — For mining operations. **Office** — 130 So[uth] Hall Avenue, Salt Lake City, Utah. **Underwriter**—M[el]vin G. Flegal & Co., same city.

Two Jay Uranium Co., Salt Lake City, Utah
May 16 (letter of notification) 3,000,000 shares of co[m]mon stock (par three cents). **Price**—10 cents per sh[are]. **Proceeds**—For mining expenses. **Office**—32 Excha[nge] Place, Salt Lake City, Utah. **Underwriter** — West[ern] States Investment Co., Tulsa, Okla.

Ucon Uranium Corp., Salt Lake City, Utah
June 2 (letter of notification) 5,000,000 shares of co[m]mon stock (par one cent). **Price**—Five cents per sh[are]. **Proceeds**—For mining costs. **Office**—406 Judge Bu[ild]ing, Salt Lake City, Utah. **Underwriter**—Empire Se[cu]rities Corp., Las Vegas, Nev.

U-Kan Uranium & Oil Co., Salt Lake City, Utah
May 5 (letter of notification) 260,000 shares of comm[on] stock (par 10 cents). **Price**—$1 per share. **Proceed[s]**—For mining expenses. **Office** — Judge Bldg., Salt L[ake] City, Utah. **Underwriter** — Northern Securities, I[nc.], Seattle, Wash.

Union Club, Inc., Hollywood, Calif.
March 1 filed 30,000 shares of preferred stock (par $[...]) and 100,000 shares of common stock (par $10) to [be] offered in units of three preferred and 10 comm[on] shares. **Price**—$400 per unit. **Proceeds**—For purchas[e of] property, construction of hotel, athletic and health fa[cil]ities, and working capital. **Underwriter**—None, but s[ales] will be made through agents.

United Gas Corp.
May 17 filed 525,036 shares of common stock (par $[...]) being offered by Electric Bond & Share Co. for subsc[rip]tion by its common stockholders of record as of Ju[ne ...] on the basis of one new share of United Gas stock [for] each 10 shares of Bond and Share stock held; right[s] expire on July 1. **Price** — $28 per share. **Proceed[s]**—To Electric Bond & Share Co., who is the selling sto[ck]holder. **Underwriter**—None.

United Telephone Co. of Pennsylvania (6/28)
June 7 filed 15,000 shares of 4½% cumulative prefe[rred] stock, series A (par $100). **Price**—To be supplied [by] amendment. **Proceeds**—Together with proceeds f[rom] issuance of 20,000 shares of common stock to U[nited] Utilities, Inc., its parent, to be used for payment of [...] loans and advances owing to parent; and for gen[eral] corporate purposes. **Office**—Harrisburg, Pa. **Un[der]writer**—Kidder, Peabody & Co., Philadelphia and [New] York.

Uranium Prince Mining Co., Wallace, Ida.
April 18 (letter of notification) 1,750,000 shares of c[om]mon stock. **Price** — 10 cents per share. **Proceeds**—[For] mining operations. **Address** — Box 709, Wallace, [Ida.] **Underwriter**—Wallace Brokerage Co., same city.

Uranium Properties, Ltd., Virginia City, Nev.
June 13 filed $600,000 of Grubstake Loans to be off[ered] in amounts of $25 or multiple thereof. **Proceeds**—[...] to be invested in U. S. Savings bonds and the bal[ance] for equipment and exploration and development [ex]penses. **Underwriter**—None.

★ Uranium Queen Exploration Co., Greeley, Col[o.]
June 16 (letter of notification) 15,000 shares of cla[ss A] common stock and 150,000 shares of class B com[mon] stock. **Price**—At par ($1 per share). **Proceeds** —[For] mining expenses. **Office**—823—16th St., Greeley, [Colo.] **Underwriter**—None.

Utah Southern Uranium Co., Las Vegas, Nev[.]
June 6 (letter of notification) 3,000,000 shares of ca[pital] stock. **Price**—At par (10 cents per share). **Procee[ds]**—For mining expenses. **Office**—210 N. Third St., [Las] Vegas, Nev. **Underwriter**—Lester L. LaFortune, [same] city.

★ Utco Uranium Corp.
June 16 (letter of notification) 1,040,000 shares of [com]mon stock (par one cent). **Price**—12½ cents per s[hare]. **Proceeds**—For mining expenses. **Underwriter**—Non[e].

Vactron Corp.
May 13 (letter of notification) 300,000 shares of [com]mon stock. **Price**—At par ($1 per share). **Proceeds**—[To] manufacture, process, rebuild and market televisio[n pic]tures tubes, etc. **Underwriter** — Zone Investments[, ...] Fort Worth, Texas.

● Vanadium Queen Uranium Corp. (7/5-7)
April 18 filed 845,000 shares of capital stock (p[ar ...] cents), of which 70,000 shares are for the account of [sell]ing stockholders and 775,000 shares for the comp[any's] account. **Price**—$2.50 per share. **Proceeds** — To [...] notes and for exploration and development exp[enses].

ice — Grand Junction, Colo. Underwrtier—Van Alne, Noel & Co., New York.

Vanura Uranium, Inc., Salt Lake City, Utah
ne 16 (letter of notification) 3,000,000 shares of comn stock (par one cent). Price — 10 cents per share. oceeds — For mining expenses. Underwriter — I. J. enin & Co., New York. Name Change—The company s formerly known as San Miguel Uranium, Inc.

Vectron, Inc., Waltham, Mass.
ne 10 (letter of notification) 5,700 shares of class A nmon stock (par $1). Price—At market (estimated at 75 per share). Proceeds—To increase working capital. fice—400 Main St., Waltham, Mass. Underwriter—y & Gannon, Inc., Boston, Mass.

Vitro Corp. of America (6/29)
ne 7 filed 160,000 shares of common stock (par 50 nts). Price—To be supplied by amendment. Proceeds $2,170,000 to prepay $1,800,000 V-loan and certain notes d for working capital. Underwriter — Blyth & Co., ., New York and San Francisco.

Wabash Uranium Corp., Moab, Utah
ne 10 (letter of notification) 10,000,000 shares of capi- stock. Price—At par (three cents per share). Pro-eds—For mining expenses. Underwriter—Moab Bro-age Co. and National Securities, Inc., 368 South State Salt Lake City, Utah.

Walker-Scott Corp., San Diego, Calif.
y 23 (letter of notification) 8,571 shares of class A nmon stock. Price—$34 per share. Proceeds—For rking capital. Office—1014 Fifth Ave., San Diego, lif. Underwriter—None.

Warwick Hotel Associates, New York
ne 22 filed $4,250,000 of participations in partnership erest in Associates in minimum amount of $10,000. oceeds — To pay part of purchase price of Warwick tel, Philadelphia, Pa., and related expenses. Under-iter—None.

Washington Natural Gas Co. (7/5-8)
y 24 (letter of notification) 238,632 shares of comn stock (par one cent), of which 192,011 shares are account of company and 46,621 shares for account of lling stockholder. Price—$1.25 per share. Proceeds— retire indebtedness and for working capital. Under-iter—Barrett Herrick & Co., Inc., New York.

Washington Plywood Co., Inc., Lowell, Wash.
ne 13 filed 296 shares of common stock (par $5,000). oceeds—To purchase plywood mill of Walton Plywood , Inc., etc. Underwriter—Albert Walter Braedt.

Weco Products Co., Chicago, Ill.
ne 3 (letter of notification) 3,500 shares of common ck (par $1). Price—At market. Proceeds—To a sell- stockholder. Underwriter—A. C. Allyn & Co., Inc., icago, Ill.

Western Hills Inn, Fort Worth, Texas
n. 31 filed 200,000 shares of capital stock (no par) ice—$5 per share. Proceeds—Together with other ds, to construct, furnish and equip hotel to be built ween Dallas and Fort Worth, Texas. Underwriter—hwanz & Co., Inc., Aurora, Ill.

Western Nebraska Oil & Uranium Co., Inc. (7/11-15)
ril 4 (letter of notification) 200,000 shares of common ck (par 10 cents). Price—$1.50 per share. Proceeds— r exploration and development costs and working oital. Office—924 Broadway, Denver, Colo. Under-iter—Israel & Co., New York.

White Horse Uranium, Inc., Salt Lake City, Utah
ne 9 (letter of notification) 2,900,000 shares of capital ck (par 2½ cents). Price—10 cents per share. Pro-eds—For mining expenses. Office—1030 South Sixth st St., Salt Lake City, Utah. Underwriter—J. W. cks & Co., Inc., Denver, Colo.

Wicker-Baldwin Uranium Mining Co.
y 26 (letter of notification) 900,000 shares of common ck. Price—At par (25 cents per share). Proceeds— r mining expenses. Office—616 Sixth St., Rapid City, D. Underwriter—Driscoll-Hanson, Inc., same city.

Wilma K. Uranium Mining Corp.
y 31 (letter of notification) 9,990,000 shares of comn stock (par one cent). Price—Two cents per share. oceeds—For mining expenses. Office—Grand Junc-n, Colo. Underwriter—Columbia Securities Co., Inc., nver, Colo.

Wooster Rubber Co.
ne 2 filed 169,200 shares of common stock (par $1). ce—To be supplied by amendment. Proceeds — To ht selling stockholders. Underwriters—Hulme, Apgate & Humphrey, Inc., Pittsburgh, Pa.; Stroud & , Inc., Philadelphia, Pa.; and The Ohio Company, umbus, Ohio. Offering—Expected today (June 23).

Wright Line, Inc., Worcester, Mass. (7/7-12)
ne 17 filed 110,000 shares of class B common stock r $1), of which 50,000 shares are to be offered for the npany and 50,000 shares by certain selling stockhold- . Price—To be supplied by amendment. Proceeds— finance additions to factory building and for work- capital and general corporate purposes. Underwriter Paine, Webber, Jackson & Curtis, Boston and New rk.

Wyco Uranium, Inc., Salt Lake City, Utah
ril 7 (letter of notification) 2,900,000 shares of comn stock (par one cent). Price — 10 cents per share. ceeds—For mining expenses. Office—429 Ness Bldg., t Lake City, Utah. Underwriter — Rocky Mountain urities, Las Vegas, Nev.

Wyoming Uranium Corp., Salt Lake City, Utah
ril 22 (letter of notification) 833,333 shares of comn stock (par one cent). Price—3½ cents per share. ceeds—For mining expenses. Office—522 Felt Bldg., t Lake City, Utah. Underwriter—James E. Reed & Co., Salt Lake City, Utah; and Coombs & Co., of Washington, D. C.

York Oil & Uranium Co.
June 3 (letter of notification) 10,000,000 shares of capital stock. Price—At par (two cents per share). Proceeds —For mining and oil activities. Address—P. O. Box 348, Newcastle, Wyo. Underwriter—Empire Securities Corp., Salt Lake City, Utah.

Prospective Offerings

American Telephone & Telegraph Co.
April 20 stockholders approved a new issue of not to exceed $650,000,000 convertible debentures. When issued, each stockholder would receive rights to purchase the debentures in proportion to his holdings of stock (probably on the basis of $100 of debentures for each eight shares of stock held). Underwriter—None.

Arkansas Power & Light Co.
May 27 it was reported company plans to issue and sell about 80,000 shares of cumulative preferred stock (par $100). Proceeds—To repay bank loans and for new construction. Underwriter—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); White, Weld & Co. Bids—Probably in September or October.

California Electric Power Co.
June 7 it was announced permanent financing had been postponed to fourth quarter of 1955. Proceeds—To retire bank loans (estimated at $10,000,000). Underwriter—To be determined by competitive bidding. (1) For bonds, probable bidders may be Halsey, Stuart & Co. Inc.; Blair & Co., Incorporated; White, Weld & Co.; Blyth & Co., Inc. (2) For any common stock, bidders may include: Carl M. Loeb, Rhoades & Co. and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane.

Cavendish Uranium Mines Corp.
April 19 it was announced company plans issue and sale of a debenture issue of several million dollars. Proceeds—For a concentrating mill, mining equipment and for underground development. Underwriter—James Anthony Securities Corp., New York.

Central Maine Power Co.
Dec. 31, W. F. Wyman, President, stated that company plans to issue and sell some additional common stock, par $10 (probably to stockholders) in the latter part of 1955. Proceeds—For construction program. Underwriter —May be determined by competitive bidding. Probable bidders: The First Boston Corp. and Coffin & Burr, Inc. (jointly); Harriman Ripley & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly). Meeting—Stockholders on May 11 voted to increase the authorized common stock from 3,250,000 to 3,500,000 shares. Offering—Probably in September.

Chance (A. B.) Co., Centralia, Mo.
June 13 it was reported company may offer next month 50,000 additional shares of common stock. Underwriter—Stifel, Nicolaus & Co., Inc., St. Louis, Mo.

Chicago, Milwaukee, St. Paul & Pacific RR.
May 10 it was announced stockholders will vote July 13 on approving the creation of an issue of $60,000,000 5% income debentures, series A, to be offered in exchange for outstanding preferred stock, series A, about Aug. 1 on a par for par basis; offer to expire on Sept. 1, 1955.

Chicago & North Western Ry. (6/29)
Bids will be received by the company up to noon (CDT) on June 29 at 400 West Madison St., Chicago 6, Ill., for the purchase from it of $3,330,000 equipment trust certificates to be dated July 15, 1955 and to mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Commonwealth Edison Co.
Jan. 24, Willis Gale, Chairman, announced it should be Fall before the company undertakes its next financing. Proceeds—For new construction, which, it is estimated, will cost about $125,000,000 in 1955. Underwriters—For last equity financing were The First Boston Corp. and Glore, Forgan & Co.

Consolidated Edison Co. of New York, Inc.
June 14 it was announced company expects to sell from $40,000,000 to $50,000,000 bonds some time during the current year. Proceeds—For construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

Consolidated Uranium Mines, Inc.
July 23, 1954, stockholders authorized issuance and sale of not to exceed $6,000,000 convertible debenture bonds in connection with the acquisition of Uranium Mines of America, Inc. stock. Public offering of $2,000,000 bonds expected early in 1955. Underwriter — Tellier & Co., Jersey City, N. J.

Consumers Power Co. (7/21)
May 25 company filed a petition with Michigan P. S. Commission for authority to issue and sell 100,000 shares of preferred stock (no par). Price—Not less favorable to the company than a $4.50 basis. Proceeds—For construction program. Underwriter—Morgan Stanley & Co. Registration—Expected June 24.

Consumers Power Co. (7/20)
May 25, Justin R. Whiting, Chairman of the Board, announced company plans to offer to its common stockholders 373,689 additional shares of common stock (no par) on the basis of one new share for each 20 shares held about July 21; rights to expire on Aug. 5. Unsubscribed shares to be offered to employees of company and its subsidiary. Price—To be not less favorable to the company than $4 per share below the then current market price at the time the offering price is determined. Proceeds — For construction program. Underwriter — To be determined by competitive bidding Probable bidders: Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly); Morgan Stanley & Co., Lehman Brothers; Ladenburg, Thalmann & Co. Bids—Te be received up to 11 a.m. (EDT) on July 20. Registration—Expected June 24.

Continental Aviation & Engineering Co.
June 13 it was reported company plans sale in near future of $2,000,000 convertible debentures. Underwriter —Van Alstyne, Noel & Co., New York.

Continental Can Co., Inc.
April 18, preferred stockholders approved creation of not to exceed an additional $25,000,000 of debentures or other indebtedness maturing later than one year after the date thereof. The company has no present plans for making any additional borrowings. Underwriters—Goldman, Sachs & Co. and Lehman Brothers, both of New York.

Daitch Crystal Dairies, Inc.
April 28 stockholders approved a proposal to increase the authorized common stock (par $1) from 500,000 shares to 1,000,000 shares to provide for future financing and expansion. Underwriter—Hirsch & Co., New York.

Detroit Edison Co.
May 2 stockholders approved a proposal authorizing about $60,000,000 of convertible debentures. Previous offer of convertible debentures was made to stockholders without underwriting.

Doman Helicopters, Inc.
Feb. 17 Donald S. B. Waters, President, announced stockholders voted to increase authorized capital stock from 1,000,000 shares to 3,000,000 shares in anticipation of expansion of the company's activities. Underwriter—Previous financing handled by Greene & Co., New York.

Ferro Corp.
June 3 it was announced stockholders on July 8 will vote on a proposal to issue and sell $6,000,000 of convertible subordinated debentures. Proceeds—To retire approximately $5,000,000 of long-term debt and for general corporate purposes. Underwriter — Merrill Lynch, Pierce, Fenner & Beane, New York. Offering—Expected about the middle of July.

★ First National Bank of Arizona
June 17 it was announced that this Bank plans to offer to its stockholders 160,000 additional shares of capital stock on the basis of one new share for each three shares held. Price—$30 per share. Proceeds — To increase capital and surplus. Underwriter — None, but Transamerica Corp., the parent, will purchase any unsubscribed shares.

First National Bank of Fort Worth, Texas
May 16 it was announced Bank plans to offer to its stockholders the right to subscribe for 100,000 additional shares of capital stock (par $10) on the basis of one new share for each 5½ shares held. Price—$23.50 per share. Proceeds—To increase capital and surplus.

First National Bank & Trust Co., Tulsa, Okla.
June 8 it was announced Bank is offering its stockholders of record, June 6, 1955, the right to subscribe, up to and including June 24, 1955, for 160,000 additional shares of capital stock (par $10) on the basis of two new shares for each five shares held. Price — $25 per share. Underwriter — Merrill Lynch, Pierce, Fenner & Beane, New York.

• Florida Power Corp.
April 14 it was announced company may issue and sell between $10,000,000 and $12,000,000 of first mortgage bonds. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Glore, Forgan & Co.; and The First Boston Corp. Offering—Expected late in 1955 or early 1956.

Ford Motor Co., Detroit, Mich.
March 15 it was reported that following a probable 10-for-1 stock split, an offering of approximately 4,000,000 new shares will be made to the public. Price—Expected to be around $60 per share. Proceeds — To the Ford Foundation. Offering—Probably not until "latter part of 1955, if then."

Goodyear Tire & Rubber Co., Akron, Ohio
June 14 P. W. Litchfield, Chairman of the Board, announced company plans to issue and sell some additional common stock (par $5) to its stockholders on the basis of one new share for each 10 shares held (at March 31, 1955, there were outstanding 9,106,608 shares). Price—To be determined shortly prior to the offering and is expected to provide in the area of $50,000,000 of additional capital funds. Proceeds—For capital expenditures and working capital. Underwriter—Dillon, Read & Co., Inc., New York.

Gulf States Utilities Co.
May 16 it was reported company may issue and sell $10,000,000 first mortgage bonds if market conditions permit. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. Registration—Expected in June. Bids—Expected in July.

Continued on page 70

Continued from page 69

Hammermill Paper Co.
May 10 stockholders approved a proposal on increasing the debt authority to $20,000,000. **Underwriter**—A. G. Becker & Co. (Inc.), Chicago, Ill.

● Housatonic Public Service Corp. (9/5)
June 20 it was reported company plans to issue and sell 14,817 additional shares of common stock (par $15) to common stockholders of record Sept. 5 on the basis of one new share for each 25 shares held; rights to expire on Sept. 26. **Price**—$22 per share. **Proceeds**—For construction program. **Underwriter**—None. Unsubscribed shares to be sold to highest bidder.

Hupp Corp.
May 13 stockholders approved a proposal increasing the authorized capital stock from 3,000,000 to 4,200,000 shares (200,000 of such increased shares shall be (new) serial preferred stock, $50 par value and 1,000,000 shares shall be common stock, $1 par value); also waiving of preemptive rights to such increased shares.

International Bank, Washington, D. C.
April 25 it was announced company, in addition to placing privately an issue of $500,000 convertible debentures, will offer additional convertible debentures to shareholders, the latter probably sometime in the Autumn of this year. **Office** — 726 Jackson Place, N. W., Washington, D. C. **Business**—Industrial merchant bankers.

International Oil & Metals Corp., Seattle, Wash.
May 23 it was reported company may do some financing some time in the future. William D. Bost of Whitcomb & Co., New York, is Chairman of the Board.

Isthmus Sulphur Co. (Texas)
March 30 it was reported early registration is planned of an undertermined number of common shares. **Underwriters**—L. D. Sherman & Co., New York, and Garrett & Co., Dallas, Tex.; and others.

Jersey Central Power & Light Co.
Feb. 21 it was reported company plans to sell $5,000,000 of preferred stock. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Glore, Forgan & Co. **Offering** — Expected before July 1.

Keystone Wholesale Hardware Co., Atlanta, Ga.
Jan. 27 it was stated that the company plans at a later date to offer additional shares for sale nationally. An offering of 16,666 shares of common stock was recently made to residents of Georgia only at $3 per share. **Office**—517 Stephens St., S.W., Atlanta, Ga.

Lithium Developments, Inc., Cleveland, Ohio
June 9 it was announced that company plans soon to file a registration statement with the SEC covering a proposed issue of 600,000 shares of common stock. **Proceeds**—For general corporate purposes. **Underwriter**—George A. Searight, New York, will head group.

Long Island Lighting Co.
April 23 it was announced company plans to sell an issue of $15,000,000 first mortgage bonds, series H, due 1985. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); W. C. Langley & Co.; Smith, Barney & Co.; Baxter, Williams & Co. **Offering**—Expected late in 1955.

Lucky Stores, Inc.
April 20 stockholders approved a proposal to increase the authorized common stock (par $1.25) from 1,000,000 shares to 2,000,000 shares (there are 804,063 shares outstanding). It was reported previously that the company proposed to raise approximately $1,500,000 through the sale of 150,000 shares. However, no immediate financing is planned. **Underwriter**—Probably Blair & Co. Incorporated, New York.

Maine Central RR.
Feb. 14, E. Spencer Miller, President, said company has not given up the idea of refunding the $17,000,000 5⅛% first mortgage and collateral trust bonds due 1978 Probable bidders for new bonds may include Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; W. C. Langley & Co.; Coffin & Burr, Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Glore, Forgan & Co.

Majestic Auto Club, Inc.
Aug. 25 it was announced company plans to offer 500,000 shares (par five cents) to the motorist and general public shortly after completion of the current offering of 100,000 shares to service station owners and operators. **Office**—Room 717, 141 Broadway, New York 6, N. Y.

Maremont Automotive Products, Inc.
May 23 it was reported company plans early registration of $2,000,000 convertible debentures due 1970. **Underwriters** — Hallgarten & Co.; Straus, Blosser & McDowell; and McCormick & Co. (latter handling books).

Merchants National Bank of Boston
June 10 it was announced stockholders of record June 9 have been given the right to subscribe for 50,000 additional shares of capital stock (par $10) in the ratio of one new share for each six shares held; rights to expire on June 27. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriter** — The First Boston Corp., New York.

Middle States Telephone Co. of Illinois
May 19 it was reported company plans to issue and sell additional common stock. On May 11, the authorized issue was increased to 450,000 shares from 350,000 shares. **Underwriter**—Central Republic Co., Inc., Chicago, Ill.

Mountain States Telephone & Telegraph Co.
May 21 it was announced that company plans to issue and sell to its stockholders additional common stock next Fall, the amount and ratio to be determined later. American Telephone & Telegraph Co. owns about 86.7% of the presently outstanding common stock. **Underwriter**—None.

Murphy (G. C.) Co., McKeesport, Pa.
April 12 stockholders approved a proposal to increase the authorized limit of indebtedness from $3,000,000 to $20,000,000. **Proceeds**—For expansion program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York, handled preferred stock financing in 1942.

● National Bank of Toledo
June 9 stockholders of record June 9 were given right to subscribe for 20,000 shares of common stock on a one-for-three basis; rights to expire on June 29. **Price**—$40 per share. **Proceeds** — To increase capital and surplus. **Underwriter**—None.

National State Bank of Newark (N. J.)
June 6 the Bank offered to its stockholders of record June 3 the right to subscribe on or before June 24 for 45,000 additional shares of capital stock (par $25) on the basis of one new share for each three shares held. **Price**—$91 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Clark, Dodge & Co.; Union Securities Corp.; Adams & Hinckley; Nugent & Igoe; Julius A. Rippel, Inc.; and Parker & Weissenborn, Inc.

New Haven Clock & Watch Co.
June 7 it was announced that in connection with its proposed plan of recapitalization to be voted upon July 26, the company plans to raise not less than $300,000 of new capital. **Underwriter**—Probably Reynolds & Co., New York.

New Orleans Public Service Inc.
Feb. 4 it was announced that company plans this year to issue some first mortgage bonds due 1985. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Blair & Co. Incorporated; The First Boston Corp.; Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); and Lehman Brothers.

New York Telephone Co.
Jan. 17, Keith S. McHugh, President, announced that the company will have to raise more than $100,000,000 of new capital money to aid in carrying out its expansion and improvement program which will cost approximately $200,000,000. **Underwriter**—For and bonds, to be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.

Northern Illinois Gas Co.
June 14, Marvin Chandler, President, announced that the company plans to spend $60,000,000 on new construction through 1958, and that about $25,000,000 would be raised through the sale of bonds in the period. **Underwriters**—The First Boston Corp., Halsey, Stuart & Co. Inc. and Glore, Forgan & Co.

Northern Indiana Public Service Co.
Jan. 12, D. H. Mitchell, President, announced that the company plans to raise approximately $12,000,000 of new money (which may be done through sale of preferred and/or common stock). **Underwriters**—Probably Central Republic Co. (Inc.), Blyth & Co., Inc.; and Merrill Lynch, Pierce, Fenner & Beane.

Northern States Power Co. (Minn.)
March 29 it was announced that new capital requirements for 1955 will approximate $31,000,000. Present plans contemplate these funds will be obtained temporarily from short-term bank loans to be repaid from proceeds of the sale of additional bonds late in 1955 or early 1956. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Smith, Barney & Co.; Lehman Brothers and Riter & Co. (jointly); Glore, Forgan & Co.

Northwest Nitro-Chemicals, Ltd., Alberta, Can.
March 4 company plans to issue and sell publicly debentures and common stock to finance its proposed chemical project. **Underwriter**—Eastman, Dillon & Co., New York.

★ Ohio Power Co. (9/20)
June 20 it was reported company plans to issue and sell 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Lehman Brothers; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly). **Registration**—Planned for Aug. 17. **Bids**—Expected to be received up to 11 a.m. (EDT) on Sept. 20.

★ Ohio Power Co. (9/20)
June 20 it was reported company plans to issue and sell $22,000,000 of first mortgage bonds due 1985. **Proceeds**—To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly); Kuhn, Loeb & Co.; Blyth & Co., Inc.; Union Securities Corp. and Salomon Bros & Hutzler (jointly); The First Boston Corp. **Registration**—Planned for Aug. 17. **Bids**—Expected to be received up to 11 a.m. (EDT, on Sept. 20.

★ Pacific Far East Line, Inc., San Francisco, Calif.
June 18 it was reported that early registration is expected of 80,000 shares of cumulative convertible preferred stock (par $25) and of about 160,000 shares of common stock, of which 100,000 shares are to be sold for the company and the balance for the accoun Chicago Corp. **Underwriter**—A. G. Becker & Co. (I Chicago, Ill.

● Pacific Telephone & Telegraph Co.
June 21 it was announced company plans to offer t preferred and common stockholders later this yea 339,196 additional shares of common stock on a 1-f basis. (American Telephone & Telegraph Co., the pa owns a majority of the common and preferred st presently outstanding.) **Price**—At par ($100 per sha **Proceeds**—To repay bank loans and for new const tion. **Underwriter**—None.

★ Pacific Telephone & Telegraph Co.
June 21 it was announced company plans to issue sell $67,000,000 of 36-year debentures due 1991. **Proc** —For construction program. **Underwriter**—To be termined by competitive bidding. Probable bidd Halsey, Stuart & Co. Inc.; Morgan Stanley & White, Weld & Co., Lehman Brothers and Union S rities Corp. (jointly). **Registration**—Planned for latter part of July. **Bids**—Expected to be opene mid-August.

Pennsylvania Power & Light Co.
April 19, Charles E. Oakes, President, announced company plans this year to issue and sell $15,000,0 first mortgage bonds and use the proceeds for its struction program. Previous bond financing was ranged privately through Drexel & Co. and The Boston Corp.

Puget Sound Power & Light Co.
April 5, Frank McLaughlin, President, said that "it be necessary in 1955 to obtain funds for constru purposes from outside sources—at least to the e of several million dollars." The company has sched a large-scale expansion program, involving $75,00 in order to keep abreast of estimated load growth the next five years. **Underwirters**—Probably Sto Webster Securities Corp., The First Boston Corp. Smith, Barney & Co.

Pure Oil Co.
April 9 stockholders approved the possible issuan a convertible debenture issue. This would not e $50,000,000 and would be issued at the discretion o directors any time within the next 12 months. **U writer**—Probably Smith, Barney & Co., New York

Reading Co.
June 7 stockholders approved a proposal increasin authorized indebtedness of the company to $125,00 Funded debt at Dec. 31, 1954 totaled $84,077,350. the future, the directors should deem it in the bes terests of the company to issue bonds, the board determine the amount of the issue and the terms conditions of the bonds. Probable bidders: Ha Stuart & Co. Inc.; Morgan Stanley & Co.

St. Louis-San Francisco Ry.
May 10 stockholders approved an additional issu up to $25,000,000 of first mortgage bonds, of whi is planned to sell initially $19,500,000 principal an to mature in 40-years. **Proceeds** — For property tions and improvements. **Underwriter**—To be d mined by competitive bidding. Probable bidders: sey, Stuart & Co. Inc.; The First Boston Corp.; Securities Corp.; Blyth & Co., Inc. and Harriman R & Co. Inc. (jointly).

San Diego Gas & Electric Co.
E. D. Sherwin, President, recently reported tha company will need a minimum of $11,000,000 new c to help finance its current $20,000,000 construction gram. The financing will probably take the form bond issue or preferred stock. **Underwriters**—(1 preferred stock, Blyth & Co., Inc., San Francisco, (2) For bonds, to be determined by competitive bi Probable bidders: Halsey, Stuart & Co. Inc.; Sal Bros. & Hutzler; Blyth & Co., Inc.; Union Secu Corp. and Merrill Lynch, Pierce, Fenner & (jointly); Lehman Brothers; The First Boston White, Weld & Co. and Shields & Co. (jointly). ing—Expected in September.

Siboney Development & Exploration Co. (C
May 28 it was reported company plans early reg tion of 2.000.000 shares of common stock. **Price**—$ share. **Underwriters**—Gregory & Son, Inc., New and Dempsey-Tegeler Co., St. Louis, Mo.

Southern California Gas Co.
Feb. 28 it was reported company plans to issue a $40,000,000 of first mortgage bonds. Applicatio been filed with California P. U. Commission fo emption from competitive bidding. Bids receiv last sale of bonds were from Halsev, Stuart & Co Blyth & Co., Inc.; White, Weld & Co. and Union rities Corp. (jointly); Lehman Brothers.

Southern Co. (11/9)
Dec. 30 it was announced company plans to issu sell to the public 500.000 additional shares of co stock (par $5). **Proceeds**—To repay bank loans a investment in additional stock of subsidiary comp **Underwriter**—To be determined by competitive ding. Probable bidders: The First Boston Corp., burg. Thalman & Co., Carl M. Loeb, Rhoades & C Wertheim & Co. (jointly); Blyth & Co., Inc., Stearns & Co. and Dean Witter & Co. (jointly); Securities Corp. and Equitable Securities Corp (jo Lehman Brothers; Morgan Stanley & Co.; Kidder body & Co., and Merrill Lynch. Pierce. Fenner & **Bids**—Tentatively scheduled for Nov. 9. **Registr** Not expected until Oct. 12.

Southland Frozen Foods, Inc.
April 18 it was reported company plans to offer 000 of 6% debentures and 60,000 shares of c stock. **Office**—160 Broadway, New York City.

writer—Eisele & King, Libaire, Stout & Co., New York. **Offering**—Expected in July.

Sterling Precision Instrument Corp.
June 6 the stockholders voted to approve an authorized issue of 500,000 shares of first preferred stock (par $10), of which 300,000 shares (to be convertible into common) are to be publicly offered. **Proceeds**—For working capital. **Office**—Buffalo, N. Y.

Texas Gas Transmission Co.
March 15 it was reported company plans to sell additional first mortgage bonds later to finance cost of new construction, which is estimated at about $17,500,000 **Underwriter**—Dillon, Read & Co. Inc., New York.

★ **Texas National Bank, Houston, Texas**
June 16 it was announced this Bank plans to offer to its stockholders 50,000 additional shares of capital stock (par $20). **Price**—$40 per share. **Proceeds**—To increase capital and surplus.

Thorofare Markets, Inc., Murrysville, Pa.
June 8 it was announced company plans to issue and sell $2,000,000 of sinking fund subordinated debentures due 1975 (convertible until June 30, 1962). **Price**—To be named later. **Proceeds**—To equip and stock additional stores opened and to be opened; and for working capital needed for increased inventories. **Underwriter**—Hulme, Applegate & Humphrey, Inc., Pittsburgh, Pa.

Union Electric Co. of Missouri
Jan. 24 it was reported company expects to sell about $30,000,000 30-year first mortgage bonds late in 1955. Proceeds—To repay bank loans and for new construction. Underwriter — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Union Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly).

Utah Power & Light Co. (9/13)
March 28 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds due 1985. Proceeds — To repay bank loans and for construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler; White, Weld & Co. and Stone & Webster Securities Corp (jointly); The First Boston Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly). Bids — To be received Sept. 13.

Utah Power & Light Co. (9/13)
March 28 it was reported company plans public sale of 177,500 shares of common stock. Proceeds — For construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; The First Boston Corp. Bids—To be received on Sept. 13.

★ **Warren Brothers Co., Cambridge, Mass.**
June 21 it was announced stockholders on July 19 will vote upon a plan to refinance the outstanding 40,665 shares of $2.50 cumulative preferred stock (par $50). It is proposed to issue not more than $2,500,000 of notes, bonds or debentures which may be in whole or in part convertible into common stock at not less than $50 per share. **Proceeds**—To retire preferred stock, to pay off a $225,000 loan and for working capital.

Westcoast Transmission Co., Ltd.
April 25 it was reported company now plans to issue and sell publicly about $20,000,000 of securities, probably in units of notes and stock. Bonds are expected to be placed privately. **Underwriter**—Eastman, Dillon & Co., New York. **Offering**—Expected in July.

Western Union Telegraph Co.
March 15 it was announced that consideration is being given to the issuance of some additional shares of common stock through an offering to stockholders. Stockholders April 13 voted to approve a 4-for-1 split of the company's stock and the issuance of an additional 1,580,000 new shares, part of which are expected to be offered as aforesaid, but no definite financing plans have been formulated. Underwriters—Expected to include Kuhn, Loeb & Co.; Lehman Brothers; and Clark, Dodge & Co.

Westpan Hydrocarbon Co.
March 2 it was announced Sinclair Oil Corp. has agreed with the SEC to divest itself of its investment of 384,380 shares of Westpan stock (52.8%). **Underwriter**—Union Securities Corp., New York, underwrote recent sale of Sinclair's holdings of Colorado Interstate Gas Co. White, Weld & Co., New York, may be included among the bidders.

★ **Worcester County Electric Co. (10/18)**
The company proposes to file a registration statement with the SEC early in September with respect to sale of $8,500,000 first mortgage bonds, series D, due 1985. **Proceeds**—For payment of bank loans and new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Stroud & Co., Inc. (jointly); Coffin & Burr, Inc.; Kidder, Peabody & Co., Blyth & Co., Inc. and White, Weld & Co. (jointly). **Bids**—Tentatively scheduled to be received on Oct. 18 at company's office, 441 Stuart St., Boston 16, Mass.

Ucolo Uranium Co. Stk. Offer Completed

The recent offering of 2,500,000 shares of common stock (par one cent) of Ucolo Uranium Co., Salt Lake City, Utah, which was recently made by Western Securities Corp., Salt Lake City, Utah, and M. J. Reiter Co., New York, N. Y., at 10 cents per share, has been completed, all of said shares having been sold.

The net proceeds from the sale of these shares are to be used to make payment for purchase of claims, for drilling and exploration costs, and other general corporate purposes.

The Ucolo Uranium Co. was incorporated in Utah on Aug. 26, 1954, and its business consists of the exploration, development and operation of uranium properties.

Its properties are as follows: (1) The Buckhorn and Bull Canyon Groups, consisting of 15 unpatented lode mining claims in Montrose County, Colo.; (2) the Henry Mountain Group, consisting of 15 unpatented lode mining claims in Garfield County, Utah; and (3) the Troublesome Valley Property, consisting of approximately 1,000 acres of leased fee land in Grand County, Colo.

Joins Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Harry A. Wells has become associated with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

With Dean Witter & Co.

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Mottell D. Peek is now with Dean Witter & Co., Security Building.

Our Reporter's Report

The new issue market appears definitely headed into the mid-summer doldrums from a look at the forward calendar. And it is perhaps just as well that there is no rush of corporate financing immediately ahead.

For there are indications that major institutional investors are disposed to sit back and watch developments, with particular emphasis on Federal Treasury plans, to get a better picture of what may be ahead of the market.

New issues brought out this week came in for a mixed reception so far as the major debt issues were concerned. Prospective buyers are just not of a mind to be rushed into placing orders. This is so despite the fact that some of them had to pay premiums to get hold of small portions of several recent offerings which had dragged their feet in initial stages.

They have a weather eye on the Treasury market where the long 3s have been yielding a bit of late and are now ruling around 100½ against the high of 101¾ touched a fortnight ago. They have been backing off on reports that the Treasury contemplates selling a new issue for cash some time during the summer, probably in July.

The major investment accounts, such as buyers for pension funds, banks, and insurance companies, it is pointed out would rather have, at this time, their share of a new Treasury 3% issue at par, for a 3% yield than double A corporates on a 3.20% yield basis.

Hard to Explain

Investors showed good preliminary interest in the $15,000,000 of Oklahoma Gas & Electric Co., 30-year bonds, acquired by bankers as 3¼s, and reoffered on a 3.20% yield basis. The bonds were rated AA.

Yet they were slow to place orders for Southern New England Telephone Co.'s $20,000,000 of new 34-year, 3¼s carrying the same rating, and priced to return the same yield. But the issue caught fire yesterday and books were closed.

Normally Bell Telephone affiliates are considered doubly attractive for that connection and backing, but, for the moment, it may be that the fact the Oklahoma's are a first mortgage as against a 34-year debenture for the phone company explained that issue's popularity.

Looking Ahead

The forward calendar as it stands now, is not of proportions to interfere greatly with vacation plans of underwriters and their distributing affiliates. Only two sizable issues are in prospect for next week, and then there is a hiatus reaching almost to the middle of July.

Next week could bring Meritt-Chapman & Scott's offering of 20-year convertible subordinated debentures. In addition, General Acceptance Corp. has $6,000,000 of debentures on tap. This will be followed by Consolidated Cigar Co.'s offering of $17,500,000 20-year sinking fund debentures, the expected date being July 7.

But after that, except for several large "standby" deals involving equities of L. I. Lighting Co., and Mountain Fuel Supply Co., the next important prospect is Illinois Bell Telephone's $30,000,000 of bonds which will be up for bids on July 12.

Equities Popular

Financing by corporations via the equity route, is gathering new momentum as the current bull market goes merrily on its way. And preferred stocks with attractive yields, are finding a ready market.

Underwriters who recently offered a block of 200,000 shares of Tennessee Gas Transmission Co., 4.90% preferred have announced oversubscription of the issue and closing of the books.

And now Pacific Telephone & Telegraph Co., joins the growing list of companies taking the "rights" route for raising of new capital. The big coast company plans to offer to common and preferred holders "rights" to subscribe for 1,339,196 common shares on a one-for-six basis.

In addition, it plans to register late next month with SEC for sale of $67,000,000 of 36-year debentures on which bids will be taken mid-way through August.

Continued from page 15

Washington . . . And You

than the one-shot rise in profits on sales of securities.

Pass Holding Company Throttling Bill

Then the House passed a bill which practically speaking will throttle any growth of bank holding companies, if enacted by the Senate. The ostensible purposes of this bill are to regulate the growth and expansion of bank holding companies, and to prevent the latter from owning non-bank businesses. In other words, the idea is to hit at the alleged evil of businesses buying and owning banks to corral their own financing.

Curiously, there was NO instance cited of the evil complained of, by any established holding company buying control of banks for the purpose of acquiring a credit facility. Bank holding companies are tame. According to Rep. Jesse P. Wolcott (R., Mich.) they own less than 6% of the nation's commercial banking resources and control only some 4% of the banking offices.

Furthermore, there is unanimous agreement among the Federal and state supervisory authorities for legislation which would effectively accomplish the two ostensible objectives whilst not writing **finis** on legitimate holding company acquisitions.

Nevertheless, the Independent Bankers Association, in alliance with all the professional small business lobbyists, produced an avalanche of demands for the radical bill from the corner drug store, hardware store, etc., all over the land, and the radical version of the bill passed the House 371 to 24.

Notoriously the Eisenhowever Administration, which loves to spend bank depositors' monies through such dodges as loan insurance and guarantees as much as any left-winger in Congress, was giving no aid and comfort to the opponents of the "Independents'" bill. It just let the bank supervisors back the milder bill.

Finally as Rep. Wolcott brought to the attention of the House, the bill exempted a party in Kentucky, where Chairman Brent Spence of the Banking Committee and sponsor of the radical bill comes from, which owns a couple of good-sized banks and an insurance company.

Banks Don't Rate

In proportion as, by the continuous erosion of regulation over the years aimed at protecting depositors, the discretion of banks both to make loans and to finance business has been whittled down, the political standing of banks has declined to little short of zero. Nevertheless, Congress operates on the assumption in the moron trade that a "banker" is anything from the little bank down the street to the big bag of money who can set up anybody in business he likes, no matter what the risk.

Congress works on the assumption that in the public mind the commercial banker and "banker" are the same thing, they connote entrenched wealth, the source of frustration of millions, and hence are legitimate targets. Their legitimacy as a target comes from their practical lack of political influence. If the brush salesmen organized, they could get more respect from scores of "liberals" than the commercial bankers.

How low is the political influence of commercial banking was illustrated by one of the louder left-wing Democrats a few years ago. He was visited by some bankers from his state. He refused to alter his reclined position on his office couch to shake hands with these bankers, suggested that "you'd better go see Senator Taft, he's your man."

This same Democratic Senator went up to a station master from Essex, N. Y., who was walking around the Capitol, on another occasion, a union man in good standing, incidentally, and said, "What can I do for you, friend?" The union man was a total stranger, but the Senator took him for coffee into the Senate restaurant and introduced the stranger to Senatorial colleagues.

Can't Get Routine Break

So difficult is the position of banks, that they can't get routine legislation through Congress. For instance, national banks were by a fluke of legislation required to use the cumulative form of voting for bank directors, back beginning in 1936. The "liberal" Congress will not allow them to chose their own form of voting.

And Chairman Spence, when speaking for the radical holding company bill presents himself as an opponent of multiple-banking, but refuses to consider a bill providing any regulation of branches of Federal Savings and Loan Associations. Yet these latter associations, unlike banks, are practically speaking tax free, have special investment advantages, a higher return and as a consequence, can over-bid banks for savings money. This is due to a statutory set-up more favorable to the S&Ls.

Wolcott Backs Banking

Every once in a while a member of Congress will show a capacity to rise above politics and place some adherence to principle. A sharp recent case was that of Rep. Wolcott, who one day opposed the radical form of the bank holding company bill, and the next day succeeded in leading successfully the fight against Mr. Patman's proposed investigation of the Federal Reserve Open Market Committee.

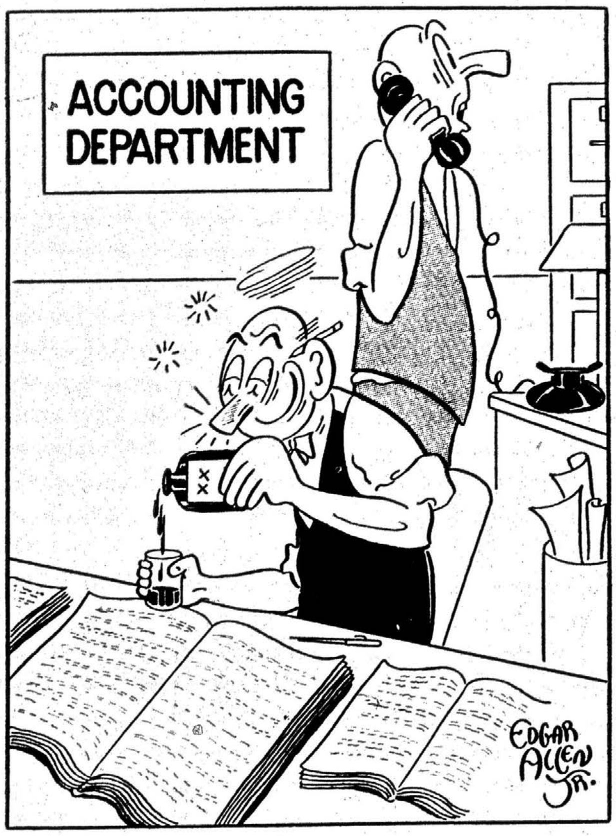
Notwithstanding the fact that the astute and tireless Ben DuBois, leading lobbyist for the so-called "independents," had mobilized most of the independent merchants on behalf of his holding company bill, Wolcott had the courage to fight it, endanger his standing with all "small business" in his district, and incur the onus for allegedly being on the side of "big business" and "monopolies" against "the little man," just because he thought the bank holding company bill was a bad bill and a better piece of legislation should be enacted.

For any one these days to seem to speak for the "bankers" is not in a manner of speaking to put political nickels into any elected man's pocket.

If Wolcott failed to defeat the more radical form of the holding company bill, he was credited with getting across its defects. And he did win in his move to keep the Open Market Committee from becoming Mr. Patman's political plaything.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"I'm Sorry, But Right at the Moment He's Pouring Over the Books!"

Two With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William T. Parsons and Carlton D. Sweet are with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Joins Neal Kellogg

(Special to THE FINANCIAL CHRONICLE)

WOODLAND, Calif. — Tom T. Hiraga has joined the staff of Neal Kellogg, 185½ First Street.

With Mutual Fund Asso.

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Sam G. Grosch is now with Mutual Fund Associates, 1903 Capitol Avenue.

Two With J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif. — Richard L. Miller and Robert A. Shepherd are now connected with J. A. Hogle & Co., 1030 Sixth Avenue.

Boren Adds Four

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Leon J. Berman, Edward Bruce-Kinsmill, Etienne S. D'Artois and Otto Oppenheimer have become affiliated with Boren & Co., 186 North Canon Drive. Mr. Bruce-Kingsmill was formerly with First California Company; Mr. D'Artois was with Coombs & Co.