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EDITORIAL

As We See It

Current comment upon the possibility of an early depression and the prescriptions offered for its prevention or cure strikingly reveal the impression New Deal and New Deal-like pseudo-economic philosophy has made upon the thought of the average individual. Here and there, too, a voice stimulated by the older and much more solid ideas of business ups and downs is heard —much to the gratification of the thoughtful citizen who has never been able to summon much faith in the learning of lawyers, social workers and politicians-become-economists-overnight during the mad years under Presidents Roosevelt and Truman.

It was only the other day that the world was told by the former chief economic consultant of President Truman that the world would never see—or at all events the United States would never see—another depression. "We" have "learned" too much, so the story goes, about what causes these horrible affairs, and now "know" too much about how to prevent or to cure them—all thanks to the leadership of the crack-pots who infested Washington during the years 1933 to 1952. The fears now heard here and there that we even now are threatened by such a phenomenon are quite unfounded, according to this authority, who was until recent years a lawyer with a facile style of writing and speaking.

Politicians — and some others, too, for that matter—are not lacking who never tire of warning that a severe depression on the order of the 1929 debacle must inevitably follow upon any substantial deviation from New Deal policies or

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Outlook for Business, Interest Rates and Stock Market

By KENNETH L. TREFFTZS, Ph. D.*

Head, Department of Finance, School of Commerce, University of Southern California, Los Angeles

In appraising economic outlook for trust investments, Dr. Trefftzs discusses the probable trend of interest rates, the demand for and sources of funds, and the prospects for sound fiscal policy. Also considers factors affecting equity securities and the stock market. Sees outlook good for corporate earnings, and says interest rates are not likely to go higher. Projects future trend of stock market over next six years.

Usefulness of Forecasts

All kinds of decisions—investment decisions, government decisions, business decisions — must be made to determine future policies. Many of the policies decided on may not be carried out as they were originally conceived for they are subject to constant review and amendment. Anyone who makes business decisions indicates that he has made or has accepted a forecast of what is to be.


Kenneth L. Trefftzs

There is no way, however, of judging the wisdom of a particular forecast. If a competent analysis of economic data shows a point of weakness in the economy, a significant number of managerial decisions, possible in an environment of free markets, may change the outlook before what was forecast has come to pass. For example, recently statistics showed that the size of inventories at various levels seemed dangerously high. When this fact became generally known—or perhaps even before—able executives took corrective measures; purchasing and manufacturing programs were reduced, lending policies amended, and

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*An address by Dr. Trefftzs at the 27th Western Regional Trust Conference of the American Bankers Association, San Diego, Cal., Oct. 30, 1953.

Honest Money, Stable Price Level and Healthy Economy

By WALTER E. SPAHR

Professor of Economics, New York University Executive Vice-President, Economists' National Committee on Monetary Policy

Dr. Spahr examines the Treasury's contention that an honest and sound money means a stable price level, and concludes a stable price level and sound money policy are not the same things, and one is not necessarily dependent on the other. Holds what is needed is a healthy economy and this can be achieved by a sound currency, free markets and economic equilibrium, a state of affairs which brings about the highest degree of well-being to all concerned. Says present Administration is continuing with the unsound monetary and fiscal mechanism of the New Deal, and concludes nation stands in need of benefits of a redeemable currency.

The Treasury Contention That an Honest and a Sound Money Means a Stable Price Level

In various addresses and other statements made in recent weeks and months by Secretary of the Treasury Humphrey and his Deputy, Dr. W. Randolph Burgess, the contention has been advanced that this nation will have an honest and a sound money if the price level is stabilized, and that the Administration proposes to stabilize the price level. The "essentials to that end" have been given by Dr. Burgess as "a balanced budget, a monetary policy and the rearrangement of the national debt so that it would contribute neither to inflation or deflation." Secretary Humphrey has said that "By 'honest money' we mean money that will buy as much next week, next month and next year as it will buy today."


Dr. Walter E. Spahr

Along with the fact that an honest and sound money is one thing while a stable price level is something else there is the question as to who

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SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 42.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

G. M. Giannini & Co., Inc. — Robert E. Anderson, Vice-President, Hill Richards & Co., Los Angeles, Calif. (Page 2)

International Cellucotton Products —T. Reid Rankin, R. M. Horner & Co., New York City. (Page 2)

ROBERT E. ANDERSON
Vice-President, Hill Richards & Co., Los Angeles, Calif.

G. M. Giannini & Co., Inc.

If you want "pure" electronic instrument stocks known to the investing public, you'll have to pay the price and you'll have to do your hunting in a narrow field. There aren't many of them, and few and far between are the ones with much of an earnings leg to stand on. If, on the other hand, you're willing to take a diluted electronic content in your investments, you have a wide range of choice and you don't have to spend much money on a price-earnings basis. Such companies as Otis Elevator, Western Union, and obviously Sylvania have an electronic flavor of sorts, and you can buy Sylvania, with its fluorescent lamp business, its flash bulb business, and its myriad other interests, for less than ten times earnings.


Robert E. Anderson

But if you take your electronics straight, uncut by incandescent lamps and television cabinets, it will cost you 17 times earnings to buy Beckman Instruments and 40 to 50 times present earnings to buy the potentially fantastic earning power of a smart and fast-running quarterback like Telecomputing.

And that is the sum and substance of why G. M. Giannini & Co., Inc., the security I like best, is the outstanding buy in the pure electronics field.

Giannini is a brand new name and an unknown entity to most investors. It has little or no public following, and it has not been bid up. It is growing fast, and it is dirt cheap on a price-earnings basis. It was privately owned until August, 1953, when 18,316 shares were publicly offered at 12. The October quarter report of Television-Electronics Fund, Inc., just released, shows that the Fund snapped up 5,000 shares, or 27% of the amount that went into public hands.

Now selling in the 14-15 area, the stock traded in the over-the-counter market, has understandably advanced a little from its initial offering price three months ago. But it is still on a bedrock price-earnings basis as compared with companies of its general class, and it would be anything but surprising if, now that the "loose" stock that almost invariably comes back to roost after an underwriting has been pretty well cleaned up, this issue may be getting ready to take off into the blue yonder.

To talk about per share earnings requires a comment on the capitalization. Just before the underwriting there were 2,950 shares of $100 par 6% convertible preferred and 43,037 of $1 par common stock outstanding. The authorized common capitalization of 100,000 shares included 35,400 shares reserved for preferred conversions at the rate of 12 shares of common for each share of preferred, and 3,274 shares reserved for the exercise of options to purchase this number of common shares at $1 prior to Dec. 31, 1955. Some small amount of the preferred has since been converted and it may be assumed that the rest will be and the stock purchase warrants will be exercised. Full conversion and full exercise would mean 100,000 shares of common outstanding and nothing else. The liability side of the balance sheet is all current.

It therefore makes little sense to talk of per share earnings on the basis of the roughly 65,000 shares of common now outstanding. There presumably will be 100,000 shares outstanding, which is the entire present authorization.

Sales and earnings have been climbing incredibly fast. From a volume of $952,000 in 1950, sales climbed to $2,571,000 in 1951 and to $4,703,000 in 1952. Net income in 1952 was $827,000 before taxes and $263,726 after all taxes, including excess profits taxes of $151,000. In other words, 1952 earnings were $2.63 on the stock to be outstanding after $1.51 of EPT.

This year Giannini is catching its breath. While its backlog of unfilled orders, around $2,250,000, has been little affected by cancellations, delivery stretch-outs will probably prevent this year's sales or earnings from topping last year's. A reasonable guess would seem to be sales of about $4,500,000 and earnings before taxes of something over $500,000, or perhaps $2.50-$2.75 a share before EPT and somewhere in the region of $1.75 after EPT, based, in both cases, on the eventual 100,000 shares.

It is a foregone conclusion that 1954 is going to resume with a vengeance the skyrocketing uptrend of 1950-52. How high the figures will be by the end of next year is, of course, impossible to estimate 14 months ahead. A reasonable minimum guess, however, is that sales could go 40% or 50% higher than this year's, which would put them in the $6,500,000 to $7,000,000 area. It is just as reasonable to believe that pre-tax profit margins will *not* be as wide as the spread of almost 20% in 1952. If the company, as it hopes to, should achieve margins of 15% or wider in 1954, pre-tax net would work out at the million dollar level or higher, which would mean, with the elimination of EPT, final net of close to $5 on the common capitalization.

Now forget the guesswork about 1954 possibilities and get back to facts about 1950 to 1953. The basic facts are (1) Giannini is pushing against a $5 million annual sales volume, up from less than $1 million in 1950; and (2) earnings are in the $2.50 a share area, up from a small loss in 1950. Giannini is earning over $2.50 this year before EPT and it actually earned $2.63 last year after EPT. At less than six times these earnings, it's one of the lowest priced electronic companies available to investors, if not the absolute lowest, in relation to earnings.

Giannini is also one of the best situated and most aggressive among the bursting-with-growth electronic instrument companies. The management's research and development consciousness is attested by the fact that its 450 employees include 80 graduate engineers. The backbone of the business up to now has been intricate precision instruments for use as components in systems to control flight paths, such as automatic pilots and automatic fire and radar controls. As the product line largely relates to the constantly increasing speed and altitude of aircraft and guided missiles, and as no one of the company's ten competitors offers the complete line sold by Giannini, the company probably has many years of record-breaking activity ahead in this line alone. The company is, however, beelining toward a much broader horizon in the design and manufacture of instruments for industrial and commercial use, largely in the field of automatic production and process controls.

Judging by all the evidence, the management is forward-looking to an unusual degree, even by the high standards of the electronics field. The management is headed by Mr. G. M. Giannini, who obtained his Doctorate in Physics at the University of Rome and since 1930 has had extensive industrial experience in research and engineering in the United States.

Mr. Giannini, who became an American citizen in 1937, guides the company's research, engineering and sales activities. Giannini's board of directors includes the Chairman of the Board of Fairchild Camera & Instrument Corp., the President of National Aviation Corp., and one man who is a director of Douglas Aircraft, Security Title Insurance and Union Oil of California. Mr. Giannini himself has far more than a salary-and-bonus interest in the company. He owns 65 shares of preferred and 24,720 shares of common.

T. REID RANKIN
R. M. Horner & Co., New York City

International Cellucotton Products

With some economists and market prognosticators forecasting a moderate recession in business, others a larger downtrend, and yet another group predicting that the movement of the market since last spring is merely a setback in a long bull market—it is left to the investor to choose which group is correct.


T. Reid Rankin

In any event, the market has already discounted a slight business recession. If those who insist the market is merely adjusting to a moderate business recession in 1954 are right, then we must come to the conclusion that for the most part prices are at a level to offer the investor attractive income return from good corporate securities.

During periods of uncertainty the investor would do well to find a company with strong, progressive management, producing an article of everyday necessity, at a price which is inexpensive and therefore likely to be purchased even under curtailed consumer spending.

International Cellucotton Products is attractive even under these conditions. Twenty-seven years ago the company began business with an idea and a cotton mill. Fourteen years later it was doing a business of $25 million a year;

Continued on page 16

Are Leading Chemical Shares Overvalued?

By RALPH W. H. GEER*
Vice-President, Argus Research Corporation

After describing essential qualifications of a "growth" industry, such as the chemical industry, Mr. Geer points out why the major chemical concerns have not evidenced dynamic growth in postwar years, and holds "it would seem astute for the investment manager to play down the so-called growth aspects of the seasoned chemical companies" and to lay greater stress on their better-than-average recession resistant qualities. Concludes a reappraisal of major chemical stocks indicates that few are out of line with earnings prospects.

I have chosen to speak generally about the profit trend of the major chemical shares. I think you will all agree that the chemical industry has more often been characterized as a growth industry than any other. The reason for this is that many of the companies in this group do meet most of the qualifications which distinguish growth companies.

Ralph W. H. Geer

However, postwar profit expansion of many of these major chemical companies has been considerably less pronounced than in earlier periods particularly from 1929 to 1941. At this advanced stage of the business cycle this less favorable postwar earnings trend of the major chemical companies poses several questions and the main one is whether the earnings multiples for these concerns are currently too high.

One of our outstanding chemical analysts has listed several qualifications which—from an investment viewpoint—he would like to see in a growth company. Briefly he points out that the so-called growth concern cannot be any company which just grows—it must already be strong and well established. Another qualification is that the growth company cannot be violently cyclical in character nor can its expansion be at the expense of competitors. Still another characteristic is that the company's expansion must be potentially greater than that due to population growth. Moreover, the growth company must retain and plow back into new productive capacity not only its depreciation but a sizable portion of its earnings. The management of the so-called growth company must be able and there should be depth of management as well as ability at the top level. Furthermore, management activities and attitudes must be socially constructive. Finally, the attribute which seems most important from an investment standpoint is the fact that mere growth in sales and earnings, whether it be by internally financed growth or by acquisitions, does not constitute a growth company unless it results in greater earnings per share.

Many of the chemical companies, even the smaller concerns, fulfill at least some of these qualifications. However, there is evidence that the remarkable postwar growth from the standpoint of plant investment, new products, as well as physical sales has not been translated in the same degree into profits for the common stockholder. Obviously, the postwar cost of labor, raw materials and overhead expenses have tended higher for all industries, but somehow to fully qualify as a growth company, the given concern, it would seem, should have, nevertheless, made some earnings progress—on a per share basis. There seems to have been a tendency by investment managers in the last year or so to overlook the importance of this point. Some of you may be surprised at this contention. At any rate you will wonder about the methodology used in determining that net profits of the major chemical companies have not shown a pronounced better-than-average trend in the postwar period.

Measurements of Earnings Trends

Of course, there are numerous methods for measuring comparative earnings trends—one is by industry group in relation to a general average; another is by one industry group against another group; and still another is by measuring one industrial company against an average. These comparisons reveal varying trends. Let us examine three of them. The first is in relating the arithmetic average of share results for six major chemical concerns to the Moody 125 industrial stock average. The six chemical companies referred to are — Allied Chemical and Dye, American Cyanamid, Dow, DuPont, Monsanto and Union Carbide. This comparison of the six chemical companies profits to the Moody 125 companies profits not only does not register any superior growth for the chemical companies in postwar period but also none since 1941. Based on this 125 industrial company compilation, in order to qualify as an above-average growth company, profits should have about doubled from 1946 to 1952. For the combined six major chemical companies, average share results increased in the 1946 to 1952 period only 81% compared with 103% for the 125 in-

*A talk by Mr. Geer before the Association of Customers' Brokers, New York City, Nov. 10, 1953.

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Regulation Investment

By IRA U. COBLEIGH
Author of "Winning in Wall Street"

A salute to a distinguished American corporation, and the largest controller of indoor climate in the United States—Minneapolis-Honeywell Regulator Company.

On the wall in millions of American homes, there's a little gadget, usually about the size and shape of an electric safety razor, but with an entirely different purpose. It's called a thermostat. These thermostats are wonderfully automatic. At 5 a.m., when actuated by a built-in alarm clock, they can turn on the furnace in your home, and keep it combusting till the house is a cozy 68 to 70 degrees, by the time you drape your drowsy carcass over a dining room chair, for that cheering cup of breakfast coffee. Then, whenever the room temperature dips down below the target temperature set, this little genie nudges the furnace again, and keeps the house on an even keel throughout the day. Of course, there can be some family disagreement as to the most desirable, or comfortable, temperature; and many a husband with a hot thumb jogs up the indicator furtively, only to have an economy-minded "little woman" put back-spin on the thing, when she has apprehended the thermal trickery of her husband.

Ira U. Cobleigh

So much as a preface to our topic—heat regulators—and the company that produces perhaps two-thirds of them in our country, Minneapolis-Honeywell, with the accent on the last word. For, indeed, Honeywell is the last word in heat regulators!

Company's Best Year

MHW is really quite a company, and for 1953 is heading toward the biggest year in its impressive history. It should join the $200 million dollar club (in gross sales) this year, making it compare, in this particular, with Western Union, another renowned electronic enterprise. While the household thermostats, above outlined, have in years gone by accounted for half of the sales total of Honeywell, that ratio has dipped recently, due to the impact of our national defense program. For the same "know how" that has made MHW premier in heat regulators has been sought by our government; and two Defense departments of the company, the Aeronautical Division, and the Ordnance Division, accounted in 1952 for 40% of sales.

How, you might ask, does thermostatic skill tie into defense production? Well, take aircraft and guided missiles. These combat creations all require dozens of regulators which MHW can, with its engineering savvy, create. Fuel measurement is done electronically; automatic pilots need many control devices, gyroscopes have adjustors to keep the craft from flying crazy or upside down. All these are now MHW products (Aeronautical Division).

Getting down to earth, Honeywell, in its Ordnance Division, implements the battle efficiency of tanks by manufacturing fire control equipment, periscopes and fuses. Together, Aeronautical and Ordnance production, while accounting for over one-third of this year's sales, do not contribute profit in that ratio, however, due to heavy design and preparatory costs, and lower profit margins after production is under way.

Another expanding section of MHW is its Commercial Controls Division, specializing in controls for air conditioning systems and refrigeration plants; and in safety control installations on railway lines, and ships at sea. Also, a complete line of automatic recording and control systems, for use in many industries, is turned out by Brown Instrument Division.

Diversity of Product

Put together, all this diversity of product, implemented by smart selling and shrewd management, topside, are calculated to burgeon Honeywell gross income some 22% over last year's total ($165 million) and create net earnings of somewhere between $3.30 and $3.50 a share on the common, now traded quite actively on the NYSE at about the year's high — 66½ (the low was 53). If you rather shy away from a stock selling at its current high, as a rule, then consider that here such elegant market altitude may merely be reflecting a dramatic upsurge in gross earnings, and the projection of the company into a new magnitude of profitability.

In other words, if 1953 volume is merely a bulge, and a splurge, then perhaps the stock may be overrated presently; but if over $5 million of plant expansion (1953) is worth its snuff; if net can be less reduced by heavy accelerated amortization bites next year; and if E. P. T. gets lost in 1954, then today's buyer of MHW may well have some grounds for optimism.

The capitalization of the company at the moment is just a little bit cluttered on its balance sheet. There are three separate issues of debentures totaling $35 million ($5 million 2.85% of 1963, $10 million 2¾% of 1965, and $20 million 3.10% due 1972); $15.8 million of 3.75% preferred convertible into 1 9/11 shares of common (selling at 120), and 2,829,886 shares of common. And finally, there's a bank loan which was $8 million in May and which has, I believe, been reduced substantially. It will be paid off in full by the year-end. No new financing appears in prospect, and expenditure for plant addition is not expected to amount to as much in 1954 as this year.

Thus the MHW picture today seems to represent a consolidation of recent expansion, and a conversion into enlarged earning power of $20 million of new capital injected in 1952 via the debeture route.

While we're on the subject of net earnings, it should be noted that MHW has been a fine performer, with pre-tax income averaging 17½% of sales for the 10 years 1945/32. 1952 fell below this average with only 13.8%, but the ratio is climbing back up again currently.

Traditionally, Honeywell has been regarded as somewhat cyclical, what with its large domestic heat control sales dependent on new home construction; and with new housing units in 1954 predicted at some 5% to 8% less than this year, some analysts have tended to accent the negative about Honeywell. According to the sales planning of the management, however, this semi-cyclical characteristic may be overcome. Two quite new models of thermostats now offered by Honeywell seem on the way to making your present regulator and mine semi-obsolete—sort of like a 1947 sedan.

Some New Products

First, Honeywell has an Electronic Modiflow gadget. This adjusts temperature inside the house according to the weather outside. It figures out, from an outside thermometric control, how much heat should be turned on, even before the wintry blasts have had time to penetrate your house walls. This is good for single family homes, and smaller multiple dwellings where there's no janitor on steady duty.

Secondly, more important and much newer, is the new Honeywell Ring thermostat, you've probably seen advertised in "Life" and the other weekly magazines. It hugs the wall, is only 3¼ inches in diameter, and has a plastic removable ring frame, that can be painted to match any room decor. It makes your old "furnace brain" look like a midget grandfather's clock. MHW believes there's a fabulous indicated market for this new streamlined control in millions of homes—a market quite independent of new house construction. I can even hear the radio "pitch" now: "Do you suffer from protruding, out-moded thermostats? Huh? Then just give us a ring, and we'll sell you one—a new Honeywell Ring, that is, that blends with your living room wall! Don't wait! Be among the first three million to enjoy this mid-century contribution to warm, gracious living."

Enough of that, and back to my beat. MHW is a fine integrated company with a record of growth and progress in the best tradition of top flight American corporate enterprise. Its common stock makes considerably more than a regulation investment appeal. Paying dividends in an unbroken skein since 1928, with a 2-for-1 split in 1944, and another 2-for-1 split in 1950, Minneapolis has been a honey of a stock, and is well worth some current investigation by investors with vision.

With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Ill.—Howard H. Bentley is now connected with Reinholdt & Gardner, Reisch Building. He was previously with W. C. Gibson & Co. of Chicago.

Fusz-Schmelzle Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William H. Thompson is with Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange.

The International Gold And Dollar Movement

By MIROSLAV A. KRIZ
New York City

Monetary economist maintains the postwar dollar "shortage" has reflected rapid recovery of Western Europe and the free gifts of the United States and Canada rather than an intractable "disequilibrium." Asserts dollar shortage is rapidly disappearing coincident with remarkable improvement in basic international economic situation. Concludes hope is warranted that many "non-dollar" countries despite heavy defense requirements will succeed in stabilizing currency, re-establishing self-supporting economies, and rebuilding monetary reserves; but that indispensable thereto is the devising of policies, in U. S. and abroad, to promote a much more integrated pattern of world trade.

I
Introduction

By mid-1953 the gold and dollar holdings of foreign countries had slightly exceeded the level prevailing at the end of 1945 before the postwar drain on the monetary reserves of these countries had seriously impaired the world payments position. The speed and extent of the improvement have varied from country to country, but with a very few exceptions all major countries have shared in it.

Miroslav A. Kriz

Both in the United States and abroad this reversal in the international flow of gold and dollars is generally regarded as a necessary and desirable shift toward a better distribution of international reserves. It reflects the improvement in the general pattern of international payments that is a prerequisite for the reestablishment of a meaningful currency convertibility and it is a condition for any lasting and genuine relaxation of discriminatory restrictions against dollar trade and payments. The purpose of this article is to survey the postwar changes in gold and dollar holdings of countries other than the United States, and to comment on certain new issues of the international economic policy that are now emerging.

II
The International Flow of Gold and Dollars

The postwar international flow of gold and dollars can best be traced in the changes in the total gold and dollar holdings of foreign countries.[1] Chart I shows the quarterly movement in gold and dollar holdings of these countries since the end of 1945. These holdings, it will be seen, declined from $20.7 billion in December, 1945, to $15.1 billion at the end of 1947. The decrease continued in the first half of 1948, but at a greatly reduced rate; in June of that year, three months after the beginning of the European Recovery Program, such holdings reached their postwar low of $14.6 billion. In the latter part of 1948 they recovered somewhat, but in the second and third quarters of 1949 they declined again to $14.7 billion under the impact of a moderate recession in exports to the dollar area and of the sterling crisis that led to the devaluation of the pound sterling and other currencies in September.

From the currency readjustments in September, 1949 to the end of June, 1950, a few days after the outbreak of the Korean hostilities, foreign countries increased their gold and dollar holdings by about $1.9 billion. From July, 1950 to June, 1951 they acquired a further $3.2 billion, thus bringing their holdings to $19.8 billion. By mid-1951, however, this upward movement had come to an end, and from July, 1951 to March, 1952 these countries lost $1.3 billion; in March, 1952, their gold and dollar holdings had fallen to $18.5 billion, the recent low.

This article is being published simultaneously in French and Dutch translations by the National Bank of Belgium in its "Bulletin d'Information et de Documentation"; the English text is published here with the permission of the National Bank of Belgium. The author is Chief of the Foreign Research Division of the Federal Reserve Bank of New York. The views he expresses are his own and are not meant to reflect those of the Bank.

The downward movement in the gold and dollar holdings of foreign countries was reversed during the second quarter of 1952. In June, 1953 such holdings were $2.6 billion larger than in March, 1952; this improvement continued during the third quarter of 1953. At $21.1 billion (preliminary) in June, 1953, these gold and dollar holdings stood $0.4 billion higher than in December, 1945 prior to the serious depletion of the early postwar years. They were also $6.4 billion, or 44%, higher than in September, 1949, the date of

1 Unless otherwise stated, gold and dollar holdings of foreign countries, as here used, comprise the gold reserves and dollar balances held by central banks and governments, and in addition the dollar balances held on private account by foreigners in the United States. The gold reserves of the USSR are excluded, but its dollar balances are included. Gold and dollars held by international institutions are excluded. Gold data are derived from the *Federal Reserve Bulletin*, and are partly estimated. Data on foreign dollar holdings are drawn from consolidated reports by banks in the United States and include deposits, short-term United States Government securities held for foreign accounts (including certain long-term United States Government securities maturing within 20 months of date of purchase), and certain other short-term liabilities to foreigners.

the general currency readjustments, and \$2.6 billion, or 14%, higher than in March, 1952, the post-Korea low.

These changes in the gold and dollar holdings of foreign countries resulted either from the transactions of these countries with the United States and with international institutions, or from the net additions to monetary reserves of gold newly mined outside the United States.

Throughout the postwar years the most significant influence on the changes in aggregate gold and dollar holdings of other countries was the fluctuations in the United States export surplus of goods and services; a contributing cause of the improvement in these holdings during recent years was the disbursement of United States economic aid and the flow of private capital. These factors will be discussed later; it suffices now to point out that the recovery in gold and dollar holdings since 1949 has largely taken the form of increases in dollar holdings rather than of gold purchases from the United States (see Chart I). Of the \$20.7 billion of gold and dollars held by other countries in December, 1945, \$13.6 billion was in the form of gold and \$7.1 billion in dollars, while of the \$21.1 billion of such holdings in June, 1953, \$11.8 billion was in gold and \$9.3 billion in dollars. Again, while from April, 1952 to June, 1953 gold holdings of countries other than the United States increased by \$1.1 billion, dollar holdings rose by \$1.5 billion. Of the latter increase, the bulk was invested in United States Government securities.[2]

During the earlier postwar years, and again in the second half of 1951 and the first half of 1952, the United States purchased large amounts of gold from other countries; in 1950 and again in the second half of 1952 and the first half of 1953 it sold gold to them (see table). The recent acceleration in United States gold sales reflects principally a more rapid conversion into gold of the dollar balances acquired by certain countries. Just as in earlier periods — most recently during July, 1951-June, 1952—the monetary authorities of certain countries sold gold whenever they needed to replenish dollar balances that had fallen below customary levels, so they have lately been converting these dollar balances into gold when the

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2 The distribution of official reserves between gold, dollar deposits in Federal Reserve and commercial banks, and short and medium-term United States Government securities depends of course upon the preference of foreign monetary authorities as to the form in which they wish to hold their reserves. Private dollar holdings inasmuch as they are recorded, take the form largely of dollar deposits. Data regarding the aggregate amount of United States Government securities held in custody by the Federal Reserve Banks for foreign central banks and governments (including the Bank for International Settlements but excluding the International Monetary Fund and the International Bank for Reconstruction and Development) have been published since May 1953 in the *Federal Reserve Bulletin.*

The State of Trade and Industry

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

There was virtually no change in total industrial production for the nation-at-large in the period ended on Wednesday of last week as losses in some industries were offset by mild gains in other lines. Compared with a year ago, the level of aggregate output showed little if any noteworthy change.

The employment situation continued much the same as it has been in recent weeks with claims for unemployment insurance benefits substantially higher than the level of a year ago.

National production of goods and services dipped slightly in the third quarter for the first time in 3½ years. Slower accumulation of business inventories was the chief factor in the decline, the United States Department of Commerce reported. Third quarter output set a yearly pace of \$369,000,000,000. This was \$3,500,000,000 below the rate of the preceding three months. It was the first time since the fourth quarter of 1949, when the economy was feeling the effects of a slight recession, that production failed to rise above the previous quarter.

Consumer spending, construction outlays and investments in new plant and equipment during the third quarter maintained the high levels of the preceding three months, the department noted. But manufacturing, wholesale and retail firms added only \$4,500,000,000 to their stocks. This compared with an \$8,800,000,000 rise in inventories during the June quarter.

According to the predictions of government economists, construction outlays will ease next year. Building expenditures in 1954 will fall to \$34,000,000,000, estimates by the United States Departments of Commerce and Labor show. That would be \$720,000,000, or 2%, lower than the record total indicated for this year. If the prophecy is fulfilled, it will be the first time in eight years that construction work fell below the preceding 12 months. Spending has mounted steadily from the 1946 level of \$12,000,000,000 straight through to the \$34,700,000,000 in sight for 1953.

Steel producers, trying to get a line on future business, are encountering a puzzling paradox, states "The Iron Age," national metalworking weekly, this week. Customers are giving them plenty of assurances that they will use large amounts of steel next year, but they are mighty slow to get their orders on the books.

Reluctance of their customers to convert optimistic statements into orders is causing some steel sales officials to predict that January will be the slowest month of the first quarter, notes this trade authority.

Steel buyers will no longer place orders several months in advance of need—except for a few items that are still in short supply. Price is now more important than delivery, it states.

The auto industry furnishes a good example: Automakers are still answering to their stockholders for the high cost of steel procurement in 1953's tight market. Chrysler places its excess costs for steel at \$29,000,000. Among the independents, Nash recently pegged its abnormal (in Detroit they call it "excessive") steel costs at \$12,000,000. Although the larger company paid more than twice as much additional for conversion, foreign, and premium-priced steel, its extra cost per car is much lower, "The Iron Age" discloses.

Steel producers can expect growing pressure from their customers to reduce shipping costs—and perhaps extras. Manufacturers themselves are under terrific pressure to hold the line or reduce prices: This means they will do all they can to cut costs, and that includes materials, observes this trade magazine.

Warehouse inventories are getting close to desired levels on all but a few steel items. Despite reports of some sales sluggishness, warehouse people generally expect another good year in 1954. Admittedly, opportunity for mill-sized orders has vanished, concludes "The Iron Age."

Model changeover operations last week in the automotive industry were the main reason auto output fell to 93,658, off about 20% from the 116,789 last week, according to "Ward's Automotive Reports." In the year ago week 107,473 were made. This week production may fall even further due to model changeover, mainly at Chevrolet and Buick, states this agency.

"Ward's" said last week's production volume of cars and trucks was the lowest since the first week of this year. Model changeovers will take their toll on production figures for the rest of this year.

With a few exceptions, most car makers do not plan to raise their output this week, "Ward's" adds. It apparently isn't all due to model changeovers since some of the companies which are not gearing up their production have already brought out their 1954 models, it further notes.

Steel Operations Scheduled at Lower Level This Week

Steel production declined for the third consecutive week and touched the lowest mark recorded this year for a strike-free week, says "Steel," the weekly magazine of metalworking

The latest decline put production of steel for ingots and castings down to 92.5% of capacity in the week ended Nov. 14. This is a one-point recession from the preceding week. The one other week that was lower this year was in September when one steel producing area was afflicted with a strike, it states.

Even after the latest decline, the week's production for steel ingots and castings totals 2,085,375 net tons. A little less than three years ago, such a tonnage figure was considered a real accomplishment. It was not until the beginning of February, 1951,

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Observations . . .

By A. WILFRED MAY

PRO AND CON SEC'S PROXY "REFORM"

In previous columns* we have discussed the pending proposed changes in the Securities and Exchange Commission's proxy rules, together with the public stockholder's status under that machinery; which so importantly involves the operation of the American corporate system.


A. Wilfred May

Subseqeuntly Chairman Ralph H. Demmler has addressed the following memorandum to this column, discussing the proposed changes and setting forth the Commission's status in the matter.

"Rule X-14A-8 providing for inclusion of shareholders' proposals in management proxy soliciting material has been in operation since 1942. Since that time the previous and present members of the Commission, as well as the Commission's staff, have had ample opportunity to observe its operation. Amendments have been adopted from time to time to correct defects and to improve the general operation of the rule.

"The current proposals merely go a step further in seeking to place what seem to be reasonable limitations upon the use of the rule based on the Commission's experience. It is not the Commission's intent to injure or adversely affect the minority stockholder.

Either Acceptability or Respite


Ralph H. Demmler

"It has been suggested to the Commission that when a proposal has been submitted to stockholders on successive occasions, year after year, there should be some show of an increase in stockholder acceptability or there should be a respite from further resubmission. In other words, if a proposal submitted year after year never gets more than a small minority of votes, the interests of investors generally would not seem to require its continued inclusion in the management's proxy material. This suggestion, which reflects the views of many security holders who have expressed themselves to the Commission on the subject, seemed to have sufficient merit to warrant bringing an amendment designed to accomplish this purpose before the public for consideration.

"Under the proposed amendments a stockholder may submit a proposal a second time if he receives a favorable vote of the holders of 3% of the total number of votes cast in regard to the proposal at the time of the first submission. He may submit it a third time if the second submission resulted in a favorable vote of 7% or more. If the third submission results in a favorable vote of 10% or more, he may continue submitting his proposal so long as the favorable vote does not fall below that percentage. In any event, failure to receive the required percentage would not forever bar the resubmission of the proposal but merely defers it for a period of three years. It should be emphasized that this suggestion, received from many sources, has merely been released by the Commission for comment and neither the proposed percentages nor the principle involved have yet been decided upon by the Commission.

Disappointing the Publicity-Seeker

"With respect to the omission of stockholder names and addresses, the proposed rule requires either the publication of the proponent's name and address **or**, in the alternative, the prompt furnishing of the same information on request of any stockholder. Though the publicity seeker may be disappointed, communication among stockholders will not be hindered.

Reliance on State Law

"The proposed amendments would specifically provide that state law is to be relied upon in testing whether a proposal is eligible under the rule. Whether a proposal is of a type and character that its inclusion is proper depends upon whether it is an appropriate proposal under the law of the state of incorporation for submission by a shareholder for action at the meeting. However, it should be noted in this connection that the amended rule would place the burden of proof upon the

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*"OBSERVATIONS" Oct. 22, Oct. 29, Nov. 5.

A Distorted Rally

By A. J. CORTESE*

Marked divergences in the recent rally indicate, according to Mr. Cortese, that investors have been pursuing a defensive policy, have not anticipated inflation and have been expressing caution or skepticism over general market outlook.

From the September lows, the Dow-Jones Industrial Average has recovered 61% of the entire decline that took place this year. This substantial recovery in so short a time is impressive and has led many to think that the market has turned once more to a rising major trend. Analysis of the movements of the various sections within the market frequently provide a clue as to what lies ahead or, at least, what the participants in the market expect of the future. Let us examine in detail the rally of the 30 stocks in the D-J Industrial Average.

A. J. Cortese

In the January-September decline, 28 of the 30 issues fell. American Tobacco and General Foods rose, presumably for their defensive attraction in a deflationary economy. In the September-November rally, eight made new highs for the year, 12 recovered better than average and 16 recovered less than average. Of the 16, 15 have shown the normal expectation of a contratrend rally (a one-third to one-half retracement) or considerably less.

Of the 12 that have shown the superior strength, 11 are issues which either are deemed to have outstanding growth, will benefit from lower costs of raw materials or are paying high excess profits taxes or have more than one of these characteristics. These issues might be called the "special situations" of the day. Investors have preferred these characteristics over the 7%-8% yields obtainable on the motors and steels. The gross exaggeration of preference suggests that the buyers do not expect the main body of stocks to enter a rising trend and have been buying defensively.

Utility and Rail Averages

The D-J Utility Average has recovered more than the Industrial Average. This also represents defensive buying and suggests that the buyers do not anticipate inflation. American Telephone, however, a growth utility which perhaps better than any other single enterprise represents a cross section of total American business activity, is near the bottom of the industrial list as regards recovery during the September-November rally.

Railroad issues, more volatile in expressing optimism or skepticism over business prospects, have rallied far less than the Industrials, while Standard & Poor's low-price index, which is a good reflection of public speculative interest, has scarcely moved during the rally. Standard & Poor's 50 industrial stocks have rallied considerably less than the D-J industrials and also remain within the limit of a normal contratrend.

The above details of the rally and the wide divergences of movement lead to the conclusions that during the September-November rally:

(1) The principal investment buying has been defensive, rather than aggressive.

(2) The dominant investment sentiment does not expect the main body of industrial stocks to be in a rising trend for some time to come.

(3) More investors anticipate deflation than anticipate inflation.

(4) Investors do not expect a severe bear market or a severe business recession.

(5) Speculative interest, especially on the part of the public, is virtually non-existent.

(6) If the 12 specially favored issues are disregarded, the D-J Industrial Average has shown a feeble rally of less than normal, contratrend limits.

These conclusions controvert the widespread commentary to the effect that, by a change of heart on the part of the Administration, we face an inflationary stimulation of the economy. What investors are doing with their money is more significant than what commentators are saying.

What probably has transpired in the minds of investors is the reasoning that politics will compel the Administration to cushion the deflation that seems to lie ahead and that therefore long-term growth stocks and special situations are probably a good buy. They have been sufficiently skeptical, however, to shy away from high-yielding issues in cyclical industries.

Last April, in an article for "The Chronicle,"[1] the writer outlined reasons for expecting a decline in the stock market this year. Nothing that has occurred during the recent rally indicates that the major downtrend that set in has as yet been completed. Quite to the contrary, the very people who must regularly invest institutional funds and who in the process have brought about the rally seem to be saying that, though they do not expect a deep business recession, they themselves are dubious about the outlook for most common stocks. Hence, the distorted demand for growth, special and defensive issues. If the most optimistic people have taken this attitude, it is hardly time to look for a broad, general rise in stock prices.

*Mr. Cortese is market analyst for A. M. Kidder & Co.

1 "Intermission in the Bull Market," "The Commercial and Financial Chronicle," April 9, 1953.

30 DOW-JONES INDUSTRIAL STOCKS

	Close 1/5/53	Close 9/14/53	Close 11/6	Decline 1/5-9/14	Rise 9/14-11/6	% Recov.
United Aircraft	38	36⅝	43¾	1⅜	7⅛	518%
Corn Products	71¼	69⅞	75½	1⅜	5⅝	408
General Electric	73¼	69½	83	3¾	13½	361
Du Pont	97⅛	94⅛	104	3	9⅞	329
American Can	35⅞	33	38	2⅞	5	175
Eastman Kodak	45⅝	42⅛	46¾	3½	4⅝	132
Westinghouse Elec.	47⅝	39¾	48⅛	7⅞	8⅜	106
Goodyear	54⅞	44	53¼	10⅞	9¼	84
Procter & Gamble	68	60⅞	66¾	7⅛	5⅞	82
Union Carbide	72	62⅞	70⅜	9⅛	7½	82
Allied Chemical	76⅝	64¼	73¼	12⅜	9	72
Texas Co.	57¾	50¼	55⅜	7½	5⅛	68
D-J IND. AVERAGE	293.79	255.49	278.83	38.30	23.34	61
National Steel	51¾	40⅛	47⅛	11⅝	7	60
Standard Oil (N. J.)	78⅜	67⅜	72⅝	11	5¼	48
Bethlehem Steel	57	44½	50¼	12½	5¾	46
General Motors	68¼	54⅛	59⅝	14⅛	5½	39
Woolworth	45⅜	43	43⅞	2⅜	⅞	37
Internat'l Harvester	33	24½	27⅝	8½	3⅛	35
U. S. Steel	44	33¾	37⅜	10¼	3⅝	35
Sears, Roebuck	59¾	56⅜	57⅜	3⅜	1	27
Johns-Manville	73½	58¾	62½	14¾	3¾	25
Am. Smelting & Ref.	43⅞	25⅞	29⅞	18	4	22
National Distillers	23⅜	17⅛	18⅜	6¼	1¼	20
Am. Tel. & Tel.	161¼	153	154½	8¼	1½	18
Loewi's	13	10⅞	11¼	2⅛	⅜	18
Chrysler	93⅞	64	67⅝	29⅞	3⅝	12
Std. Oil of Calif.	59¼	50	50⅝	9¼	⅝	7
Int'l. Nickel	47½	38½	38⅝	9	⅛	1
American Tobacco	65⅞	70¾	71	*	¼	*
General Foods	52¾	54	59	*	5	*
D-J Utility Average	52.57	48.50	51.50	4.07	3.00	74
S & P 50 Indust.	268.9	226.1	245.5	42.8	19.4	46
D-J Rail Average	111.37	90.56	98.25	20.81	7.69	37
S & P low-price com.	†195.4	‡154.8	¶156.8	40.8	2.2	0.5

*Did not decline between January 5 and September 14. †January 7. ‡September 16. ¶ November 4.

Carnot Evans Joins Clark, Dodge & Co.

Carnot W. Evans, formerly Vice-President and Director of Harris, Hall & Co., Incorporated, Chicago, will open and manage a municipal bond department in New York for Clark, Dodge & Co., 61 Wall Street, New York City, members of the New York Stock Exchange.

Carnot W. Evans

Mr. Evans joined Harris, Hall in 1945 and headed the municipal department of that firm. He is a member of the Chicago Bond Club and the Chicago Municipal Bond Club.

Thomas Sallume Opens

BROOKLYN, N. Y.—Thomas J. Sallume is conducting a securities business from offices at 184 Prospect Park West.

With McDaniel Lewis

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—William S. Shargo has joined the staff of McDaniel Lewis & Co., Jefferson Building.

Forms Ratterman Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—George W. Ratterman has opened offices in the Transportation Building to engage in securities business. He was previously with Bache & Co.

L. J. Greany Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Elmer G. Holan is now with L. M. Greany & Co., Fidelity Building.

With California Investors

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Tillman F. Taylor has joined the staff of California Investors, 3924 Wilshire Boulevard.

From Washington Ahead of the News

By CARLISLE BARGERON

A few weeks ago Attorney General Brownell charged in a speech that Harry Truman as President had knowingly promoted a Communist spy to a higher position. Reading the Attorney General's statement at the time and knowing something about the case, it never once occurred to me that he was calling Mr. Truman a traitor. As a matter of fact that is either a pretty sharp political term or a legal one in which latter instance, I believe, it takes two eyewitnesses to an overt act for a proof of guilty. My interpertation of Mr. Brownell's charge was that he certainly had the former President over a political barrel.

Carlisle Bargeron

But immediately the Democrats and left-wingers set up a hue and cry that the Attorney General had accused the former President of being a traitor. They insisted upon this. At one of the most bitter Presidential press conferences a few days afterwards that I have ever known, and one which transgressed all bounds of propriety, there were correspondents who all but shook their fingers at President Eisenhower, insisting his Attorney General had accused the former President of being a traitor and demanded to know whether the President supported such a charge. Obviously flabbergasted, General Eisenhower said he could not conceive of his predecessor having been a traitor. Whereupon these newspapermen wrote that he had repudiated his Attorney General. Mr. Eisenhower should have said had he been properly briefed that he read no charge or inference of disloyalty in the Attorney General's statement and that he considered the questioning offensive.

On Monday night, on a nation-wide TV and radio hookup, Mr. Truman, himself, indignantly insisted he had been called a traitor and then proceeded to admit that he had done exactly what the Attorney General said he had done. He gave his motive for doing it. The Attorney General had not imputed any motive. The name of the late Fred Vinson was brought into the case for the first time insofar as I have been able to ascertain by Mr. Truman who proceeded to shed crocodile tears over the Republicans having attacked a man in his grave. It is all undoubtedly the greatest farce this writer has witnessed in more than 25 years in Washington.

I have gone into details on this phase of the story because it shows the extent to which our more vocal and influential newspapers have fallen from straight reporting and to the extent which they have become propagandists. A few days ago the British radical labor leader, Aneurin Bevan, said the British newspapers, in becoming predominantly heralds of opinion rather than of news, had about made the British people insane. There is a serious question whether the aggressive press of this country is not doing the same thing.

One of the more sickening phases of the propaganda attendant upon this controversy has been the expressions of concern in the newspapers over our losing our "world leadership." Cartoons have portrayed bewildered Britishers and French and even the Asiatics looking at us in amazement and asking each other whether such people as we could be entrusted with "world leadership." Editorials in foreign newspapers telling of their concern about our leadership ability have been freely if not gleefully reprinted in this country.

It has gotten so that we can't engage in any controversy without the pundits solemnly holding up an admonishing hand and lecturing us to be careful lest we lose the world leadership. It is bad enough for these global minds to take our earnings and scatter them all over the globe without their continual warnings that we must be careful in our conduct. It seems that we are right on the brink of having the nations of the so-called "free" world meeting and removing us as "leader" and electing another nation instead. Our so-called world leadership is, of course, based upon our putting out the money. To have so many of our self-appointed leaders constantly dinnin into our minds that we must be careful what we say or what we do lest we lose our position of dubious distinction is becoming increasingly offensive.

That Mr. Truman has made no case for himself or his administration goes almost without saying. When Harry Dexter White was promoted to the "less sensitive" position with the International Monetary Fund he took with him a crew of his associates who had also been reported upon by the FBI. They also were to be kept under the scrutiny of the FBI, we are told, until it could catch them dead in the act. It must have been a trying job for the FBI because these men, including White, travelled all over the world on missions for the government.

A better explanation and a truer one which Mr. Truman could have given is that these cases were brought to his attention when he had been in office only a few months, when he was still in that famous period of humility; that the war with Japan in which Russia had been our "glorious" ally had been over only a couple of months and, although the Administration was beginning to get annoyed, it was still clinging to the Roosevelt heritage that the Soviets were to be our friends forevermore.

Calvin Coolidge, handed a package of rottenness by the Harding administration, took the lead in a cleanup which resulted in his overwhelming return to the Presidency in 1924. Mr. Truman apparently felt he was obligated to Roosevelt. He tried to cover up and carry on.

In fairness to him and to the country, the Republicans should go back to Roosevelt and the beginning, one of the saddest chapters in this country's history. But they won't do this. There are still too many voters who look for Roosevelt to return.

A Perspective of Conditions In Petroleum Industry

By JOHN R. SUMAN*
Vice-President, Standard Oil Company (N. J.)

Asserting though valleys and peaks in petroleum demand will continue to occur, long-term conditions point to an overall upward trend, executive of leading producer is "still bullish on the American oil industry." Predicts, even with some business recession, oil consumption will continue to increase, and productive capacity will be slightly above actual consumption. Warns against gloomy foreboding and says "if we keep proclaiming publicly we are weakening, we may really get weak." Discusses question of foreign oil imports.

As we meet today to review events affecting our business and try to peer into the future, we find the industry in a position where our capacity to produce is ahead of current oil production.

John R. Suman

We would, of course, be foolhardy to close our eyes to what seems to be too much oil at one time or too little at another. On the other hand, it could be no less ill-advised to focus our eyes so narrowly upon conditions of the moment that we become downcast or panicky and lose sight of the great, forward-moving stream of our work.

After hearing some of the anxieties of our industry in the past, I think it can be useful to us to try to take an analytical look at the industry and to see if we can get an accurate perspective on conditions as they are at this moment of 1953.

For a long time now, there has been a steadily growing demand for energy. An increasing percentage of that enlarged demand has been met by convenient, efficient oil fuels. Twenty-five years ago, for example, the peoples of the world used about 3½ million barrels of oil every day. Now the daily total used is nearly 13 million barrels. That almost four-fold increase is impressive. In per capita terms, people in the United States used 17 barrels of oil a year in 1952, as compared with about seven barrels 25 years ago. In most other parts of the world the per capita rate is much lower. But there is every indication that the percentage rate of growth beyond our own shores, both in total and on a per capita basis, will continue to be greater than it will be here at home.

As it has done so often in the past, the petroleum industry has succeeded in meeting the enormous increase in consumer calls for its products. In so doing, the industry has not only reached its goal but may have been carried past it by sheer momentum. I do not regard this as astonishing or as cause for consternation. Ours is a commodity whose production takes time to develop. Refineries, tankers, and pipelines are not built in a matter of weeks. Between the time of the discovery of an oil field and its development, or between the time of projecting a new refinery and the day it goes on stream, the market for oil products — made up of hundreds upon hundreds of industries and millions of individuals, each with its own needs and judgments—may have altered.

*An address by Mr. Suman before the 33rd Annual Meeting of the American Petroleum Institute, Chicago, Ill., Nov. 11, 1953.

Balancing of Supply and Demand

Taking into account the inevitable time-lag between the blueprinting of new petroleum facilities and their completion, the wonder is not that oilmen sometimes overshoot or undershoot their mark but that they hit so close to it as they do. The subsequent adjustments necessary to balance supply with demand are part of our jobs. Dealing with tasks like this is what society pays us for.

The enlargement of oil industry facilities that has taken place, especially since the war, is not confined to the United States; there has been great expansion in other countries in response to the rapid growth of demand which I have mentioned. Although it is not news to you, I am sure, let me emphasize that the building-up of oil facilities in foreign lands is not all milk and honey. If, sometimes, the rewards are substantial, so are the problems and costs.

When negotiating with a government (which is what you have to do in virtually all overseas ventures) private companies obviously bargain on unequal terms, since even a small and weak government possesses powers not open to a business concern. In seeking concessions, American companies frequently encounter vigorous competition not only from other American concerns but from those of other nationalities, and often the latter receive diplomatic support of a type which Americans, with their traditional separation of politics and business, do not practice.

Once oil is found, entire communities may have to be built for employees and their families. This means heavy outlays of a kind not usually required in oil operations in the United States.

Effects of Foreign Petroleum Expansion

Expansion of the oil industry abroad has had its effect upon the oil business here in the United States. This is quite natural. From its earliest days, the nature of our business has been such that a large new source of supply, or a large new area of demand, has always had pretty prompt impact upon the industry as a whole. We have seen this not only as between countries but also as between different sections of the United States. For example, discovery of East Texas affected Pennsylvania, Ohio, Illinois, Oklahoma and other older producing areas of the nation. Today discoveries in Arabia or Alberta, or rising demand for liquid energy in the United Kingdom or North Africa, have their influence in Louisiana or Wyoming.

The immediate cause for our current concern in the domestic producing industry, of course, is the reductions in allowables that have recently taken place. In speeches and statements by members of the industry there has been a tendency, almost without exception, to put the blame for these reductions entirely and exclusively on imports. I shall discuss imports more fully a little later, but let me remark now that, in my opinion, such an explanation is a great over-simplification. Many other factors are involved.

It appears clear, for example, that production was over-enlarged in the latter part of last year in order to make up for the loss of output resulting from strikes in a number of refineries earlier in the year. Some cutback from what can be regarded as an unnaturally high level was in order. In a business whose volume is affected by the weather, we have been going through a period of abnormally high temperatures. Furthermore, there has been some slight slackening of general industrial activity in the United States since last spring. After years of rising output, such a let-up is only to be expected. And the oil industry cannot remain unaffected by the rate of activity in industry generally.

A Margin of Productive Capacity

As you know, there is at present a margin of productive capacity over current use of about one million barrels a day, and, to the extent that imports were reduced, we could begin digging into this spare capacity. But any desire to begin getting a return on this capacity should be balanced against the fact that our government regards this production reserve as a very important security measure against the event of war or other serious emergency. Last spring, in a letter to Senator Lyndon Johnson, Navy Secretary R. B. Anderson underscored the government's feeling when he wrote: "It is estimated that the current U. S. daily production, including crude oil, distillates and gas liquids, is 7,059,000 barrels per day. The estimated daily production capacity if restrictions were removed is 8,159,000 barrels per day. This figure is not sufficient to meet the U. S. and Allied requirements in time of a national emergency."

Carrying this reserve capacity may sometimes seem irksome. But it is probably the only fair way to meet our responsibility to our country and, by so doing, meet our responsibilities to ourselves. The same opinion applies to refining. For along with spare productive capacity has gone a buildup in spare refining capacity about which apprehension has also been voiced. Yet when we consider that the excess refining capacity available today is only a little more than 10% above normal needs, and that the industry operated for many years in the prewar period with a margin of 20% to 30% refining capacity, it would seem that the present margin is not unduly large.

Domestic Crude Oil Production at 6½ Million Barrels

Despite the cutbacks made in several months of this year as against the immediately preceding months, domestic crude oil production for the year as a whole will average in the neighborhood of 6,500,000 barrels daily. This is approximately 4% higher than in 1952, which was itself a record year. This means that crude production in 1953 will set a new high mark in the industry's entire history. It's hard to see why we ought to complain about setting a record.

Now, it may be argued: Yes, oil output increased during 1953, but it ought to have increased more; the industry didn't grow as much as it should have.

I don't know what yardstick one would use to measure how much the industry "should" have grown. But when you measure the domestic industry's progress against some other important factors in the life of the U. S., it appears that we've been doing all right. For example, while the population of the country has increased by 43% (which is the growth in the past 30 years), gross national product has gone up about 150% in terms of a constant dollar. Over the same period, domestic crude oil production has gone up 225%—in other words, about five times as much as population growth and half again as much as the increase in the nation's production overall. Thus, when you consider the industry in relation to the growth of the country it would seem that domestic oilmen have made substantial gains.

Prospects of Future Production

Some may say that even if production is at a record level in 1953, the future looks dark—that conditions are such that the search for new oil has been discouraged. Let's look at the figures. Well completions this year to date are up about 5½%. The number of wells drilling at the end of September this year was up 32% over those drilling at the end of Sep-

Continued on page 26

The Livestock Situation

By ROGER W. BABSON

After discussing "headaches" in the cattle industry, Mr. Babson lays cause of trouble to over-expansion of cattle raising, but holds bearish factors appear to be fairly well discounted. Says hog growers are doing all right, but is not so optimistic as to outlook for sheep.

Although I own a 12,000-acre ranch in Florida, I have never gone in for livestock raising; hence, I am by no means an expert on this branch of agriculture. What I have to say on the subject is purely from the layman's point of view.

Roger W. Babson

The cattle business is an up-and-down affair, and is one in which the inexperienced operator can lose his shirt. For about a dozen war and postwar years the industry prospered. Everyone in it was making money, and as a consequence everyone wanted "to get into the act," with or without experience. The big operators also expanded, despite high prices for stockers and feeders. Cattle numbers increased rapidly, until the number on U. S. farms hit an all-time high of 93,-696,000 head as of Jan. 1, 1953. The number on feed on that date also stood at a record high of 5,836,000 head—16% above a year earlier. The cattle cycle trend cannot quickly be altered.

Attractive prices were the chief expansion lure. Weekly average cattle prices had soared to $37.35 a hundred weight by September, 1951. In April, 1951, prices of heavy steers at Chicago stood at $43.50. But trouble in the form of drought was brewing in the Southwest. Prolonged hot, dry weather scorched the Southwest and other areas in 1952 and 1953. Pastures virtually evaporated. Feed shortages mounted in the stricken areas. Many ranchers had no alternative but to rush their cattle to market. As a result, the bottom fell out. Cattle prices at Chicago recently averaged $25.40; heavy steer prices $29.75. Many cattle raisers today are in serious difficulty.

Action and Reaction

The Law of Action and Reaction applies as much to the cattle industry as it does to any other industry, or to the entire national economy. Overexpansion in any direction inevitably leads to a readjustment, which often is painful. We appear to be at or near a cyclical peak in the number of cattle; the next broad move will be down. Even so, the number of cattle on farms next January may not differ materially from that of a year earlier. This means that slaughter and supplies of beef will continue large, seasonal factors considered. Bearish factors, however, now appear to be fairly well discounted, barring a further serious drought or a sharp business recession. Florida surely should do better.

Many cattle producers are asking for government support; but many others want to stand on their own feet and see the thing through. I doubt that Uncle Sam will support cattle prices; but may extend aid to drought-stricken sections. Smart cattle men who tend their own cattle, with ample pasture and feed, should be able to make money in cattle next year. But it remains an uncertain enterprise for the inexperienced and those who do not ride the ranches themselves. It is fraught with risk, yet full of challenge for the man with livestock in his blood and know-how in his head.

Hog Growers Doing All Right

The hog cycle is a short-term affair and is more closely under the control of the producer than is the case with cattle. The so-called hog-corn ratio is the determining factor. U. S. hog production hit a record high of 101,811,000 head in 1951. This year's indicated crop of some 84,000,000 head is a five-year low and prices have been correspondingly high—higher, in fact, than in any other years except 1947 and 1948.

What is the outlook for next year? With the hog-corn ratio currently around 15.0, compared with 11.9 a year ago, I forecast an increase in hog production. The 1954 spring pig crop may top that of a year earlier by 5% or more. These larger supplies will not come on the market until the second half of next year. Prices in the fall of 1954, as a result of increased marketings, may show more than the usual seasonal decline. Although hog prices currently are under mild seasonal pressure, they should be followed by a good recovery later.

What About Sheep?

I am not optimistic over the sheep outlook. The industry has been on the downgrade in the U. S. since 1942. Feeble attempts at expansion were made in 1951 and 1952, but were not sustained. Increased production costs, plus stiff competition from foreign wool and synthetic fibers, argue against any major upturn in domestic sheep numbers over the next few years.

Trowbridge Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BATTLE CREEK, Mich.—Alice M. Fruin has been added to the staff of Trowbridge & Company, Michigan National Bank Building.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Robert V. Milberg is now with Bache & Co., 1 Lincoln Road Building.

COMING EVENTS

In Investment Field

Nov. 19, 1953 (New York, N. Y.)
Purchases and Sales-Tabulating Division of Wall Street, Association of Stock Exchange Firms, Annual Dinner at the Hotel Statler.

Nov. 23, 1953 (Boston, Mass).
Boston Investment Club dinner meeting at the Boston Yacht Club.

Nov. 29-Dec. 4, 1953 (Hollywood, Fla.)
Investment Bankers Association of America Annual Convention at the Hollywood Beach Hotel.

May 7, 1954 (New York City)
Security Traders Association of New York annual dinner at the Waldorf-Astoria.

June 9-12, 1954 (Canada)
Investment Dealers' Association of Canada Annual Convention at Jasper Park Lodge.

Sept. 22-26, 1954 (Atlantic City)
National Security Traders Association Annual Convention at the Hotel Claridge.

Goodbody 1/4 Century Club to Add Members

The Quarter Century Club of Goodbody & Co., 115 Broadway, New York City, will add four new members at its fifth annual dinner to be held tonight (Nov. 19, 1953) in the Manhattan Room of the New York Athletic Club. The new members, J. P. Ruocco, K. T. M. Ranta, M. F. Pinto and R. S. O'Hara, will be presented gold wrist watches by Marcus Goodbody, senior partner of the firm and permanent club chairman. Their admission will bring the club's total membership to 35.

Robert Cobb Forms Own Firm in Houston

HOUSTON, Tex. — Robert S. Cobb is engaging in the securities business from offices in the Melrose Building under the firm name of Cobb & Co. He will act as participating distributor and dealer in listed and unlisted securities specializing in oil and gas issues and mutual fund shares. Mr. Cobb was formerly with B. V. Christie & Co.

With Professional Service

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Laurence LeBaron has become associated with Professional Service Plan, 1122 Crenshaw Boulevard. He was formerly with First California Company.

Milton C. Powell Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—William E. McCombs has become affiliated with Milton C. Powell Co., Security Building.

Two With Standard Inv.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—William R. Rouse and Neil A Skinner have joined the staff of Standard Investment Co. of California, 571 East Green Street.

With Frank Edenfield Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Leland B. Olmstead and Thomas J. Murray have joined the staff of Frank L. Edenfield & Co., 8340 Northeast Second Avenue.

Dealer-Broker Investment Recommendations & Literature

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

Area Resources — Utah-Idaho-Wyoming-Colorado—Booklet—Utah Power & Light Co., P. O. Box 899, Dept. K, Salt Lake City 10, Utah.

Autmobile Industry — Review—McDonnell & Co., 120 Broadway, New York 5, N. Y.

Foreign Exchange Quotations—Folder of quotations on currencies of 144 countries throughout the world—Foreign Department, Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

German Dollar Bonds — Study — Model, Roland & Stone, 120 Broadway, New York 5, N. Y.

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

Mergers—Consolidations—Acquisitions — Discussion — Westheimer and Company, 326 Walnut Street, Cincinnati 2, Ohio.

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, New York.

Railroad Earnings — Bulletin (No. 146)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Recommended Stocks — List of selected issues — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available are bulletins on **Louisiana Land & Exploration Co.** and **Sunray Oil Corp.** and a fortnightly review of financial and economic conditions.

Tax Memorandum — Suggested income tax savings through security transactions—Bache & Co., 36 Wall Street, New York 5, N. Y.

Understanding the New York Stock Exchange—Illustrated 50-page book of information about the Exchange—New York Stock Exchange, Broad and Wall Street, New York 5, N. Y.

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American Telephone & Telegraph Company—Table of related values—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Atlantic Coast Line Railroad Company—Analytical brochure—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y. Also available is an analysis of **International Cellucotton Products Company.**

Central Vermont Public Service Co.—Booklet—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Detroit Steel Corporation — Bulletin — Gartley & Associates, Inc., 1025 South Oakwood Avenue, Detroit 9, Mich. Also available is a bulletin on **Mount Vernon-Woodberry Mills, Inc.**

Eastman Kodak Company — Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

General Public Utilities—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y.

G. M. Giannini & Co., Inc.—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Hanover Bank of New York — Bulletin — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

International Business Machine Corporation — Analysis—William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

Investors Diversified Services, Inc. — Study — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Kanegafuchi Spinning—Analysis—Nikko Securities Co., Ltd., 4,1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan. Also available is an analysis of **Nippon Oil.**

Park City (Kansas) Improvement District Bonds—Bulletin—Ranson-Davidson Company, Inc., Beacon Building, Wichita 2, Kansas.

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

Ruberoid Company—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is data on **Atomic Energy Stocks.**

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We'll Have No Depression Like the 'Thirties

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

Holding any recession from present high economic activity will be small—not above 10%, prominent industrial executive bases opinion on "an increase in liquidity" in the whole country. Stresses liquidity of banking structure, and says there is not likely to be heavy withdrawal of deposits. Cites additional liquidity in the economy, and points to cushion of lower tax obligations in event of reduced earnings. Looks for growth of population as another positive factor against severe depression.

Business and government experts agree that we are likely to have a recession from present high economic activity. The Department of Commerce business advisory committee expects a drop of only 5% in our total national output; the government experts expect the drop to be "closer to 10%" and some industrialists have been predicting a decline of 10 to 15%. I do not lay any great stress on such specific figures, but I believe there are good reasons to believe that the decline will be small—in the range of 5 to 10%.


Harry A. Bullis

The most recent recessions we have had were in 1949 and 1938. The 1949 recession showed a decline of only 4¼% in national output from the 1948 peak. The recession of 1938 showed a similar drop of 6⅔%.

No Depression Like 'Thirties

But what about the great recession of 1929-33?

I do not believe we can have that kind of a recession in the discernible future. I make that statement because many things have changed to such an extent that such a wide collapse is extremely unlikely. One of the changes is the increase in liquidity in the whole country. Another change is the set of safeguards we have set up against wholesale bankruptcy, wholesale farm and home foreclosures, wholesale unemployment without income, and protections against wage reductions and cutting of prices. These economic defenses were not built by accident.

Liquidity of Banks

In the past, a common phenomenon of business depression has been bank failures and a collapse in the supply of money. In the recessions of the 1920's, about two-thirds of our Minnesota banks went "broke" at one time or another and the proportion was even higher in the Dakotas and Montana. In the East there were practically no bank failures in the early 1930's, but there may have been some embarrassment.

The change which has taken place to prevent bank failure is in liquidity. Back in the 1930 period our banks in Minnesota and the Upper Midwest had cash and reserves equal to only 10% of deposits. The remaining 90% of deposits was tied up in loans, mostly frozen or difficult to collect. Thus it will be seen readily that a small run on the bank equal to only 20% of deposits could not be met by the 10% of reserves. That is what happened in the early 1930's. In fact if the reserves had been paid out, the bankers would have been breaking the law which requires them to keep such reserves. So the bankers had to proceed to collect on their loans all at once. That is the sort of thing that starts a huge downward spiral and drives the economy into a deep recession.

Today we have banks in this Upper Midwest area which are more liquid than the banks on Wall Street. Out here they are 60% liquid, and banks that are 60% liquid could handle easily withdrawals of 20% of their deposits. In the banking structure today, our banks have about $25 of cash and reserves and another $25 in government securities for each $100 of deposits. These two items are equal to 50% of their liabilities, and that is the liquidity ratio of all banks in the United States today. The remaining 50% of banking assets are in loans, mostly on an amortized basis and in good shape.

With banks throughout the United States in such liquid condition, it is not likely that there will be any huge demands for withdrawal of deposits. In addition, the Federal Deposit Insurance Corporation insures bank deposits in the event of bank failure. This not only provides confidence, but prevents a shrinkage in bank deposits which would aggravate recession. I believe the strong position of our banks is the greatest single reason why the United States will not have any serious business recession.

Additional Liquidity in the Economy

In the 1929-33 depression, we did not have old age pensions. Today our old people receive substantial assistance which will continue even though there is a recession. We also have unemployment compensation to assist people when adjustments have to be made. In addition, people have large savings to help tide them over. They have $57 billion in savings bonds alone. Out in this district in 1929, farm debts were five to seven times the liquid assets. Now the situation is reversed.

Also back in 1929 most mortgages were for relatively short periods with little or no provision for payments before the whole sum became due. The endeavor to collect led to foreclosures and added to the havoc. Today, most mortgages are for long periods up to 25 years and are amortized by monthly payments. I believe most large lenders have plans to ease pressure in case of economic emergency.

As a general thing, industry is also trying to keep itself in a reasonably liquid position. Extension of credit and inventory accumulation receives a great deal of attention. In many companies, accelerated depreciation of plants and equipment makes added sums available for use in the business.

Earnings and Tax Obligations Decline Together

Then we have another development which economists call by the jaw-breaking name: "the automatic built-in flexibility of the American tax structure." This means that when there is a decline in business earnings, that decline is greatly cushioned by the reduction in Federal income taxes which must be paid. For businessmen who are subject to progressively high rates, a reduction in income is accompanied by an even more rapid decline in taxes. The government shares in the "down" as well as the "up" of business.

Relief of the Money Market

When a moderate crisis occurred in the financial market last May and early June, our monetary authorities were quick to take corrective measures and ease the tightness which had developed out of the desire to check inflation. Action was taken rapidly and firmly. It is apparent now that the noose of tight money will not be fastened on the economy when it is not needed. We have the statement of our monetary authorities that money and credit are going to be made to expand with the needs of total production, the rise in productivity and the growth in population.

Agricultural Situation

The agricultural situation is still clouded and the basic problems are not yet solved. After the war there was no problem, because Europe was desperately short of food and wanted all we could ship. Now the agriculture of Europe is largely restored to production and, as a result, our exports of agricultural products are greatly curtailed — in fact about cut in two.

We have continued to have good crops. United States and Canada and the rest of the world also have had huge crops of wheat, which total a billion bushels a year more than just before the war. That is depressing the markets and the prospect is for a huge carryover of wheat in the United States approaching a billion bushels.

Our cattle population has been built up from 76 million head in 1946 to 94 million at the present time.

Our cotton crop has been large and we have a huge surplus.

Looking ahead, it does not seem likely that European agricultural production will increase to higher levels, so there should be no additional pressure from a rise in output over there.

Our surpluses of wheat and cotton present the most difficult problems with which we have to cope. In the case of meat, farmers have taken losses for a year and a half, but the prospects are reasonably good for profitable operation on the basis of today's costs. Figures published a short time ago show that prices of agricultural products as a whole are now averaging 91% of parity.

Additional Positive Factors

Growth in population is another optimistic factor. During the decade of the 1930's population increased by about 8 million. In the last 10 years we have grown by over 24 million. Most of these added consumers are still young and as they grow the effect will be felt.

Business activity and employment have been extremely high during the first nine months of 1953. The year 1953 will be very good. Therefore, any decline will have to start from a condition of great prosperity.

There are readjustments taking place right before our eyes. We saw them a while ago in the fir plywood industry, we saw them in the agriculture commodities, they have been pronounced in the manufacture of television sets and they are taking place in other industries. These difficulties are "rolling readjustments."

We have good defenses against serious recession. I believe that President Eisenhower and his advisors are working on the theory that the best defense against recession is quick action. The Administration has been abreast of the situation, and there is no reason to conclude it would fail in attempting remedial measures were they at any time warranted.

We are, I am sure, prepared to take steps to keep all construction at high levels, particularly housing construction. We shall have plans to keep enlarging the rapidly growing home and city rehabilitation outlays. Tax reductions next January will be stimulating. Defense outlays will not be greatly reduced.

Conclusion

Any forecast is made difficult because one can never judge the psychological attitude of the public which can become so fearful as to create the dangers which it fears. Most people agree that there is no reason for these rolling readjustments to get out of hand; but the disturbing factor is the psychological attitude of the business public as it surveys the process. It is inclined to forget that a trend toward a balanced budget and a sane economy is basically sound.

What has been taking place has on the whole been healthy and one can face the period ahead with the same confidence that was responsible for the great development of the United States, assuming that no untoward international development changes the precarious balance.

If we can continue the rolling readjustments of the difficult spots, 1954 should be a good year —a year of satisfaction to all of us and high employment and output as well.

*A radio address by Mr. Bullis, Nov. 10, 1953.

Two With B. C. Christopher

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Dale E. Culver and James M. Patten have joined the staff of B. C. Christopher & Co., Board of Trade Building, members of the Midwest Stock Exchange.

Connecticut Brevities

The Hamilton Standard Division of **United Aircraft Corporation** has started construction on two new additions to its plant at Windsor Locks. The first will be 48 feet high and will house two big tube reducing machines and a new hot-form press with 10 times the capacity of present equipment. The second addition will provide additional space for the shipping department. The new buildings, with a floor space of about 60,000 square feet, are scheduled for completion next summer.

* * *

The Yale & Towne Manufacturing Company has recently formed a Powdered Metal Products Division to consolidate its operations in the growing field of powdered metallurgy. The new division will include the recently acquired Powdered Metal Products Corporation of America and the former American Sintered Alloys Division. Current production includes gears, filters, cams, sprockets, bearings, wheels, keys and many other parts.

* * *

The Guilford-Chester Water Company has recently made a private placement of $450,000 of first mortgage bonds, series B, due Sept. 1, 1978. Proceeds will be used in connection with the relatively large improvement and expansion program covering 1953 and 1954. During the spring of 1954 service will be extended to three new shore communities in Old Saybrook.

* * *

Southern New England Telephone Company's recent offering of 400,000 shares of common stock at $25 a share was subscribed for to the extent of 99.5% through exercise of rights. The remaining 2,093 shares were sold to security dealers.

* * *

The Bridgeport Brass Company has filed a registration statement with the SEC covering 238,628 shares of common stock. It is expected that stockholders of record Nov. 17, will be offered rights to buy one new share for each share owned. The proceeds are to be used in connection with the long range expansion program which includes increased production of aluminum products, expenditure of $4,500,000 for machinery and equipment for a new tube mill, and $1,500,000 for other capital improvements.

* * *

With the approval of the Connecticut Public Utilities Commission and the Securities and Exchange Commission, the subsidiaries of **Derby Gas & Electric Corporation**, a registered holding company, will merge and the resulting company, **Housatonic Public Service Company** will be an operating company serving 12 Connecticut towns with electricity and/or gas, including Ansonia, Danbury, Derby, Shelton and Wallingford. The present stockholders of the holding company will receive one new share of $15 par for each no par share presently owned.

* * *

Bridgeport Hydraulic Company has received permission from the Public Utilities Commission to issue $1,500,000 of first mortgage bonds, series N, due Oct. 1, 1983. The bonds, which will be privately placed, will be used to defray expenses of the company's normal expansion program. Property additions in 1952 amounted to about $1,500,000 and are estimated at around $1,400,000 this year.

* * *

Stanley Works has received a certificate of necessity from the office of Defense Mobilization which will permit it to amortize for Federal income tax purposes, over a five-year period, 50% of $1,861,613 which is to be spent by the company on new steel finishing facilities.

Capt. Rundlett With Nathan C. Fay & Co.

PORTLAND, Maine — Captain Ellsworth T. Rundlett is associated with Nathan C. Fay & Co., 208 Middle Street, in the sales department.

Since discharge from the United States Army Coast Artillery in which he served from Sept. 1940 to Jan. 1946, Captain Rundlett has been engaged as an independent contractor. Prior to the war Captain Rundlett was in the securities business with H. M. Payson & Co. from 1934 to 1938, and Bowers & Company from 1938 to 1940 when he entered the military service.

Earle C. May Mgr. for Walston in Portland

PORTLAND, Ore.—Earle C. May has been appointed manager for Walston & Co., American Bank Building. Prior to joining Walston & Co., Mr. May was with Foster & Marshall.

Forms Parker Secs. Co.

DENTON, Tex. — James A. Parker is engaging in a securities business from offices at 2101 Northwood Terrace under the name of Parker Securities Co.

With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles Barrington, Jr. has rejoined with E. F. Hutton & Company, 623 South Spring Street. He was formerly with J. R. Williston, Bruce & Co.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Leslie K. Sands is now with Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was previously with Dean Witter & Co.

Joins J. W. Malmberg

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif. — Edward Van Dusen is with J. W. Malmberg & Co., 625 Broadway.

LETTER TO THE EDITOR:

Takes Issue With Treasury Officials on Gold Price

Harold E. Barton, of San Jose, Calif., attacks arguments of Treasury Secretary Humphrey and Deputy Secretary Burgess, that raising the official price of gold would be inflationary.

Editor, Commercial and Financial Chronicle:

In a recent issue of the "Chronicle," you published the speeches of the Secretary of the U. S. Treasury, Mr. Humphrey, and Mr. Burgess, Deputy to the Secretary, before the annual meeting of the World Bank and International Monetary Fund in Washington, D. C. I wish to take issue with the reasons given by the said gentlemen as to why they oppose any raise in the price of gold at this time. In opposition to those who favor such action, Mr. Burgess said in part: "a change . . . in the official dollar price we pay for gold would be, in my judgment, inflationary." Is this a sound objection in the light of the facts? No! Why? Because of what a realistic raise in the price of gold would do in keeping our stalling economy going.

First, it would open up the many mines now closed down because of the great disparity between the income from the sale of their product and the cost of production. Many people would thus find gainful employment and would produce new wealth from "old mother earth," taking nothing from anybody in the process, that could be considered oppressive or harmful. Thus through new earnings and new gold, a great buying power would be created with which to attack our great surpluses.

Therefore, instead of being inflationary, a higher gold price would have a stabilizing effect upon our economy. If there were a shortage of goods, we would agree that it would be inflationary, because when there is more money to spend than goods to buy, we have noted a tendency to bid prices up; but when there is plenty of goods to go around many times over, as of now, the effect would be to raise the standard of living for many an average family, and at the same time help solve the problem of surpluses. This we hold to be self evident and unassailable.

Further, if we would give as many dollars in trade for an ounce of gold as other export countries do, we would open the doors of trade and thus dispose of more and more of our surpluses. Huge surpluses are today the basic cause of our immediate national distress, especially true in regard to agriculture. It is also self evident, that unless we do get rid of our huge surpluses by selling to those who need, we shall be under the necessity of imposing more and more restrictive regulations in regard to most of the main lines of our national production. That spells increasing distress, and if prolonged, a major depression is a sad reality once more. Again, we conclude that to raise the price of gold would not be destructive or inflationary BUT salutary.

Mr. Henry Ford II said recently that "a rich expanding foreign trade is important to all parts of the American economy — to industry, labor and agriculture." He said further, "If we want an expanding economy, if we want high levels of production and employment, if we want an ever increasing standard of living — and it is my impression that we do — then the growth of our foreign trade is a matter of real practical interest to all of us. Most of the world is hungering for American products which it cannot buy because it doesn't earn enough dollars to pay the bill. . . . We cannot hope to unify the free world militarily and politically if at the same time we divide it economically. . . . We can no longer afford to play penny-ante poker with destiny. We can no longer be content to just muddle through."

These are the convictions of many of us. We believe that to lower the tariff walls without raising the price of gold would be self-destructive to our whole economy, and is plainly untenable in the premises.

The second reason given by Mr. Burgess was "That a change in the price of gold would disrupt the efforts being made in other countries to restore stable currencies." We hold this to be no valid reason, because an adequate raise in the price of gold, in terms of trade dollars, would increase the buying power and liquidity of all countries with whom we would like to trade. It would permit of freer trade and hence of a larger volume, which we understand to be a principal remedy for their economic ills. Certainly it is more practical to give those distressed nations a better chance to recover through a uniform price for gold, than to force them to continue to accept our generosity, which we can ill afford to give any longer.

Let us face a few pertinent questions:

(1) In refusing to approve a raise in the price of gold, are not our Government officials asking for an international price cutting war, in which we Americans are defeated before we get started, because of our much higher labor costs? Also consider that when they get our gold, which we must send them for all imports in excess of exports, they can double their money by selling the gold over there (like the gold smugglers did recently) and thus make money on the overall transaction, even though they have undersold our growers and manufacturers. Thus our trade balance would become more and more adverse.

(2) Have not some foreign nations already started such a campaign, in order to build up their gold reserves? Have they not declared this to be their direct object in so doing, and thus get ready for the time when we shall be compelled, by the sheer force of circumstances, to raise the price of gold in order to meet world competition?

(3) Do we not have a nine billion adverse trade balance, which, if called across the water, would leave only about 13 billions left of the 26 billions in gold we had just a short time ago? Is it not a fact that our present policy is letting our gold supply slip steadily away from our shores, in order to build up the gold reserves of other nations to the impoverishment of our own? When this has been accomplished, what then? WHO HAS BEEN ROBBED?

Mr. Burgess said further "The path ahead is not easy, but it is clearly marked." That being true, would it not be wise to settle the fears of many of us, by revealing the land marks and answering these vital, down to earth questions? We do not think that "generalities" or "watchful waiting" will get by much longer. The farm and ranch situation is acute. Most farmers must use all of their acreage in order to break even on expenses and yet to do so, produce more than can be sold in the home market. So what?

The farmer must come to see that his prosperity is bound up in that of the miner, and when he does he will rise up and demand a square deal for the much abused miner. He will find that a realistic price for gold and the free flow of it in trade channels will make for the prosperity of both. When the farmer and miner are busy and prosperous, all the rest of our economy will be also. History is bound to repeat itself, and the law of supply and demand will have its inexorable way in spite of "Fair Deals" — New Deals" and "Screw Deals." May our Government not ignore the basic facts of national continuity until there is no remedy, is our hope and fervent plea.

HAROLD E. BARTON,
663 South 9th Street,
San Jose, California

Nov. 3, 1953.

Murray Frumin With Moreland & Co.

DETROIT, Mich.—Murray Frumin is now associated with Moreland & Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges.

Formerly with the Investment Department of Paine, Webber, Jackson & Curtis, Mr. Frumin comes to Moreland & Co. with a knowledge of corporate and municipal bonds, insurance and bank stocks added to his background of general market securities and mutual funds.

He plans to emphasize the use of these media in setting up and inaugurating financial programs for his clients.

Bruns, Nordeman to Admit Four Partners

Bruns, Nordeman & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange on Nov. 27 will admit Ray S. Radow, Harold S. Coleman, James V. Matts and Joseph S. Porr to partnership in the firm.

With Morgan & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Victor G. Paradise has become connected with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with William R. Staats & Co.

Joins Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Y. Clifford Tanaka has become connected with Shearson, Hammill & Co., 520 South Grand Avenue. He was formerly with Walston, Hoffman & Goodwin.

R. H. Moulton Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charlotte G. Bermel has been added to the staff of R. H. Moulton & Company, 510 South Spring Street.

Julius Brickman

Julius Brickman, partner in Brickman, Landsberg & Co., New York City, passed away Nov. 5.

"Let's Not Import Depression"

By CALVIN A. CAMPBELL*

Vice-President and General Counsel, The Dow Chemical Co.

Pleading for a policy of tariff correction rather than a general tariff reduction, executive of prominent U. S. chemical concern points out, since nation has never operated under a free trade system, no one really knows what would happen if such a policy were adopted. Contends figures of export surpluses are fictional, and decries a plan of gradual tariff reduction. Concludes, it is questionable whether reduction or elimination of U. S. import duties would significantly benefit friendly nations or further our international objectives. Upholds reciprocal trade agreements, but scores "favored nation's" clause in them.

It is my hope in this talk to raise a few questions pertinent to this great controversy that must somehow be resolved before many months have passed . . . to refute, if I can, some of the arguments for free trade . . . to point out some of the dangers of rash action . . . and perhaps to offer a suggestion or two which, in my opinion, would serve to further this nation's basic objectives. In the first place, let me say that I see this question as no matter of black or white—no question of a choice between extremes. Rather, it seems to me, we are faced with determining the shade of gray which is going to be most beneficial to this and other nations of the free world in both the immediate and long-term views.

Calvin A. Campbell

The most ardent of free traders will admit the likelihood of certain hazards, in moving to free trade. And I doubt if there is a protectionist so hide-bound as to declare that our present pattern of import duties, and the methods of their collection, are without flaw.

I am sure you will agree with me that we have a few cases of import duties which are ridiculously high, or which hamper the importation of materials for which we are actually *dependent* upon foreign sources of supply, and also that certain of our procedures could well stand improvement. I believe you will agree with me also that in some instances our duties are already dangerously *low* and could well stand revision upwards. I shall not bother to recite specific cases.

But our friends, the free traders—and I use that term in all sincerity, for it is one of the marvelous values of Americanism that we can have honest differences of opinion and still basically remain friends — our friends, the free traders, for the most part offer us not a policy of tariff correction, but of tariff *reduction*, with an *extreme*—free trade, elimination of all tariffs—as an ultimate goal.

I do not for a moment doubt the sincerity of the advocates of a free trade. In fact, I think we can start out on a common meeting ground. Certainly, no one can question the desirability, if not the downright necessity, of following international policies that will enhance the domestic economies of free nations and at the same time strengthen their ability to resist Communist aggression.

Certainly also, no one can doubt the pivotal position of the United States. Whether we prefer it so or not, we are the mainstay of the free world, and the health of other nations is in a large measure dependent upon the health of our own economy. If we fall, to whom can they turn?

For this reason, as well as for reasons of natural human self-interest, we can all agree that our policies must be such as to strengthen, rather than weaken, our own economy.

Up to this point, and laying aside any questions of personal prejudice or self interest, surely both free trader and protectionist can be in accord. These are honorable motives and, in the light of current world history, motives which may well be essential to survival.

Free Trade Would Be an Innovation

But from this point on we find ourselves following divergent paths. The plain fact is that, since this nation has never operated under a system of free trade—*no one really knows what would happen*, either to us or to other nations, if the United States were to adopt a policy of free trade.

So, in general, the question resolves itself to hypotheses, opinions, and assumptions. The advocate of free trade says, for example, "The American worker's standard of living will be increased if he can buy a cheaper Swiss watch and a cheaper English suit." To which the protectionist counters: "True, *IF* that American worker can at the same time hang onto his present job and his *present income*."

Unfortunately, we cannot reduce such complex human and economic factors to laboratory experimentation. We cannot even subject it to pilot plant limitations. We are frustrated by our inability to employ scientific design in economic and political policies.

The long range free trade idea is a most entrancing thing. It has intrigued experienced economists and high school debaters for years. And in one light, at least, it seems a very American thing.

It says, in effect, let each produce that in which he is the most efficient either by virtue of material advantages or skills. It is a concept of specialization which we in America have perfected almost to an art. Our great industrial progress, and the standard of living which resulted, have been based upon this principle. And we have bolstered it by throwing down trade barriers between the states and legislating to prevent monopolies.

So the advocate of this hypothesis has a fine American tradition as an ally. And he can point to our own thriving economy and say, "Behold what freedom from trade restrictions has done for the 48 states."

I refuse to admit, however, that sauce for the goose is automatically appropriate for leg of lamb. In the case of the 48 states all business has, in general, operated under the same laws. It has enjoyed the same rights and privileges and been subject to the same responsibilities. It has utilized a common currency and drawn its labor from a people having equal rights and privileges, relatively uniform levels of education and well being, and complete freedom of movement from state to state.

Most important of all, perhaps, the several states, and the industries within them, have for nearly a hundred years been free from the fear of internal war. No state has had to concern itself with self sufficiency as a military defense against its neighbor.

Now when we go beyond our borders, and particularly when we go across the oceans, we find no such uniformity. We find, instead, a perplexing variety of laws, of customs, of national policies. We find no uniformity of currency between nations. We find instead currencies that are unstable, that are forever changing their relative values, and that are frequently subject to arbitrary manipulation.

We find vastly different social customs and levels of well being. We find people with real wages so low they would be fabulously happy with what in this country is regarded as a sub-standard wage.

And we find vastly different business customs, with deeply rooted class distinctions that stifle economic freedom in the sense we know it. We mind cartel marketing and other monopolistic practices not outlawed, but accepted, frequently encouraged by national policy and sometimes even entered into by government itself.

We find all manner of deterrents to a free flow of trade between nations — not only tariffs but quotas, embargoes, export or import subsidies, government trading, manipulation of exchange rates, extreme nationalism . . . and on and on.

Finally—and this, I think, is the most crucial point of all—we find no freedom from the fear of war and no assurance that such fears are unfounded. We find instead a long history of national prejudices, a long history of large and small wars and an almost constant reshuffling of allied groups.

The Motive of Self Sufficiency

We have learned to our sorrow that our ally of today may be our enemy tomorrow . . . and, possibly, our friend again the day after. We have had war either staring us in the face or enmeshing us for the better part of two decades, and we look out today, sad and disillusioned, upon a world that for all our efforts at cooperation seems ever to be growing more explosive. The reading of our daily newspaper has become less a pleasurable relaxation than a chore which we approach each morn and evening, with curiosity, to be sure, but also with apprehension.

Under such sorry conditions of civilization each nation plows with rifle in hand and forever must be looking over its shoulder for a possible enemy. It must gear its economy to the greatest possible degree of self sufficiency and military potential.

Certainly, under such conditions, the United States, of all nations, can least afford to adopt policies which will tend to weaken her military potential or make her *more* dependent upon foreign sources for essential and strategic materials, manufacturing facilities or know-how.

So I submit that these many international variables, and the powder-keg state of world affairs, combine to render impotent the best intentions of the free traders. The beautiful theory that would assign to each the task in which he is most proficient is dashed down by the cold, hard facts of life as we today find them.

I do not mean to be a war-monger or an alarmist. I simply say that we can ill afford to harbor glorious illusions. The time is not ripe for applying America's internal trade customs on a global basis.

The Fictional Export Surplus

So, turning from the idealistic to the more immediate and practical, let us examine a second hypotheses of the advocates of free trade—or perhaps it is a combination of hypotheses. At any rate, I am thinking of the "dollar gap" idea . . . and of the fine sounding slogan, "Trade, Not Aid."

A little scrutiny of existing trade balances indicates that the dollar gap is more figment than fact. I have here — quite accidentally, of course— a copy of the Sept. 12, 1953, issue of the London "Economist." I should like to read for you one paragraph from this publication, beginning on page 700.

"Since the beginning of the year, the excess of American commercial exports over imports has all but disappeared, although exports as a whole seem likely to reach a new peak in 1953. As the chart shows, when military aid shipments are excluded, the merchandise accounts of the United States are virtually in balance. For the half year, with exports at $6.1 billion and imports at $5.6 billion, the export excess was a mere $500 million, compared with over $1.8 billion in the first six months of 1952. Indeed, on the ground that a certain amount of economic aid is included in the commercial exports, some experts believe that there was a slight import surplus. In any event, it seems certain that the merchandise trade of the United States will be closer to a balance this year than it has been since the nineteen-thirties."

Now I do not want to be accused of quoting out of context, so I do not mean to imply that the London "Economist" has come out in favor of high tariffs for the United States. But at least this is an admission, from across the water, that the dollar gap is either largely or totally non-existent. It is a recognition of an important fact of life.

The October, 1953, Bank letter of the Guaranty Trust Co. of New York has this to say: "During the 15 months ended June 30, 1953, exports from the United States, exclusive of military aid, are running close to imports, and the small export surplus is much more than offset by the excess of 'invisible' imports."

Admittedly, the advocate of free trade will tell me that strictly commercial exports do not tell the whole story and that when exports under various aid programs

Continued on page 28

*An address by Mr. Campbell before the American Tariff League, Inc., New York City, October 21, 1953.

Population Trends and Economic Development

By SAMUEL W. ANDERSON*
Asst. Secretary of Commerce for International Affairs

After explaining meaning of economic development in relation to population, Secretary Anderson divides population pools into three classes, *viz:* (1) old primarily agrarian countries; (2) settled countries typical of Western Europe, which have low birth and death rates; and (3) countries moving from first category to the second, which now comprise world's "explosive areas." Lists factors which influence economic development in transition nations as exemplified by the Far East, and notes substantial fall in their death rates. Stresses need of capital in economic progress, and favors its local accumulation rather than its importation. Concludes population "leveling off" can come only with substantial rise in per capita real income.

I have chosen for my subject a matter which seems to me to have been given insufficient attention in our consideration of the whole field of economic development; that is to say, the effect on economic development of the wide forces at work in the world today on the population of our planet.


Samuel W. Anderson

Let us first spend a few moments examining what we mean by economic development. Is it not fair to say that the modern meaning of this term so widely used today is the process of expanding the availability of the necessary things of life for consumption by the widest possible segment of the population? To attain this increase in the availability of food, clothing, shelter, means of transportation and the like, we must also produce more raw materials and capital goods, for these are essential to a continuation of the process of expansion of production of items for consumption. We must also increase the availability of the services upon which we increasingly depend, such as for communications, as well as facilities for wider education and a greater dissemination of the cultural and religious values of life. It is a complex market basket, but I think it has built into it the notion that as the generations succeed each other, the individual himself should be able to look forward on a per capita basis to a fuller and fuller market basket. As the economists would say, this is the concept of the increasing standard of living per capita.

Those last two words are of enormous importance, for they set up a mathematical relationship. The available supplies of goods and services, increasing as they may be, must continually be divided by the number of people which must share in them, also increasing as they are. If the standard of living per capita is to grow, the divisor must grow less rapidly than the numerator. Our increase in available goods and services must be at a faster rate than the people who must partake of them. This is all rather elementary and you have heard it stated many times. The very statement of the case, however, generates widespread differences of opinion as to the forces at work in the rate of increase of both goods and people. I propose briefly to analyze some of these views today, particularly with reference to the conditions so prevalent in the Far East.

*A paper by Secretary Anderson delivered before the 1953 Far East Conference of the Far East-America Council, New York City.

Pools of World Population

Generally speaking, the pools of world population are divided into three somewhat distinct classes. There are in the world today: First, the old primarily agrarian countries, little industrialized, but supporting at a distressingly low subsistence level very large populations exhibiting the age-old pattern of very high death rates and correspondingly high birth rates. The average level of living in these areas is, of course, very low because the divisor of the equation is very large.

Second, there are those countries which have gone far in the direction of a new pattern of population stabilization, with low death rates, a greatly increased span of life, and low birth rate. This pattern is typical of the Western European countries and North America. Industrialization is usually far advanced, although the agricultural production of many of these countries is still substantial. In many of these countries both the birth and death rates have steadily declined for many years, albeit with a significant lag in the decline of the birth rate.

Finally, there are those countries which are in the position of transition from the first category to the second. Some of these countries are already heavily populated. Other nations have the good fortune of possessing still large unpopulated areas of potential productcion, such as Brazil, Australia, and parts of Africa. In general, we see in this category fairly rapidly falling death rates, but birth rates with a marked tendency to remain high and to decline, if at all, rather slowly.

Most of the countries of the Far East, with the notable exception of Japan, fall into either the first or the third of these categories. These are the explosive areas from a demographic point of view, for their populations are frequently increasing at two or three times the rate for the world as a whole.

Advance of the Transition Areas

In studying economic development in such countries, one is confronted with a number of basic realities which necessarily heavily influence the planning for such development. The more important of these are:

(1) Very low over-all level of living, high rate of consumption in relation to earnings, and, in consequence, very low capital generation because of lack of savings.

(2) A great lack of modern agricultural and industrial production techniques as known in the Western world, except in the newer industrial sectors of the economy.

(3) Relatively poor and expensive transportation facilities so necessary for the internal movement of goods in large volume.

(4) Non-existence or complete inadequacy of anything approaching modern sanitary conditions or healthy environment.

Certainly, one of the most universal reactions of the Western mind to the social and economic conditions in the countries with which we are now dealing, is an intense and entirely creditable desire to improve the physical lot of the masses of people living on a low level of nutrition and with inadequate treatment for their many ills. Agency after agency and foundation after foundation have come to grips with this problem in wide areas of the Far East, as elsewhere in the world. You know better than I the history of these efforts for the improvement of public health in the Far East. But of recent years, something new has been added. We have discovered new and miraculous drugs and chemicals, the application of which on a wide scale at comparatively minor cost has a spectacular effect upon the health of the population. Let me give you a few startling examples.

In only one year, Ceylon's death rate fell from 20.3 per thousand in 1946 to 14.3 in 1947 as a result of an anti-malarial campaign based mainly on residual spraying with DDT at a cost of 15c per capita. The birth rate remained high, at about 40. As a result, Ceylon's annual rate of growth increased about 50% (from 14.5 per thousand to 25.1).

In 1950, the population of Ceylon was about 7.6 million: a density of over 300 persons per square mile, and only half an arable acre per person. Even now Ceylon imports food, and her problems will increase because at the current rate of growth her population will double in only 25 years.

In the largest single public health program in the world, the U. S. Technical Cooperation Administration sprayed some 1,200 tons of DDT in 9,000 Iranian villages to kill malarial mosquitos. As a result, according to Dr. Palmquist, the incidence of malaria was reduced at once from about 90% of the population to 19%. Picture for yourself the decline in the death rates in those 9,000 villages and the resulting increase in their populations which lies ahead.

Before World War I what was then British India and the Indian States was a typical example of the first category. According to Kingsley Davis, in his monumental work on the population of India and Pakistan, the average annual death rate in the decade of 1911 to 1921, was 48.6 per thousand, the highest on record, largely due to the severe epidemics of 1918. The death rate started a decline after 1920, which brought it to about 35 per thousand in the 30s, where it remained, with variations, until the end of the second World War. There is some evidence that there have been appreciable declines in some areas in recent years. In the meantime, birth rates remained relatively unchanging at a plateau of around 43 in the two decades from 1920 to 1940. There is some suggestion that there may have been slight declines in recent years but, if so, they are far less than the decline in the death rates.

India's Population Increase

India's 1.2% annual rate of population growth at present is not nearly as high as in many other lands. But the very massiveness of her population of about 360 million, the divisor in our equation, poses a great problem in economic development. At present rates, about 50-55 million additional consumers, a population considerably greater than Great Britain, must be cared for each decade.

If, as a result of improved public health measures, coupled with an increased level of consumption contemplated by the 5-year plan, India's death rate drops substantially in the future, the population increase would, of course, be correspondingly enlarged in the absence of a severe decline in the birth rate.

To illustrate the problem, let us look at India's food grain problem. Twenty years ago, the per capita consumption was 370 pounds. By 1950-51, this had declined to 315 pounds. To hold it at that level for the estimated population of 378 million in 1956, an additional 7.2 million tons of grain must be available. To make a start back in the battle for an improved diet, more millions of tons must be provided. Bear in mind that the present caloric intake of India is about 1,660 daily compared to 3,150 in the United States. In the words of the National Planning Commission:

"The food problem has existed for about two decades. The separation of Burma reduced internal supplies of food grains by 1.3 million tons, the Partition in 1947 by a further .77 million tons. The lesson of the Bengal famine and, even more, of recent events, is that India's food problem is not a temporary disequilibrium between supply and demand; it is a manifestation of the continually growing pressure of population on food supply. It has, therefore, to be resolved, not through short-term expedients, but through careful and sustained application of relatively long-term measures.

"The shortage of food and raw materials is at present the weakest point in the country's economy. Measures to increase agricultural production have, therefore, been assigned the central place in the Five-Year Plan. As each year passes, the growth of population makes more difficult the task of producing enough to meet the country's needs."

So far, using India as an illustration, I have sought to show that the *Bete Noire* of economic development is the growth in numbers—a tide against which all efforts for economic development must swim. Success for the economic development swimmer will depend on the strength of the tide against which he must swim; the strength of the swimmer—that is, are his muscles strong enough and his reserve resources able to sustain his efforts; and finally, how long will his swim have to last—when will the tide slacken or cease?

Again, let us take India as an example. We can say that comparatively the Indian tide is not great at present—compared, let us say, to Mexico's 3% per year increase.

What of her power to stem the tide? To stay even, she must add, in the field of food, 700,000 tons of grain each year. The Planning Commission has established goals calling for increases in the five years ending 1955-1956 of 8.9 million tons of food grains, 19.7 million acres of irrigated land, 1.2 million KW of installed generating capacity, and so forth, over a wide range of items.

The Plan is an operating reality calling for capital expenditures over the five years of about 4.3 billion dollars, of which 1.2 billion has already been raised and spent by India. This figure includes about $400 million obtained from loans from the International Bank, and grants and technical assistance from the United Nations, the Colombo Plan and from the United States.

Perhaps the most significant point, however, is the fact that India's total tax collections are only 7% of national income, as against figures several times that amount in many other countries. What is even more significant is the fact that capital generation in India today is only 5% of gross national product, as compared, for example, to 16% in Japan. The Plan contemplates that capital formation will rise gradually to 7% in 1956 and to 20% in 1968. Per capita income of $57 is projected to double by 1974.

Departing from this approach, it is worth noting that yields per acre in India are about 1/3 of those in the United States and manpower per acre is roughly eight times that in the United States.

Does this mean that the swimmer's resources will let him not only stem the tide but make progress against it? The Planning Commission says "yes" for the first five years, if it can find an estimated $700 million still not in sight. Whether this will be true of the second and third five year plans is difficult to judge.

The "Compound Interest" Curve of Population

The cornucopia school of thought for which Dr. Jose De Castro speaks generally takes the position that the potential increase in the production of the land and its raw resources into food and necessary goods and services is fully equal to the demands of the compound interest curve of population growth. Those of us who are skeptical of this line of reasoning feel an awesome respect for the compound interest curve and we also try to do some simple calculating as to the capital needs. Bear in mind, please, that at the present average rate of increase per year of 1%, the world's population will double in 70 years. If this situation had existed heretofore, the present world's population of 2.4 billion would have been generated had Adam and Eve lived at the time of Julius Caesar.

In the United States at today's prices, I estimate that it takes about $4,000 to $5,000 of capital investment of all sorts to produce at our standard of living the necessary goods and services for one new person as a consumer. In the first category of countries with their excessive population, the figure would be much less because of present primitive methods and low consumptive levels.

Suppose we were to say that to stay even in his struggle, our swimmer must have a continuous supply of capital energy of about $300 for each new consumer, or about 1/15 of the United States figure. There is some support for this figure in a recent study of Pakistan. Then, in the case of India with her present annual population increase of almost 5,000,000, new capital of the magnitude of $1.5 billion would have to be generated each year, to stay even. The Planning Commission estimates that the 1950 capital generation in India, excluding outside assistance, was about 5% of national income, or approximately $900 million. If this is correct, it would appear that the capital resources available to our swimmer to hold his own with the present strength of the tide, may be even less than his needs unless, as the Planning Commission suggests, a very considerable part of the projected increase in national income is saved in the form of new capital. Bear in mind too that as success attends a country's efforts in industrializing and improving efficiency of agricultural production, the capital investment per capita tends to rise quite steeply. As standards of living rise above subsistence levels, consumption demands require larger relative capital investment. That is to say, the modest $300 figure might grow rapidly.

The Need of Capital for Increasing Populations

Since capital, as I have attempted to show, is one of the most essential elements, if not the very keystone of economic development, its generation, its use and its transfer has come in for an immense amount of discussion as part of the whole drive for development. There is a good deal of confusion about this matter. As we survey the world we often find, for example, a great deal of confusion in the distinction between capital and credit. We must always keep in mind that true capital is only born out of the foregoing of consumption of consumer goods and services so that a large share of production may be applied to the expansion of productive capacity. In many parts of the world where the urge for development and industrialization is particularly strong and where the monetary systems are not very well organized or managed, governments and peoples have yielded to the temptation to use credit made available by unsound fiscal and monetary policies as a substitute for capital. This has invariably resulted in an inflationary spiral, the outstanding effect of which is an involuntary form of taxation falling most heavily upon the masses. Such conditions are the fertile seed beds for authoritarian regimes in which the power of the government is constantly extended through a series of chain reaction controls. This leads so often to deteriorating living conditions which invites the desperate remedy of communism.

Another phase of this complicated matter is that there exist wide-spread misconceptions with respect to the importation of foreign capital for the purposes of supporting economic development as distinguished from the internal generation of true capital by the savings of the people. Here again the problem depends upon a basic understanding of the functions of capital and of the monetary system. Imported foreign capital can take various forms. It can take the form of importation of capital goods for installation of facilities designed to raise the level of production. In many of these instances, the resulting increased production will relieve the host country of the necessity of spending foreign exchange for necessary imports or, alternatively, will create a greater production of goods for export to earn foreign exchange. In these cases, certainly, the use of foreign capital is not inflationary and fulfills a constructive role. Such importation of capital can be legitimately in the form of long-term loans from such institutions as the International Bank and Export-Import Bank. If the investment climate is attractive such imports of capital may be excellently suited for the private capital market attracted by the normal incentives of the free enterprise system. We, in the government, hope that this latter flow of capital will increase and that the governments of capital deficient countries of the world will see to it that fair and realistic rules are established to attract this type of sophisticated capital usually accompanied as it is by skilled know-how.

Where foreign capital is imported for conversion into local currency destined to be spent on labor and local materials for projects or services such as roads or other worthwhile projects, there may be a tendency to initiate an inflationary trend although this is not always the case. To the extent, for example, that such enlarged expenditures in local currency generate an increasing demand for imported consumers' goods, the importation of such capital in the form of foreign exchange sometimes has an anti-inflationary effect.

In any case, where a capital-deficient country striving for development utilizes foreign capital in the form of loans or in the form of private investment, such capital imports have an inevitable impact on the future demands for foreign exchange to render proper service on the loans or on the equity investments. These forces must be calculated with care if the international credit standing of the country is not to be seriously impaired, an event which will have the effect of slowing down or stopping the inflow of both loan and equity capital. Thus, it is fair to say that the capacity of those countries, only recently embarked on programs of economic development, to borrow or to attract foreign public or private capital is clearly limited by a ceiling which I suspect is far below the general needs of the nation for capital in the abstract. The inescapable conclusion from this is one of two alternatives—either the great demand for capital must be largely supplied by the savings of the people of the country itself, or foreign capital must be supplied on a grant-in-aid basis imposing no future claims for repayment of principal or interest.

It would be unrealistic to expect that grants-in-aid from the capital-exporting countries, such as the United States, can long continue or can be expected, in any case, to be of significant volume. We are all aware that neither the giver nor the receiver is genuinely happy with grants-in-aid. We must also bluntly face the fact that capital is inadequate everywhere. The differences between countries in this respect are only relative. The interest rate set in the market place is perhaps the only proof needed of this statement.

Thus, we are inevitably thrown back, it seems to me, on the possibilities for capital generation in the economic developing countries. You may question my estimates of the amounts of capital needed in the process of economic development, but I think no one can doubt that the capital requirements are large. Granting this, it seems inevitable that these pools of capital must, somehow, mostly be generated locally. Experience with countries in transition suggests that difficult choices will have to be made and that considerable restraint and austerity will be necessary by virtue of the limitations on the ability to generate the necessary capital. Thus, reasonably careful selection of projects must be undertaken, and some measure of direction will be necessary. Indeed, I cannot see how that unpopular word "planning" can be completely avoided. I, for one, hope that the plans can be drawn with wisdom and that they will exert a minimum restraint on the operation of a free enterprise system.

This analysis of the problem also suggests that one of the most constructive forms of activity which might be sponsored far more energetically by developing countries is a speeded up effort to introduce into their economies some of the modern schemes for encouraging and mobilizing local capital generation. I am referring to modern-type savings banks, life insurance companies, government savings bond schemes and the creation of an open capital market. In this connection the United Nations Economic Commission for Asia and the Far East has been doing much useful work. To create such agencies and institutions is not an easy task. They must, of course, stand on a base of non-inflationary finance, but when they are so anchored they may prove to be crucial elements of development. In my judgment, they are far more important than is generally realized. Some rather spectacular examples of recent successes in this direction are visible around the world. In Brazil today a genuine and very useful investment banking business is rapidly developing, utilizing fully the know-how of the great capital nations. For the first time in its history, El Salvador marketed a \$12½ million local bond issue to the public with the assistance of only one trained investment banker. There is much room for progress and improvement in the methods and management of such institutions as social security funds, housing cooperatives, savings banks and insurance companies.

What of Future Population Growth?

Finally let us look at the strength of the tide again and examine the possiblity that it may abate. As I pointed out previously, the present 1.2% annual population increase in India is not large in itself. Those among you who have studied demography may quite properly say to me: Yes, we recognize that a compound interest curve is very hard to keep up with, but experience shows that population curves finally turn out to be "S" curves in which the rate of increase gradually tapers off, because after the period of steep rise caused by declines in the death rate, the birth rate also declines to a point more nearly in balance with the rate of death. Experience in general would support you. Fertility does tend to decline with a rising standard of living and greater unbanization and industrialization. But, and this is important, so far as we can tell now, the leveling off process is not likely to happen or at any rate will occur only very slowly *unless* there is, during the period, a signficant rise in the average real income per capita.

The big question is: Where in the "S" curve is any country at any particular time? India is barely beginning the transition which Western countries have experienced in the past century. If that pattern is to be repeated, a period of very rapid growth is in prospect. During the century of transition between 1850 and 1950, the population of the United States tripled. In Asia, even where the initial population is already quite dense, the same pattern seems to prevail. Since 1853, when Commodore Perry's visit initiated a revolution in Japan, the population has also multiplied by about three. Japan is now approaching the level-off point, but is still at least a generation in the future and population seems destined to increase many more millions before that point is reached.

I think all of you in this audience realize that most if not all of the governments in the Far Eastern countries are becoming increasingly aware of the impact of potential population increases upon their plans for economic development. This is emphatically the case in India and indeed in Japan. In India particularly, the government is moving vigorously forward in promoting research and programs of action designed to provide increasingly effective answers to the possible run-away increase in its population, incident to the carrying out of plans of the National Planning Commission.

In closing these observations, I would like to make one appeal. We are all interested in economic development because it leads to improved living standards for our peoples. We are embarked on a wide horizon on programs and efforts toward this goal. But let us have the courage to face up to some of the deeper consequences of these plans and programs.

With F I F Management

(Special to The Financial Chronicle)

SIDNEY, Neb.—Walter S. Cork is now affiliated with F I F Management Corporation of Denver.

NASD District 13 Elects Officers

At an election just held in District No. 13 of the National Association of Securities Dealers, Inc., H. Warren Wilson, Union Securities Corp., New York City, and Oliver J. Troster, Troster, Singer & Co., New York City, were elected as members of the Board of Governors of the Association from District No. 13 to replace, Carl Stolle, G. A. Saxton & Co., Inc., and Paul Devlin, Blyth & Co., Inc., whose terms of office will expire on Jan. 15, 1954.

H. Warren Wilson Oliver J. Troster

At the same time, Ernest W. Borkland, Jr., Tucker, Anthony & Co., New York City; Allen J. Nix, Riter & Co., New York City; Robert C. Johnson, Kidder, Peabody & Co., New York City, and Philip H. Gerner, George D. B. Bonbright & Co., Rochester, N. Y., were elected to serve on the District No. 13 Committee, replacing, Charles M. Kearns, Kearns & Williams; Joseph S. Nye, Cosgrove, Miller & Whitehead; Walter W. Wilson, Morgan Stanley & Co., and Nathan Oppenheimer, Jr., Vietor, Common, Dann & Co., whose terms of office will expire on Jan. 15, 1954.

The Postwar Prosperity— How Much Longer?

By ALBERT G. HART*
Economics Department, Columbia University

In discussing the business outlook, Dr. Hart lists the range of possibilities for the next few months, and states that by mid-1954 the rate of operations could ease off considerably if new commitments slowed down and order books grew thin. Reviews "policy errors" that led to depression of the '30s, and holds, through a "built-in-flexibility," we have since developed means of curbing downswings so that no return of severe depression is likely. Concludes there is a basis for confidence in future economic stability, since future recessions can be held within narrow limits.

The United States has been enjoying a postwar prosperity that has now continued eight years. Our only noticeable business setback, in 1949, was both brief and shallow. Most of the time, unemployment has been below the lower limit of the range our optimistic postwar planners of 1944 and 1945 forecast would represent normal labor turnover in full prosperity. Both in intensity and in length, this postwar prosperity has outrun our previous record prosperity—that of 1923-1929. Now we are asking ourselves—can this last much longer, and if not, what then?


Prof. A. G. Hart

*An address by Professor Hart at the Fall Meeting of the Academy of Political Science, New York City, Nov. 5, 1953.

The Outlook

Our reasons for concern, of course, go deeper than a mere counting of years elapsed between the major depressions in the business annals. We all know that our postwar prosperity has been a period of catching up on needs of long standing. During the war, we had to cut back building, automobile production, and so forth. During the great depression which lasted throughout the 1930's, we had also built but little. Thus we came out of the war with a stock of houses, factories, machinery, automobiles and appliances that was far short of what our expanded population needed for a prosperity level of production and consumption.

Since 1946, we have come a long way. We have built enough houses to provide roofs for the families that were "doubled up" during the war, to house all the new families set up as we caught up on arrears of marriages, and by now to provide a little margin of vacant housing so that people who get transferred to another city can quickly find shelter. While many companies still have uncompleted expansion programs, many have a reasonable margin of plant, and we have provided a reserve of defense plant which may also take care of many civilian expansion needs. Our stock of automobiles seems fairly adequate in size (at least pending more road construction and a cure for parking stringencies), and most of the prewar cars have been retired, so that a period of low replacement needs is looming up. Where in 1949 there were still so many unfulfilled needs that building and durable-goods production barely showed the recession, it is quite likely that a recession now would involve sharp cutbacks in these lines.

Range of Possibilities

The range of possibilities for the next few months may be bounded roughly as follows:

(1) At the upper end of the range, we may get continued full-volume activity. But inflation is probably off the map of reasonable probabilities unless there is a big jump in defense programs. Either new troop movements or a big program of continental air defense might quite possibly take shape, so this "unless" is no mere empty surmise.

(2) The average level of activity for awhile ahead—say through the first half of 1954—is pretty well guaranteed by the sheer momentum of business and by such commitments as government orders, private construction contracts, and unfinished expansion programs that cannot be broken off at once. This average level is not at all apt to fall short of 1953 by as much as 5%.

(3) But even by mid-1954, the rate of operations could be off considerably if new commitments slowed down and order-books grew thin.

I do not apologize for this admission that I do not know what will happen, within wide limits. This uncertainty reflects the fact that many crucial decisions bearing on activity beyond the middle of 1954 have not yet been taken—or are wide open for revision. If certain key people and firms take decisions that point to contraction, this pattern of decision is apt to prove contagious. Many of the factors that will shape these decisions are over in the uncertain realm of international politics. It is not the forecaster who admits uncertainty, but the forecaster who claims to see the future clearly, who owes his audience a special explanation under this year's conditions.

How Bad Could a Depression Get?

Could a depression under present conditions get as bad as that of the 1930's? Despite all uncertainties, I can say with confidence that a trough as deep as that of 1932-1933, or a dragging depression at levels as low as ruled all the way from 1931 through 1939, is out of the question. This is a commentary on economic policy.

Policy Errors of the 1930's

The trough of the great depression could never have reached the levels of 1932-1933 without an astounding series of policy errors—errors which today's Congress, Administration and monetary authorities are proof against. Here is a list:

(1) The Federal Reserve continued a tight money policy for months after the downturn in the spring of 1929. In so far as this was an error, of course, it may be charged chiefly to the stock market, which continued its boom well into the recession. In our times, with a saner stock market, the Federal Reserve is apt to give us easy money in any situation that looks as if it might be a downturn, as it has done in 1953.

(2) In 1929-1931 there was a conspiracy of self-deception among government and business leaders, who refused to admit they were in trouble. In our day of monthly unemployment estimates and anxious self-consciousness, this will scarcely recur.

(3) An epidemic of bank failures ran for two years (through 1930 and 1931) before serious counter-measures were tried, and was not stopped until the spring of 1933. Federal Deposit Insurance probably will prevent any recurrence; if not, it provides a channel for counter-measures.

(4) Despite much talk of public works by economists and the Secretary of Commerce during the 1920's, public works were not effectively used to combat the depression. A slight rise of Federal works was outweighed by a fall of State and local projects; and in mid-depression when Federal support of State and local projects was launched, it was found that many State and local engineering staffs had been disbanded in the name of economy. While few economists are satisfied with our present public-works machinery, there seems to be little danger of such a complete fiasco in any future depression.

(5) Our sharp tariff increase of 1930 helped accentuate the depression abroad. While we cut our imports of goods, our barriers did not shut out the financial panic of 1931, which was at least in part a reimport of the strain we transferred abroad in 1930. Although we may not be too wise to cripple our trading partners in future, we are scarcely likely to panic at the results to the extent we did in 1931, when—

(6) the Federal Reserve reimposed a strong tight-money policy when the economy was acutely depressed and getting worse.

(7) At about the same time, the Treasury called for a big tax increase, and Congress voted heavy taxes on commodities. The fact that people have troubles enough in a depression without heavier taxes would not be overlooked by a present-day Treasury or Congress.

Admitting that each generation finds new mistakes to make, this list of errors in 1929-1932 is so broad that we can be confident it will never be matched in future recessions. It would not be hard, either, to compile an imposing list of errors of omission and commission in the recovery policies of 1932-1933, and to argue that even if one group of politicians managed to devise policies that could reproduce 1932, their successors (of whichever party) could pull us out reasonably fast to a situation at least as good as 1939. In all this, I do not assume that politicians have been indoctrinated by the "new economics"—but merely that they are no longer prisoners of doctrines that call (notably) for tax increases when tax reductions would do more good.

Built-in Flexibility

Partly by design but more largely by accident, we have developed a number of arrangements that have what economists call "built-in flexibility"—arrangements such that merely carrying out the routine of an established policy means taking action to oppose a recession. At the same time, we have weakened the tendency of credit and banking to accentuate business upswings and downswings.

On the credit and banking side, there are, of course, still some dangers. Installment credit contracts pledge a good deal of future income to pay for past purchases. If incomes fall, this means a more-than-proportionate fall of current purchases. But this danger existed on almost as large a relative scale in 1929 as well; and besides, the security loans of 1929 committed many people to putting a good slice of income in 1930 and 1931 into "paying for a dead horse." On the whole, personal short-term debts are less likely to squeeze current spending power on a recession than in the 1930's. The same kind of finding holds for business loans at banks, mortgages, and corporate bonded debt. Weak spots exist. But they are not so serious as the corresponding weak spots in the financial structure of 1929; and above all, they are in no danger of compounding themselves through bank failures.

On the side of built-in flexibility, the prize exhibits are unemployment compensation and the taxes on corporate and personal income. In case of a recession, there is an automatic tendency for people to draw more unemployment pay, and for the tax liabilities of individuals and corporations to shrink. Together with other tax and expenditure programs with a less degree of built-in flexibility, these arrangements stand to offset about a third of any shrinkage in gross national product.

Stabilization and the Deficit

An unpleasant way to paraphrase what I have just said is to say that a 10% recession of gross national product (toward $40 billion in annual rate) would push the government toward deficit by some $12 to $15 billion. By the use of scare words, this can be made to sound terrifying. But looked at calmly, it is a common-sense arrangement.

Think of the position of any business firm in recession. Sales are falling; perhaps unsold goods are piling up. To go on producing much more than can be sold risks bankruptcy. The only safe policy for the firm is to cut back output (or purchases, for a merchant) in line with sales—or further, so as to work off inventories.

It is largely this perfectly innocent and healthy response of operations to sales at individual firms that gives a business downswing its momentum. Each firm that cuts purchases cuts the sales of its suppliers. Each firm that cuts payrolls cuts the sales of the retailers who sell to wage-earners. When everybody tries to cut production down to match sales, the level of sales is undermined.

Built-in flexibility makes this process taper off instead of snowballing. When there is built-in flexibility of a third in the tax-and-expenditures system of government, a drop in output cuts the spending power distributed by only two-thirds of the fall in the value of output. As output falls, therefore, sales drop by less than output. A moderate reduction of output can bring things to a level where output has fallen below sales, and the downswing is no longer self-reinforcing.

This is no place to wrangle over the technicalities of built-in flexibility, or the related problem of the effects of recession on saving and on investment opportunity. But I can report a moderately optimistic general consensus of the economists working on these questions. Even if we took no active steps to oppose a recession, we would not oblige the Marxist forecasters of doom by generating a depression that could drive workers and farmers to despair. On the most pessimistic assumptions, the worst year of a depression in the near future could scarcely show output as low as 80% of potential (that is, as badly depressed as in 1931). After the momentum of inventory reduction was absorbed, furthermore, a mere half of the present level of construction and equipment installations could apparently support a level

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"Humphrey's Honest Dollar"— A Reprieve From Evils of Cheap Money

By ROLAND A. ERICKSON*
President, Guaranty Bank & Trust Company, Worcester, Mass.

Asserting "Humphrey's Honest Dollar" might be restated as attempt to provide robust, good health in the economy, New England banker reviews cheap money policies of the New and Fair Deal Administrations, and concludes a mistake was made by not permitting money and credit to be decontrolled in 1946 along with the rest of the economy. Lays tight money market of last Spring to "well" of loanable funds "running dry," and lauds Humphrey policy of not resorting to artificial means of increasing supply, and thus avoiding a new inflationary cycle.

The responsibility of credit men for maintaining the economic soundness of industry is akin in many respects to the obligations of the Secretary of the Treasury of the United States and the Federal Reserve System. They are charged with maintaining the economic health of this country. Their policies influence both directly and indirectly the physical condition of their patient. The title, "Humphrey's Honest Dollar," might be restated as Humphrey's attempt to provide robust, good health in the economy.


Roland A. Erickson

The year 1953 to date has been a boom year with all-time high activity. In some circles it is little realized just how active business has been. In 1948, prosperity was considered to have reached the ultimate. The country was enjoying capacity operations in all fields, trying to satisfy the appetites of starved Americans for cars, houses, home furnshings, vacations, and luxuries of all types. A five year all-out world war had left a "consumer demand vacuum" that all firms were rushing to fill. It was in every sense of the word a seller's market with goods being absorbed as quickly as they were available. Under those conditions, overall output averaged 192 on the Federal Reserve Board Index and a high month of October of 195.

From there on you know the story. A normal business adjustment in 1949, followed by Korea in '50, and the acceptance by the United States that we had to become a military state with a permanent munitions industry whether we liked it or not. Compared to the peak levels of '48, however, the first six months of 1953 averaged 240 or 48 points above the 1948 experience. It was in this atmosphere of all-time high boom activity that America woke up to face a tight money market. It seemed to surprise and shock many people. If it had happened in England, France, Holland, or Belgium, it would not have stirred up the debate which followed or the accusations and false explanations of why it occurred. Only in the United States, where for 20 years cheap money and continued inflation had been a professed policy, could a return to normal central bank policy be so misunderstood.

In some respects, people had assumed that money would always be available, with no concern being given to who would save this money and have it available if it was being sold at a price that did not reflect a natural market price. In a nut shell, the tight money market developed because industry, political states and municipalities were demanding such huge quantities of funds that there actually developed more demand for the savings of people than existed. It also occurred at a time when financial authorities both in the Federal Reserve System and the United States Treasury believed that a continued pursuit of inflationary monetary policy or artificially making more money available would inevitably lead to disaster. It should be made very clear, however, that this condition developed from necessity and not alone from theoretical considerations. I think in the next several minutes, it will become clear that the "well" was running dry as a result of the cheap money policies that had been in existence for 20 years, and that to have artificially filled up that "well" would have called for a monetary debasement that would have led to an inflation of the most disastrous type. Let us go back a bit now and place the spotlight on a few historical bench marks.

*An address by Mr. Erickson at the New England Conference on Credit and Financial Management, Worcester, Mass., November 4, 1953.

Depression Cheap Money Policy

Early in the year 1933, there was a historic meeting in Washington between the then President Franklin D. Roosevelt and Sir Maynard Keynes, an eminent British economist. Mr. Keynes, a brilliant economic theorist with the ability to apply those principles to everyday life, expounded a doctrine of cheap money as the best means of combating the world wide depression that was engulfing everyone at that time. In other words, if people or business could borrow money cheaply, they might be tempted to use that money to buy goods or services and thereby help sustain business. It was a good doctrine, soundly conceived for a depression atmosphere, but having limitations.

It is obvious that to make possible cheap money in a depression, there must be so called expensive money in a boom. Expensive money in a boom not only tends to assure the availability of savings to be loaned out in a depression, but also presents the relative change in the purchase price that might be an incentive to a borrower. To state it simply, money is a medium of exchange, but in addition, it is a commodity subject to market forces much the same as for any commodity or service. If you want to increase the supply of some commodity, what do you do? You boost the price, which gives an incentive to people to produce more of that commodity. If you want more people to use the commodity, you reduce the price. The same applies to money. If you want more money available, you must encourage people to save it because that's the only sound way to create it. It should be created in a boom so it will be available in a depression. In addition, its creation in the boom helps to reduce speculative excesses. A little higher price in the boom will help to create it and a little lower price in a depression may encourage the use of it.

World War II Financial Policies

World War II was the first time in American history that we adopted the principle of complete regimentation on the economic front as well as the military. This meant wage controls, price controls, production and raw material controls, and controls on the price of money. The national administration at that time was very interested in borrowing their money as cheaply as possible. Emphasis was placed on the cost of the debt rather than on the total of the debt. They forced a cheap money policy on the regimented economy that was not only low in rate but was artificial in the slope of the curve of that rate. For example, water freezes at 32 degrees of temperature under given atmospheric pressure. The price of money too has a certain relationship whether it is money to be used for one week or for 15 years. That is known as the rate curve. Under natural money market conditions the rate curve for 90 day paper to 15 year bonds does not vary very much. The government insisted on a low rate, but they did one thing more. They insisted that the shape of the curve must also change to a sharply accelerating one. To continue my simile, water no longer was to freeze at 32 degree temperature under a given atmospheric condition, but by manmade decree, it must now freeze under the same atmospheric conditions at a 40 degree temperature. During war time, a government that has the confidence of its people can do anything, and it did. The rate curve was a sharply accelerating one and water was made to freeze under unnatural conditions.

However, since this rate curve was completely artificial and wrong in theory, just like the proverbial horse that is led to water but can't be forced to drink, it was not possible to force the acceptance of it in its entirety. Near the end of the war, there were many weeks when the only buyer of Treasury Bills was the Federal Reserve System acting under instructions of the Treasury Department. In other words, some water was refusing to freeze at 40 degrees. To take it off the market, it was being purchased by a supposedly independent financial policy institution that was following the dictates of the government. And again, it should be stated that in war time, such decisions are matters of judgment and I certainly make no criticism of it.

Immediate Postwar Policy

And then came the postwar with shortages of goods and a general scurry for everything available. There had been dammed up an insatiable desire for goods during the war years which sought to express itself when the flashboards of wage control, price control, production controls, were dropped. Strangely enough, about every control was discontinued in 1946 except one, and that was the price of money. Even though the country was going into a boom, it was insisted that money remain cheap. That policy contributed a great deal to the price inflation that occurred from 1946 to 1952. Had the price of money been decontrolled at the same time that other commodities were freed, it would have exercised a salutary influence throughout the economy and everyone would have been better off.

Not only does the artificial control of money affect general commodity prices, but it shows up very markedly in the government bond market. The Federal Reserve System, under instructions from the government, maintained bond prices at certain levels. If you will, the Federal Reserve was buying the government's own securities in order to cover up the fact that it was an unhealthy price level. It had reached such an obvious state of unsoundness, that on Dec. 24, 1947, the Federal Reserve decided to try in a minor degree to reduce its support of the government bond market. Overnight, government bond prices dropped drastically. Many of us had felt that this eventuality was inevitable, so it didn't spoil our Christmas Eve. Just as many more, however, were caught completely off guard and thought more about depressed bond values than they did Santa Claus on Christmas 1947. The results of this attempt were so shocking to the Administration that it reissued orders to go back in and peg the market.

United States Treasury and Federal Reserve Board Accord, March 1951

By 1951, it was very obvious to everyone that unless America was going to wind up with a destructive inflation similar to that which France has periodically experienced, something had to be done about the so-called cheap money policy. By the way, I always feel that when you buy something cheap, invariably it turns out to be very expensive. A cheap money policy is very expensive if it is maintained in good times as well as bad. It is true that the interest cost of carrying our government debt to date has been low per dollar, but it would have been less expensive to have paid a little more interest and thereby incurred a smaller debt.

In the postwar period, municipalities and states had heavy programs involving new schools, new roads, new utilities. Public utility firms such as power companies had to double and in some cases triple capacity because of the growth in population and expansion of industry. Industry in turn was spending \$20-\$28 billion per year for new plant and equipment to help produce the goods that this nation of 150-160 million people had been denied from 1941 to 1945. Unlike the World War II expansion which had been financed out of earnings, depreciation and non-cash items, the postwar expansion had to rely more and more on borrowed money of one form or another. In a sound economy, the supply of money is not unlimited, and it just began to give out. It is rather interesting to note that with all the expansion in World War II, the net property account of all manufacturing corporations increased only \$1.5 billion. This reflects the overwhelming use of normal depreciation and accelerated write-offs. Since 1945, how-

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THE MARKET . . . AND YOU

By WALLACE STREETE

Yearend dividends provided the stimulus for individual issues in the stock market this week and there was about as much disappointment around as there was elation. The market, consequently, was a highly mixed affair that put off until some later time the demonstration of its near-term intent.

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About the most determined group movement was weakness in the textile shares which were joined in the new lows lists by the carpet makers. Beaunit Mills, despite a recent resumption of dividends for the first time in a couple of years, was a persistent item on the new low end of the list, apparently under pressure at least in part of tax-selling.

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Technical Performance Ominous

From a technical standpoint, the market's course this week was ominous. The long-laggard rails were unable to show any convincing strength after faltering before the overhead resistance. Industrials consequently backed away from their own overhead supply area. On the optimistic side, the fact that the rally from the September lows had been so sharp naturally called for at least a moderate selloff at about this point. The selloff so far can still be described as a modest one.

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Tobacco issues continued to show the new caution with which these stocks are being regarded, Liggett & Myers breaking through into new low territory. But there was hardly anything drastic about it. It is ironic the fears of declining sales are so potent at this time in view of the "depression-proof" label once pinned so securely on these issues, particularly since the steel shares, once considered the premier cyclical industry items, have been negotiating a rather unruffled path. And even the "war babies"—the aircrafts—have been turning in a performance that shames many of the so-called defensive sections.

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For a blue chip that stood out on weakness, Eastman Kodak is probably the week's selection. The declaration by the company of a nickel more on the quarterly rate with no stock dividend such as was paid last year was greeted with a precipitate decline that ran past a couple of points, which is drastic treatment at the investment end of the list. How much of the selling was hastened by the general easiness prevailing in the synthetic fibre issues is a moot point. But the fact is that American Viscose and Celanese were anything but towers of strength.

* * *

Motors Heavy

Motors were far from optimistic in their action, particularly Chrysler which nudged to a new low for the year in a quiet way. The group hasn't been prominent on the losing side but hasn't fought the trend either. Reo Motors, helped by the dividend increase, was an exception, at least momentarily. Thanks to this, and to the strength in the issue recently on merger rumors, it is one of the few in the group toying with its year's high rather than with the opposite end of the spread.

* * *

Nickel Plate, with a modest turnabout to the side of strength after the payment rate was increased, focused even more attention on the rail section. If the good action is to be a forerunner of similar good news from other roads, nearly all of which could afford the largesse, then (so the logic runs) the carriers conceivably could take a more prominent part in the market leadership and lift the list out of the doldrums. Nevertheless there were few willing to make any flat predictions and only the sheer optimists were starting to discuss the year-end rally this early in the game.

* * *

Whatever implications are supposed to be inherent in volume changes, there were few in sight this week. The play in the low-priced stocks, and particularly in RKO Theatres, ran out in midweek and there was a rather drastic decline coincident with a day when the industrials lost the sizable amount of a couple points. It is true that the best volume days of the month so far were on days of strength but if it is heartening to anyone, they're keeping very quiet about it. Similarly, the list tended to broaden out on plus days and contract on sick ones. The low point was reached on the mid-week decline. The sour note statistically was that the daily total of new lows took over the leadership again after a couple of weeks during which the highs exceeded the lows by some comfortable margins.

* * *

Radio Corp. was something of a target on the selling side and there were some sizable liquidations in some of the secondary stocks without excessive damage, which gave rise to the impression that some large, hence institutional, tax selling was adding weight to the market. Celanese, from its market action could have been one of these.

* * *

Dividends No Stimulus

There were also plenty of cases where good dividend action only served as an excuse for traders to "sell on the good news" which presumably indicates that a good segment of the traders prefer to be wary for a bit longer. DuPont wasn't overly impressed with its higher payments for 1953 than were made in the last two years. And the play in General Electric was somewhat short-lived and the stock since has taken full opportunity to slide with the rest of the list. Good earnings have been even less effectual as market props except for some cases where the surprise element was acute. Philco's good showing of 88 cents a share against 48 cents for the third quarter, amid all the disfavor for video shares, brought a modest cheer from the market at the same time that Admiral was posting a new low.

* * *

Utilities Out in Front

In their quiet way the utilities have been showing up all the other sections. Their string of plus weeks ran to eight while both the industrials and the rails ran out of steam earlier. Largely because of a characteristic swing in Panhandle Eastern Pipe Line on the down side, the buoyancy is in jeopardy at the moment but that only dims slightly the way the conservative end of the market has been ignoring the backing and filling elsewhere. Duquesne Light particularly has been immune to the occasional heaviness in the list and quick to inch ahead on moments of strength. Detroit Edison, Consolidated Edison and Houston Light are among the members that are still resting at or only slightly below their highest prices of the year. And that can't be said about too many of the best known names in the stock market.

[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.]

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The Security I Like Best

and for the year ended Dec. 31, 1952 sales had reached $126,836,-000—growth under able management. Its products are Kleenex, Kotex, Delsey Tissue, and other absorbent products — products all nationally known, each a necessity, and low in price.

Through a long-term contract with Kimberly-Clark Corp., the company is assured of an ample paper supply for the products sold in the United States. Kotex gauze is manufactured by Berkeley Mills, a subsidiary. Foreign sales are made through wholly-owned corporations in the various countries of Europe and Australia.

Steady growth over a long period of years can be shown by the consistent increase in income:

	Inc. Before Taxes	Net After Taxes	Earned Per Sh.
*1953	$8,550,000	$3,518,600	$1.48
1952	13,110,774	5,366,958	2.26
1951	13,154,850	5,757,960	2.42
1950	15,726,868	8,106,940	3.41
1946	5,194,053	3,107,309	1.31
1940	3,007,344	2,088,549	0.83

*Six months to June 30.

For the first six months of 1953, sales are reported at $69,700,000, a new high. Net income also has shown the same steady increase: from a net, after taxes, of $2,088,-549 in 1940 to $5,366,958 in 1952.

As might be expected, the financial condition of the company is particularly strong:

Current assets	$28,214,000
Current liabilities	5,964,090
Total assets	38,099,777

Capitalization is simple: no bonds or preferred outstanding. Capital stock, 2,378,104 shares. The company had a small bank loan of $2,135,635, due $950,000 annually to 1957.

Dividends have been paid regularly since 1934. The present rate is $1.50 annually. At present market prices of about 30 the yield is approximately 5%. The stock is traded in the Over-the-Counter market.

To me, it seems that here is a company which should not be seriously affected by any curtailment of consumer purchasing power; a company whose management has demonstrated versatility, and one which can be expected to continue the steady growth concurrently with industrial activity of the nation.

Henry Blass Co. Formed

Henry Blass is engaging in a securities business from offices at 19 Rector Street, New York City under the firm name of Henry Blass Co.

Forms Hedwall Associates

Charles S. Hedwall, Jr. has formed Chas. Hedwall Jr. Associates with offices at 70 Wall Street, New York City, to engage in a securities business.

Joins Livingston, Williams

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Lawrence A. Gaertner has become associated with Livingston, Williams & Co., Inc., Hanna Building.

Financing Denationalization

By PAUL EINZIG

Commenting on the spectacular success of the first large financial transaction connected with denationalization of industries in Britain, namely, offering to the public of £14 million of United Steel shares, Dr. Einzig points out this is indication that money for investment in denationalized industries is available. Warns, however, recent experience in denationalization financing is not in itself conclusive, but holds there is no reason to anticipate immediate large scale denationalization in Britain.

LONDON, Eng.—It has been one of the weightiest arguments against denationalization of industries nationalized by the Socialist Government between 1945 and 1951 that in existing circumstances it would be difficult, if not impossible, to provide the private capital needed for the repurchase of these industries from the government and for their financing once they are restored to private ownership. There can be no doubt that persistent high taxation has materially reduced the amount of capital available for investment. It has become a perennial complaint that the industries left in private ownership are gravely handicapped in their development schemes by the lack of private financial resources.

Dr. Paul Einzig

Indeed, this argument is used by Socialists in support of their advocacy of further nationalizations on the ground that owing to lack of private capital privately owned industries are likely to remain handicapped in the execution of ambitious programs of expansion.

In face of this argument the spectacular success of the first large financial transaction connection with denationalization came as a complete surprise. The £14 million United Steel share issue was covered by public subscriptions several times over. Even if we allow for a certain amount of speculative "stagging" operations, this result shows that there is, after all, a fair amount of money available for investment in denationalized industries. What is more, even though subscribers had to realize on some existing investments in order to raise the necessary funds, the sales of stocks and shares arising from this have barely affected the Stock Exchange. Indeed, the level of prices of government loans after a moderate temporary setback, has now risen to the highest point reached since the heavy decline caused by the increase of the bank rate from 2 to 2½% in November, 1951.

Needless to say the lesson deducted from this experience is in itself not conclusive. The amount involved is relatively small compared with the total value of nationalized industries. Nevertheless, the possibility of financing denationalization provided that it is proceeded with gradually has been satisfactorily proved. The fact that the present issue of £14 million is expected to be followed by further issues has not deterred subscribers and has not depressed the Stock Exchange. Evidently, amounts of similar magnitude in addition to normal issue activities can easily be absorbed.

Moreover, under the Iron and Steel Act of 1953 the net surplus secured by the Treasury through the sale of government investments in iron and steel companies will be used for the redemption of corresponding amount of public debt. Although the iron and steel nationalization stock will remain in circulation—except in so far as holders choose to exercise their option enabling them to surrender it in payment of "denationalizations stock"—the total of the public debt will be reduced. This means that even if the whole of the iron and steel industry is resold to the public the amount of funds in private hands will be unaffected, except quite temporarily between the issue of denationalization stock and the use of the proceeds for debt redemption.

The position is somewhat different as far as transport denationalization is concerned. The proceeds of the sale of road haulage units will remain at the disposal of the Transport Commission. This is because it needs the funds for its own purposes so that in the absence of this partial denationalization it would have to increase its government-guaranteed borrowing to a corresponding extent. If the principle applied in steel denationalization were to be applied to transport and to other nationalized industries, there would be no financial reason why all nationalizations should not be reversed. There would of course be other arguments, political and in some cases economic, against doing so. The financial argument that private capital is not available for the repurchase of nationalized industries is, however, obviously untenable.

The realization of this should go a long way towards mitigating the defeatist attitude that prevails to a large extent among Conservatives in regard to nationalization prospects. On the assumption that over-taxed private investors would never be able to provide the capital needed for denationalization on a really large scale, the conception has been widely if not universally adopted by both supporters and opponents of nationalization that the process could not possibly be reversed.

Opponents of nationalization were inclined to become fatalistic about the doom of capitalism that they expected to come about gradually within the lifetime of one generation through a series of nationalizations by successive Socialist governments, which Conservative governments would be incapable of reversing. The decision of the Conservative government to confine denationalization to iron and steel industry and a small part of transport, was inspired by this defeatism.

Needless to say even though it has now become evident that the defeatism was unfounded on financial grounds, there is no reason to anticipate large-scale denationalizations. The denationalization of public services would encounter the utmost political opposition while the "unscrambling of the eggs" would be economically difficult in the case of the coal mining industry. Where the realization of the financial possibility of denationalization is liable to help the opponents of nationalization, is in that it has materially strengthened their bargaining position. Hitherto any offer of a compromise under which Conservative governments would undertake to abstain from making use of their Parliamentary majorities for further denationalizations in return for an undertaking by the Socialist Party to abstain from further nationalization when they regain office would have been rejected by the Socialists on the ground that, in any case for financial reasons, Conservative governments are not in a position to denationalize on a large scale. Now that this fallacy has been debunked there may be room for some such bargain.

NASD Receives Slate For 1954 Officers

WASHINGTON, D. C.—Edward C. George, Chicago, Vice-President and a Director of Harriman Ripley & Co., Inc., has been nominated Chairman of the Board of Governors of the National Association of Securities Dealers, Inc. His election will take place at a Governors meeting next January. He succeeds Carl Stolle, President, G. A. Saxton & Co., Inc., New York.

Edward C. George

Murray Ward

George Geyer

Harold C. Patterson

Wallace H. Fulton

Other officers who will take office in January follow:

Murray Ward, President, Hill Richards & Co., Los Angeles, Vice-Chairman, to succeed John D. McCutcheon, St. Louis; George Geyer, Geyer & Co., New York, Vice-Chairman, to succeed H. P. Schlemmer, partner, Schwabacher & Co., San Francisco; Harold C. Patterson, partner, Auchincloss, Parker & Redpath, Treasurer, to succeed John F. Bunn, Jr., partner, Bioren & Co., Philadelphia. Wallace H. Fulton, Washington, was nominated executive director.

Mr. George has been associated with Harriman Ripley since 1938. He started in the securities business in 1919 with Lee Higginson & Co. after serving in the Army in World War I as a Second Lieutenant in the Field Artillery.

Morgan & Co. Formed In Montreal

MONTREAL, Canada — W. E. Morgan, member of the Montreal and Canadian Stock Exchanges, has formed Morgan & Co. with offices at 507 Place d'Armes, in partnership with F. L. Browning. Mr. Morgan was formerly a partner in Robertson & Morgan.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

A number of recent developments have focused attention of investors on the stocks of insurance companies. Prominent in this connection have been the announcements of stock dividends and proposed financing by a number of institutions.

Of special interest and significance was the stock dividend recently announced by the Insurance Company of North America. Last week the Directors of the Company declared a 20% stock dividend payable Dec. 31, 1953 to stockholders of record Dec. 1, 1953. The additional shares so issued will participate in the cash dividend which is expected to be declared in December and paid in February, 1954.

There is no indication of what the next cash dividend declaration may be. In 1953 the Company made two quarterly payments of 50 cents, raising the rate to 62½ cents for the last two payments. This was supplemented by a 50 cent extra at the beginning of the year bringing the total payment for 1953 to $2.75 a share.

The previous change in capital by Insurance Company of North America was made in 1951 when a two-for-one stock split was accomplished. Since that time the Company has gradually increased its cash distribution to stockholders. The present stock dividend declaration is viewed as a further step in such a policy.

Another company to announce a stock dividend is Northern Insurance Company of New York. Subject to stockholders approval on Feb. 1, 1954 a 10% stock dividend will be distributed on outstanding shares. The Company has also announced that it plans to continue the present $2.50 dividend on the increased number of shares.

While the foregoing declarations do not necessarily pressage a period of widespread stock dividends on the part of insurance companies, it is expected that a number of other institutions may adopt this method of increasing the dividends of stockholders. Also, it is likely that some institutions will increase their cash payments directly in the coming months.

Another significant development of recent months and one which may also indicate a number of similar announcements in the coming year, is that with respect to insurance financing.

The problem of adequate capital for the insurance industry has been a continuing one with individual companies at various times selling additional shares to enable them to handle the available business. As the insurance field is growing, it is likely that capital needs of the industry will continue to expand. A large part of this fund will be provided from internal sources providing an adequate level of underwriting profit is permitted. Some, however, will, of necessity, have to be obtained from public sources through either new or existing stockholders.

In this connection, stockholders of the Fire Association of Philadelphia at a special meeting to be held on January 14, 1954, will be asked to authorize an increase in the capital stock from 360,000 shares of $10 par value to 800,000 shares. Providing approval is received and subject to other regulatory provisions, it is the intention of the Company to offer to existing stockholders for subscription 340,000 shares. This would mean an offering of one new share for each share now outstanding.

The final subscription price will be determined at the time of the stockholders' meeting. It is expected, however, that it will be in the neighborhood of $22.50 a share. This would indicate an addition to capital and surplus of approximately $7,500,000.

Another company which is raising additional capital is the American Fidelity & Casualty Company. In addition to effecting a reclassification of the outstanding prior preferred, this month the Company is offering to existing common stockholders, 150,000 shares of new convertible preferred on a share for share basis. The stock is to be convertible into common share for share indicating a subscription price somewhere above the current market for the common of 21-22. This would mean additional capital for the Company in the neighborhood of $3 million.

Hornblower & Weeks Acquiring Business Of Scatterty & Jones

Hornblower & Weeks, 40 Wall Street, New York City, national brokerage and investment banking firm, founded in 1888, has announced it is acquiring the business and staff of Scatterty & Jones, New York cotton brokerage firm, as of Dec. 1, 1953. Established in 1940, Scatterty & Jones has been engaged principally in the execution of hedging cotton contracts for "trade accounts."

Clayton B. Jones, a senior partner of Scatterty & Jones, will become a limited partner of Hornblower & Weeks. Mr. Jones has been active in the cotton brokerage business since 1913. Under his supervision, his son, Clayton B. Jones, Jr. will head the firm's new cotton department at the main office at 40 Wall Street, New York.

The offices formerly maintained by Scatterty & Jones in the principal cotton cities of Charlotte, Memphis and Dallas are expected to be taken over and maintained by Hornblower & Weeks, and their present managers, Arthur R. Newcombe, C. W. Butler and Peter O'Donnell, respectively, are to continue in their present capacities.

This entry into the cotton brokerage business marks the third major acquisition by Hornblower & Weeks this fall. On Oct. 1, the business of Paul H. Davis & Co., Chicago investment banking firm was consolidated with Hornblower & Weeks, and on Nov. 2 the Detroit brokerage firm of Bennett, Smith & Co. was acquired.

Income-Producing Real Estate as Trust Investment

By CLARENCE M. TURLEY*
Past President, American Institute of Real Estate Appraisers, St. Louis, Missouri

Real estate expert discusses pros and cons of income producing real estate as a trust investment and points out tests to be applied in holding or acquiring real estate parcels. Says business buildings, well located residential renting structures, or industrial properties, all have their proper place as good investments made under certain conditions and at relative prices. Concludes, when intelligently acquired, competently operated and maintained, income real estate will compare favorably with what might be considered a good trust investment, and is far better than securities found in many trust estates.

During the past 40 years I have been privileged to deal, almost exclusively, in income-producing real estate and am conscious of many of the advantages as well as some disadvantages of investment in this commodity from the viewpoint of the private investor, but I have never handled a Trust Estate—hence the viewpoint of the Trust Officer whose duty it is to invest funds entrusted to his institution for the benefit of a widow, a minor or minors, an incompetent person, a pension trust or in any other fiduciary capacity has been gleaned from sitting on the opposite side of the table endeavoring to sell a piece of income property as a Trust Investment or on the same side of the desk endeavoring to help the Trust Officer answer the question, "Now that we have it, what are we going to do with it?"

Clarence M. Turley

I think that the objection I have heard most often from Trust officials when discussing the acquisition of a parcel of income-producing real estate or the retention of such a property which a testator has left as a part of an estate to be administered by a Trust company for the benefit of heirs, etc., is the non-liquidity of the asset. The second objection raised is the question of management.

There is no doubt about it, there is the element of non-liquidity in every parcel of real estate. A $100,000 parcel of income property can hardly be divided and a part of it sold when one desires to raise money in the same manner that one might sell $50,000 of a $100,000 investment in bonds or stocks or other negotiable securities and keep the balance for better or for worse. It must generally be sold in its entirety or completely retained.

Furthermore, liquid securities are listed upon the Exchanges of the country and one may know from day to day the price at which one may dispose of them with the consequential profit or loss—not so with real estate. The market moves more slowly and the sale generally requires an effort, either on the part of the Trustee or someone employed by him. All appraisals of the value of real estate are specifically conditioned upon a reasonable lapse of time and a consistent and competent sales effort to procure a purchaser.

If an individual, or a Trustee, or a business institution, manufacturer or anyone faces the probability of being forced to quickly liquidate his or their investments, Trust investments or otherwise, no form of real estate should be acquired with the idea that a quick sale and full realization of its value is probable.

However, I might say in passing that the inability to sell quickly has in my experience, forced many an individual and corporate organization to keep its real estate in times of stress while stocks and bonds and other liquid securities have been sold at depreciated prices (with no regard to intrinsic or actual value) and the real estate, which was non-liquid and unsalable, came back and in the long run preserved to the owner the means of a financial recovery which might not have been the result had it been possible to dump the real estate in a day-to-day market along with the quoted securities. The non-liquidity of real estate has often been its prime virtue and in addition, this characteristic is always taken into consideration by the appraiser when selecting the proper capitalization rate to be applied to the stabilized income stream produced by a specific parcel of property.

Trust Limitations

When we consider the proposition of any investment of funds which have been entrusted to us as fiduciaries, I realize that there are a number of limitations placed upon us by the document creating the relationship, as well as by the laws of the various states in which we are operating. These present legal problems and it is not my purpose, nor do I feel completely competent, to present a complete analysis of the laws of my own State on this subject, nor to attempt to tell you what you can or cannot do under the laws of California or any other state represented here with regard to the investment of Trust Funds in real estate. Each and every one of you has, undoubtedly, very competent legal talent within or connected with your institutions to keep you out of trouble in this regard.

Generally speaking, however, the laws of the various states have for their theoretical objective the preservation and safety of the money and property entrusted to the Trust Organization and its investment in the manner that a prudent man would invest his own money, looking to the safety of the principal rather than for speculative gain or profit.

In other words, subject to the limitations of the document creating the Trust Estate and the laws of the States, the Trust Organization is interested in two things—safety and income.

While emphasizing safety and the preservation of principal we certainly do not wish to appear to be like that slothful servant in the Biblical parable of the talents, and bury that entrusted to us in the ground to keep the principal completely and safely intact with no income, but must be wise servants and make our investments in such a manner that the principal will be preserved and those for whose benefit the Trust has been created receive the greatest amount of income it is possible for us to obtain for them.

Certain types of real estate offer that opportunity. Life insurance companies, whose ownership of real estate had formerly been limited to the ownership of properties actually used by them, since being permitted to invest in other real estate, have been very well satisfied with the results.

I realize that insurance companies are different in many respects from Trust Estates handled by your members, since losses, if any, can be spread over a much larger portfolio and only slightly affect the overall picture; whereas, generally speaking, each specific Trust Estate must stand on its own. However, in some respects the principle is the same, namely, that insurance company executives are investing money which does not belong to them and have the same objectives in mind, namely, safety of the principal and adequate income.

The question of whether or not the ownership of income real estate is or is not a good investment under these circumstances is answered by comparison.

I have in mind a case in which an eastern insurance company was offered a proposal, the result of which would be the ownership of a remodeled office building, the bulk of the space therein to be under lease to the American Telephone and Telegraph Co. and Southwestern Bell Telephone Co. Other space in the property is subject to rentals from tenants of the ordinary variety but the rental from the AT&T lease and that of its subsidiary would produce a net return of 5% to the insurance company on its investment and retire the same during the remaining useful life of the structure. In discussing this with an officer of the insurance company a significant statement was made by him, namely, that the debentures of these two tenants were considered at that time to be a good buy for the investment of insurance company funds upon a basis which would yield from 2¾% to 2⅞%. The official having the proposition before him could see no difference between the obligation of the tenant to pay rent for a period of years and its obligation to pay interest and principal on a debenture issue.

Under these circumstances the deal was made and the same amount of money invested in real estate and building has yielded a much higher return than the 5% minimum which the company would have received from the principal tenant's lease and obviously a much higher rate than would be earned on debentures. It seems to me that the degree of safety in this instance is identical, the only difference being one of management and accounting, since obviously it requires less ingenuity and physical effort to clip coupons from debentures than to operate and maintain a building. However, the results have justified the extra effort.

I realize that a property as large as was involved in this case ($2,000,000) is one which comparatively few Trust Estates can handle but there are many other smaller properties in which the same principle is involved, namely, that the promise of the tenant to pay rental has the same degree of safety as its unsecured promise to pay a given amount in the form of a debenture. In fact, if default is made in the promise to pay rental the debenture obligations and with which I felt, based upon would certainly be worthless, but the owner of the debenture would have nothing but a piece of paper and a claim to be asserted in bankruptcy.

Properties in which Woolworth, Kresge, Penney or some other National Chain of unquestioned credit rating occupy a substantial portion of the space are examples of what I am talking about and in addition to producing a good income for the Trust are salable with a minimum effort if sale becomes necessary.

Thus far in this paper I have been talking about prime properties which I feel a Trustee would be justified in acquiring out of funds earmarked for investment but I feel that Trust officials are more often confronted with the problem of whether or not to dispose of property which has been left to them in Trust with power of sale and reinvestment.

There are undoubtedly many borderline cases where the Trustee must use wise discretion both in regard to disposition and reinvestment of the proceeds of the sale, but the impression in certain circles is that too often income is sacrificed in favor of security of principal.

A case came to my attention shortly before I began the preparation of this paper which, to some extent, illustrates what I have in mind in this connection. I am going to assume some conditions which may not be based upon fact in connection with this item — simply to illustrate.

A piece of property consisting of a very large remodeled residence was offered for sale by a Trust Company at $35,000. In the remodeling, an ingenious individual had created 13 rental units most of which contained in-a-door beds, bath, refrigeration, kitchenette and gas stove. The neighborhood is adjacent to an industrial district but also not very far from a large public park. These units produce a gross income of $8,400 per year with expenses and taxes, including management, of $3,000; net income $5,400 per year, about 15% on the price asked. The indications are that there will always be a reasonably good demand for these units.

Suppose that the Testator in this instance had left this property in his estate, the income to go to his widow for life, with remainder to children. This widow could have been told by her late husband that the property would produce over $5,000 per year and she need not worry about her living in the manner to which she was accustomed. She is due for a sudden awakening when the property sells for $35,000 and the proceeds are reinvested in government bonds at 3% or $1,050.

In this instance the principal would be preserved for children or other heirs but the widow would have a rough time getting along on $1,050 per year.

Now this is an extreme case and on the basis of the assumed conditions, I believe that even this borderline property should not be sold, but approximately $2,000 per year out of its income retained in the estate as depreciation and $3,000 net income paid to the widow. A property of this type should certainly not be acquired as a Trust investment but I believe there is a difference between purchase and retention.

I have a client—in fact, he is also a co-investor with me in some fairly large office and commercial properties. In addition he has a substantial estate consisting of listed stocks, mortgages, and money. He wanted to make me his executor and Trustee because he said he was afraid that a Trust company would find an excuse to sell his real estate holdings at the first opportunity. I declined to act but did agree to be a co-executor and co-trustee with an institution which I felt would carry out his wishes in regard to his property past relations, I could have some influence concerning the desirability of keeping a substantial portion of the estate invested in income real estate, which he, while alive, considers to be a good investment and because it is a good investment for him while he lives, he feels it will be a good Trust investment after his death.

There are several tests which the purchaser of income property should apply and I believe they are substantially the same tests which a Trustee should use when endeavoring to decide whether or not a property should be acquired or sold. They are as follows:

(1) Character and age of the building or buildings involved. A good investment need not necessarily consist of a new building. In fact, an older building—not an antique—but one which has been well maintained is often more desirable than a new one for investment purposes.

Buildings which show signs of antiquity should be avoided unless the purchaser has a program of modernization in mind which will produce better occupancy and increased income. Trustees, however are not in position to speculate on such potentialities, hence the building itself should be a good one.

(2) Quantity or amount of income to be received in relation to the price paid. This test naturally determines the maximum amount an individual is justified in paying, in relation to the amount of income to be received.

(3) Quality of the income stress. By this is meant the type of tenant occupying the property and its ability to continue in business and pay its obligations. The ideal situation in this regard is a property in which an AA1 tenant occupies a sufficient amount of space at a rental which would produce a net income of from 4½% to 6% on the investment, with other space available to be rented to good tenants whose credit rating would not be as high as the principal tenants, but whose rental, as long as it lasts would substantially increase the net rate of return on the investment.

(4) Probable duration of the income flow. In other words, is the present rental secured by leases of long duration and if not, will the present income stream be continued through renewals or will it tend to increase or decrease at the expiration of existing leases.

(5) General salability of the property. I have said a great deal about the non-liquidity of real estate but there are some properties which are more easily sold most of the time than others and this should be given some consideration.

(6) Trend of values affecting the specific properties. This is a topic upon which many volumes have been written and is one upon which I could spend several hours. The experienced appraiser, however, particularly in his own community, is thoroughly familiar with current trends and the individual purchaser or the Trust official can well afford to consult a competent appraiser for guidance in this connection. Obviously, unless the income stream will provide for complete amortization of the investment during the current lease term, no one desires to invest where the trend in values is downward.

(7) Management factors involved in handling the specific property. The management of a parcel of income property is divided into two subdivisions (a) the physical management of the property itself and (b) top management or let us call it "policy management." Often most phases of these two subdivisions are combined in an organization completely separated from the operation of the Trust company or Trust department. This is due, I am told, to the inability of the Trust company to charge the Trust Estate, regardless of results obtained, a sufficient amount for its services to justify the maintenance of a competent staff to properly handle income property requiring more than routine rent collections.

This situation, however, should not be one which would cause the Trustee to refuse to consider income real estate for the investment of Trust funds. Inquiry will show that by far the largest percentage of income real estate is

*An address by Mr. Turley before the 27th Western Regional Trust Conference of the American Bankers Association, San Diego, Calif., Oct. 30, 1953.

not owner-managed and if an owner, while alive, employs a manager or a management organization, there is no good reason which I can see why his executor or trustee should not have the right to employ a competent management and pay for it out of the Trust Estate's income.

However, management factors affect the desirability of a specific property at a price if all of the other tests which I have mentioned produce answers which are equal. For example, it requires much less management effort to collect monthly rental from one AA1 tenant occupying an entire building under a net lease for 20 or 25 years than it does to collect the same amount of rental from a dozen or more tenants whose leases expire at various times and whose leases provide for operation, maintenance, taxes and insurance at the cost of the landlord. In the first instance, no outside help is necessary and in the latter instance, unless adequately compensated itself, the Trust company will be compelled to hire outside talent to look after the details of management.

An expert appraiser who is called upon to appraise two properties which produce an identical amount of net income but whose management factors are similar to those I have just related would probably use a capitalization rate of from 1% to 2½% higher for the building occupied by several tenants than for the single occupancy property held under a net lease.

When all of these tests have been applied to a specific parcel of income real estate and the services of a competent appraiser, within or outside of the institution, are obtained to analyze it, I am sure that it will be discovered that income real estate is a good Trust investment.

I have not attempted to tell you what specific type is best, namely, business buildings, well located residential rental structures, or industrial properties, but all have their proper place under certain conditions and at relative prices.

When intelligently acquired, competently operated and maintained, income real estate over the years will compare favorably with what might be considered to be the best Trust investment and will be far better than most other forms of property or securities generally found in Trust Estates.

Columbus & Southern Ohio El. Stk. Offered

Dillon, Read & Co. Inc. and The Ohio Company headed an investment banking group which released an offering for public sale at the close of the market on Nov. 17 of a new issue of 200,000 common shares of Columbus & Southern Ohio Electric Co. at $26.25 per share.

Proceeds from the sale of these shares and from a proposed sale of $10,000,000 new first mortgage bonds will be used by the company for its construction program, including the payment of bank loans which were incurred for additions and improvements. The construction program for the period from Sept. 1, 1953 to Dec. 31, 1955 is estimated to cost $50,000,000. Construction is nearing completion at the E. M. Poston Station of a fourth generating unit of 60,000 to 66,000 kw which is expected to be placed in service early in 1954. Construction has been started at Picway Station for an additional generating unit of 80,000 to 100,000 kw and this is scheduled to be placed in service late in 1955.

The company supplies electric service to an area, with an estimated population of 585,000, in and around the City of Columbus and an area in southern Ohio with a population of 265,000. The company's southern area is adjacent to a new gas diffusion plant under construction by the Atomic Energy Commission near Piketon, Ohio, and the company and 14 other electric utility companies are cooperating in a project for the supply of power to this plant through the Ohio Valley Electric Corp. and its subsidiary, Indiana-Kentucky Electric Corp. A subsidiary, Columbus Transit Co., operates a bus and electric trolley coach transportation system in Columbus and suburbs.

For the 12 months ended Aug. 31, 1953, the company's consolidated operating revenues were $36,361,542 of which $30,778,397 represented electric revenues. Consolidated earnings on common shares were $4,539,958.

New Talmage Branch

Talmage & Co., members of the New York and American Stock Exchanges, have announced the opening of a new office at 107-22 Continental Avenue, Forest Hills 75, L. I., N. Y. The new office will be under the management of Miss Miriam Minden and Walter J. Scheideberg.

H. A. Cottingham With Hemphill, Noyes & Co.

LOS ANGELES, Calif.—Harry A. Cottingham has become associated with Hemphill, Noyes & Co., 510 West Sixth Street, as registered representative. He was formerly a partner in the Investment Securities Company of California.

Continued from page 3

Are Leading Chemical Shares Overvalued?

dustrial companies. The more popular Dow-Jones 30 industrial average in the period 1946 to 1952, registered an increase about equal to that of the six major chemical companies. By these two measurements the six major chemical companies would appear to lack above-average earnings growth in the postwar period.

In the third comparison, a somewhat greater cross section of industry is achieved since it compares the results not of 6 chemical companies but of some 20 chemical companies with—not of 125 companies—but a total of 429 industrial companies. These compilations are on a net profit rather than on a share profit basis. Thus, at the expense of achieving a wider base, we have to overlook one factor which could be negative, that is the increased capitalization in order to achieve the expansion in earnings may have eliminated the share growth. In this comparison, total earnings of 20 chemical companies gained slightly more than the 429 industrial companies from 1946 to 1952 (89% vs. 77%). The main reason for directing attention to this third comparison is to point out that several of the major industries in the 429 company total had greater postwar profit gains than the chemicals—and five of these are commonly regarded as cyclical, including the metal, machinery, electrical equipment, motors and motor parts. Even earnings of the cyclical building, steel and paper industries increased nearly as much as the chemicals in the postwar period.

Causes of Postwar Expansion

The comparison of earnings by industry group confirms the fact that many industries in the postwar period reflected a tremendous expansion due to a backlog of demand for goods built up during World War II. This condition, in my opinion, has overemphasized the importance of many cyclical industries such as those mentioned above in the group total and their sizable postwar expansion may be subject to a more pronounced readjustment sooner than the chemical industry. Moreover, unlike many durable goods industries, start-up expenses associated with complicated chemical processes probably tempered the chemical industry's profit margins to a somewhat greater degree in the postwar than certain cyclical industries. At the same time, the earnings of the chemical companies must have benefited, too, from the high level of general business activity. In any event recent government defense policies have made the chemical industry one of the prime beneficiaries of accelerated amortization — this of course has been a definite deterrent to reported share profits in 1951, 1952 and 1953.

Moreover, certain companies have become so large and so important in their industry group in the postwar period that they have stifled the relative expansion of their respective group. For example, DuPont represented around 40% of the 1952 total earnings of 20 chemical companies and the six major chemical companies mentioned above represented about 85% of the 20 company total. These six chemical concerns are all mature enterprises where the percentage expansion could not have been nearly as great recently as it was say 20 years ago or even 10 years ago. It might be logical then to argue that the smaller- or medium-sized chemical companies possess the best growth attributes, but, at this advanced stage of the business cycle consideration should be given to the fact that many of the smaller concerns theoretically are more vulnerable to a readjustment than the larger.

Earnings Ratios of Major Chemicals

Regardless of the reasons why the major chemical concerns have not evidenced dynamic growth in the postwar years, the question from an investor's standpoint is whether the earnings multiples for the leading chemical equities at the present time are too high. Based on these comparisons, they are. However, I feel that there have been too many complicating developments in the postwar period to judge the industry by these three comparisons alone. After all, in the years 1929 through 1952 average earnings of six major chemical companies increased 183% as against 78% for the 125 industrial companies, and 24% for DJ 30 industrial companies. Moreover, in the period 1929-1941 the average of the six chemical companies registered a 23% expansion in share results compared with 26% loss for the 125 industrial companies and a 42% loss for the 30 DJ companies. It may be of further interest to note that the six major chemical companies recouped their 1929 earnings rate by 1936, whereas the 125 industrial companies did not reachieve their 1929 profit level until 1947, and the Dow-Jones group until 1948.

Then again there is the question of recession resistance of the chemical industry. In the 1929-1932 downward spiral, combined earnings of the six major chemical companies contracted roughly 68%. The 125 industrial companies as well as the 30 Dow-Jones' companies declined not 60% or 70% in this period but to deficit operations. In the 1937-38 readjustment the combined earnings of the six major chemical companies declined less than the 125 industrial companies or the 30 Dow-Jones' companies. Using the broader comparison, that is, the 429 industrial company compilation, earnings of the 20 chemical companies in both the recession periods evidenced about the same trend. Moreover, about half of the 30 or so major industry groups included in the 429 company total had deficit operations in 1932. In fact, there were only seven major industry groups which showed less percentage contraction in net profits in the four-year period 1929-1932 than the chemicals; these were—the containers, drugs, food, retail trade, shoe, tobacco and soap groups.

It is a moot question whether the present expanded nature of the six major chemical companies will permit this chemical group to show the same recession resistance in forthcoming business readjustments. I have in mind here the present indicated overcapacity industry-wise for some important chemical products. However, it would seem plausible to expect that the chemical industry will offer an above-average number of new products and new processes compared with many of the so-called cyclical industries in any business readjustment. Therefore, it might be reasoned that while the chemical industry may be less recession resistant than it was 10 or 20 years ago, it should still be more resistant than such cyclical groups as steel, machinery and building, industries to name a few.

Place Stress on Recession Resistance of the Chemicals

In other words, at advanced stages of the business cycle, it would seem astute for the investment manager to play down the so-called growth aspects of the chemical industry, particularly in the more seasoned companies, and to emphasize their less cyclical and better-than-average recession resistant qualities. This, then, represents one of the main reasons why chemical shares normally sell at higher earnings multiples than the cyclical industry shares. So far, the chemical group has not experienced as precipitous a decline in market price as the more cyclical industries during readjustment periods partly because of this recession resistant characteristic but also, in my opinion, because of the inherent growth of the chemical industry. I believe the chemical industry possesses important further growth under more normal business conditions although expansion by the six major chemical companies may be slower than the smaller concerns.

For the immediate future, the chemical concerns will benefit by the elimination of the excess profits tax beginning 1954, but lower general business activity could cause some of this tax benefit to go to the customer rather than the stockholder. The effective tax rate for the six major chemical concerns was 66% last year as against 51% for the 125 industrial concerns. Moreover, the high accruals for accelerated amortization of a good portion of the recent plant additions will help each company's cash position and in time be reflected in reported share profits. There seems to be no doubt but that in appraising chemical equities today, consideration should be given to these plus factors.

Much Depends on Business Trend

In deciding whether or not the stocks of the six chemical concerns mentioned above are currently attractive for new money, much depends upon the prospects of general business activity in the next year or so. The investment manager's philosophy usually changes with his psychological state. I must confess that my concern about the general business outlook suggests that the romantic possibilities of new products and processes should be reduced to earnings per share.

While one should view with skepticism, at this juncture, too much enthusiasm for growth stocks at any price, a current reappraisal of the major companies in the chemical group, indicates that few of these stocks are greatly out of line with earnings prospects based on a decline in the FRB index to about 200. At least their current earnings multipliers are not far from what we at Argus like to call the postwar "characteristic" price/earnings ration. At the moment, and giving special consideration to the promised relief from EPT, I am inclined to favor DuPont, Union Carbide, and Hercules. At the same time, giving consideration to the position of the business cycle, I would maintain a cautious attitude toward the stocks of numerous specialty chemical producers whose earnings may be vulnerable to difficult competition during a period of lower demand.

S. F. Exchange Member

SAN FRANCISCO, Calif.—The San Francisco Stock Exchange has announced the election of Donn C. Douglass to membership in the Exchange. Mr. Douglass, who is a member of the firm of Douglass, Van Der Naillen & Co., Inc., acquired the membership formerly held by the late John C. Traylor, of the same firm.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The announcement by the Treasury that the 2⅛% notes due Dec. 1, 1953 would be refunded with either a new 1⅞% obligation due Dec. 15, 1954 or through the reopening of 2½s due Dec. 15, 1958 was not exactly an unexpected development as far as the money market was concerned. There had been a considerable amount of talk about a one-year obligation or thereabout being part of the "package," with opinions also on the strong side that an intermediate term issue would likewise get a share of the deal. There had been guesses around that one of the then outstanding issues would be used as part of the split offering even though the 2½s due Dec. 15, 1958 had not been given more than a passing amount of attention at that time.

Continued Money Ease Expected

The 1⅞% rate for the 12½ month note, as well as the 2½% rate for the slightly longer than five-year bond, reflects the changes that have taken place in the money market which have recently been towards lower rates. With this refunding and others to come, not to mention new money financing that will have to be undertaken because of the unbalanced budget, it seems as though easy money conditions are to be expected for some time yet.

Also, there is very little leeway between the outstanding debt and the debt limit which means that attrition in refundings cannot be sizable. This would appear to indicate that attractive offerings will have to be made to holders of the obligations that are being refunded, and the money market will have to be kept in good shape to facilitate the operation. Therefore, a constructive monetary policy would appear to be in order.

Success of Refunding Assured

There seems to be no doubt about the refunding of the Dec. 1 maturity being a success because the securities that are being offered to the holders of the 2⅛s are tailored to meet their needs. The shorter obligation, the 1⅞s due Dec. 15, 1954, will appeal to the Central Banks as well as to some corporations, along with certain of the deposit banks. Those that need liquidity and a near-term maturity have both of them in the 12½ month note. On the other hand, the 2½s due Dec. 15, 1958, will be attractive to those that are interested in extending maturities and indications are that not a few commercial banks, and to some extent corporations, as well as other investors, will be among those that will exchange the maturing 2⅛s for the five-year bond.

Extension of Debt Seen

There had been some opinions around before the terms were announced that a 2% certificate would be in the package. Based on this idea, it is believed by certain money market specialists that the 1⅞s were tailored a little bit on the skimpy side in order to bring out the attractiveness of the 2½s and in that way get more of the holders of the maturing 2⅛s to go into the 1958 obligation. In the amount that the 2½s due Dec. 15, 1958 will be taken in exchange for the 2⅛s due Dec. 1, there will be an extension of maturities which is the policy of the administration.

The presently outstanding 2½s which are being offered as part of the "package" for the Dec. 1 maturity is not a large issue and the exchanges that will be made into it should help to improve the marketability of this obligation. As to the attrition that will come out of this refunding operation the opinions are that it will be very small because the securities that are being offered in this exchange are attractive since they meet the needs of those that own the December 2⅛s.

Strong Market Prevails

The government market has taken the refunding announcement pretty much in stride after being a bit on the hesitant side, because it was in the process of digesting the recently offered 2¾s while at the same time waiting to see what the Treasury would offer the holders of the Dec. 1 maturity. Then there was the surprise announcement that General Motors Acceptance Corporation would raise $300,000,000 through the sale of a 25-year obligation. All of these factors caused traders, dealers and some investors to back away from the government market and prices were quoted down on very light volume.

However, with the refunding terms known it was evident that there was still a pretty good demand around, enough to take care of the offerings of governments as well as to assure a successful deal for the large corporate bond flotation. Accordingly, the quoting down of prices ceased and the market for Treasury obligations was in a constructive vein again. To be sure there will be backing and filling as the various new and refunding issues are being absorbed, but the feeling in money market circles appears to be a favorable one because the outlook is for continued easy money conditions.

Despite the attention that is being given to the Dec. 1 refunding, switches for tax purposes are still supplying a good amount of volume to the market and these operations will most likely continue right through to the end of the year.

Prescott Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Joseph P. Hance has been added to the staff of Prescott & Co., National City Bank Building, members of the New York and Midwest Stock Exchanges.

With Foster & Marshall

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Adolph G. Wigren is now with Foster & Marshall, U. S. National Bank Building.

Retire From Firm

SAN FRANCISCO, Calif.—Brooks D. Weber, limited partner, and Alfred E. Kogler and Ernest E. Charleston, general partners, have retired from Davies & Co., members of the New York and San Francisco Stock Exchanges.

Atlas Secs. Corp. Opens

Atlas Securities Corporation is engaging in a securities business from offices at 39 Broadway, New York City. Ronald S. Tilley is a principal of the firm.

Continued from page 14

The Postwar Prosperity— How Much Longer?

of total output not much below 90% of potential.

While short of disaster, though, such levels of output would spell serious trouble. A 10% shortfall from the potential output of the United States represents a wastage of productive power almost as great as the total product of France. And we have to remember that even our mild business wobble of 1949 upset trade positions and currencies all over the world. The economic and political backwash abroad of a slump to 90% of full production (let alone to 80%) might necessitate a fresh wave of international rescue operations.

Built-in Flexibility and the Debt Limit

Our reliance on the stabilizing force of built-in flexibility implies that a large deficit could be financed if necessary. Present estimates indicate that even with continued prosperity the Treasury will find it hard to stay within the existing debt limit of $275 billion. Since the debt includes obligations to the Unemployment Trust Fund, an expansion of unemployment compensation contains an automatic debt adjustment. But a loss of tax revenue does not.

I am not one of those who feel the debt limit is an empty formality. By keeping the Treasury on a tight rein this fall, Congress has registered a national concern with keeping the expenditure side of the budget lean, in a situation that still is one of full prosperity. But in a situation where a rigid debt limit would force the government to call for tax increases in a slump, to delay tax refunds or payments to government suppliers, or to cripple programs set up by Congress through wholesale discharges or cessations of procurement, I would count on Congress to see an increase in the debt limit as a common-sense measure.

Safeguards—Improving Built-in Flexibility

Built-in flexibility cannot suffice as an anti-depression policy. All it can do is to establish a higher floor for a depression, and ease the decline. For all that, improvements in built-in flexibility are worth an effort. There are three main areas—farm policy, individual income tax, and corporate income tax—which offer prospects.

On the farm side, it should be possible to agree on a policy that would reduce the size of farm benefits in prosperity while assuring a big growth of benefits in a recession. The best form for such a program is not easy to define; but we can say from experience that price supports based on parity are an unsatisfactory makeshift.

On the individual-tax side, the most conspicuous possibility is to provide quicker refunds of overpaid taxes to people who lose their jobs. This is one point at which English arrangements are ahead of ours. Harder to set up, but well worth the work, would be arrangements to relate a taxpayer's average tax bill over a stretch of years to his average income, designed to produce prompt refunds in a slump.

On the corporate-tax side, the response of the tax to a slump would be better if companies losing money could carry back current losses against past profits for three or five years instead of the single year now allowed. Such a change would reduce pressure to scale down plans for capital outlay in a recession, by reducing the danger of a financial pinch. Besides, if we had a stronger element of carryback in the tax system, we could make better use of the idea of authorizing corporations in a recession to depreciate their new investments quickly. Under present tax law, such a concession might lead to actual postponement of scheduled installations till the firm could be sure of profits to charge them against. With longer carrybacks, firms which had recently had profits could be sure of getting full benefit of depreciation despite uncertainty about future profits, and accelerated depreciation would become a reliable way to stimulate capital outlays.

Safeguards—Public Works

Since the war, highway and school construction have been held back in order to reduce inflationary pressure and to release key materials in the Korean military emergency. Even if full prosperity continues, some speed-up of these types of construction seems called for. In case of serious recession, a much greater speed-up would make sense. We might try, for example, to provide space for the oncoming bulge in our high-school student body as it happens, instead of waiting till overcrowding becomes acute, as we have on the whole while grade-school enrollment was growing.

To use public works to hold and reverse a recession, some central influence on their timing is essential. Projects for which blueprints exist and sites and financing are arranged can be started in a few months at worst. To some degree, the mere slackening of private construction will set up pressures at the state and local level that can speed up public works at this stage. But since coping with a recession is a matter of national concern, it would seem appropriate for the Federal government to offer financial backing to local projects whose timing can be guided with a view to economic stabilization.

Safeguards—Preparations for Tax Cuts

In case of a slump, the market for consumers' goods can be supported by cutting taxes and leaving people more to spend. This involves commodity taxes (excises, stamp duties, sales taxes) and the personal income tax.

On the commodity-tax side, it should be possible to agree in advance on destination-levels (preferably zero) to which our "nuisance taxes" will be permanently reduced when there is scope for tax reduction. In case of a slump, Congress could quickly decide what proportion of the excess of these tax rates over destination levels should be removed. In so far as commodity taxes are to be a permanent part of the Federal tax system, it might be well to replace our present mass of differentiated taxes by a general sales tax with a single rate. The impossibility of quick decision about changes in a complex rate structure, and the paralysis of Congressional tax committees while such changes are being considered, bar flexible use of existing commodity taxes.

On the personal-tax side, experience in 1948 and in 1950 has shown the feasibility of quick changes in withholding rates, with annual tax rates brought into line later. But it might be worth while for Congress to provide in advance for the printing of several alternative withholding tables (corresponding to different degrees of temporary abatement of standard rates), so as to be free to make a change effective on very short notice on such a date as April 1 or July 1, 1954, if sales to consumers were sagging seriously a few weeks beforehand.

A Basis for Confidence

In the end, any program for keeping the economy of the United States on an even keel must rest on private citizens. Government action can slant private decisions by altering incentives and by altering the flow of spending power. But it is private households that decide what products can be marketed, and private firms that hire workers, schedule production, and install plant.

If we succeed in holding future recessions within narrow limits, it will be because businessmen, investors and home-buyers trust that major depressions can be avoided—and by their own actions help justify their trust. But as we saw in 1929-1932, the national asset of confidence can be wasted by a policy that relies too much upon it. If experience in the early part of a recession shows the government's anti-depression policy to be inadequate and indecisive, the recession can go from bad to worse through loss of confidence. But if policy is so framed that it can keep a recession mild even though confidence wavers, we can count on confidence to rally and help recovery. In short, the only way to build confidence is by making substantive policy solid enough to earn confidence.

Joins W. R. Olson Co.

(Special to THE FINANCIAL CHRONICLE)

FERGUS FALLS, Minn.—Karsten O. Olson is now with W. R. Olson Company, 112 South Mill Street

To Be Exchange Member

On Nov. 25 the New York Stock Exchange will consider the transfer of the Exchange membership of George H. Wilder to Seymour A. Steindler.

Timothy Wood, Jr.

Timoth Wood, Jr., associated with Merrill Lynch, Pierce, Fenner & Beane, Portland, Ore., passed away at the age of 47 after a short illness.

700,000	3	1961	1.60	3,550,000	2¾	1971	2.25	6,700,000	2¾	1980	100
900,000	3	1962	1.70	3,900,000	2½	1972	2.30	6,950,000	2¾	1981	100
1,200,000	3	1963	1.75	4,250,000	2½	1973	2.35	7,250,000	2¾	1982	99¼
1,450,000	3	1964	1.80	4,600,000	2½	1974	2.40	7,550,000	2¾	1983	98¾
1,750,000	3	1965	1.85	4,950,000	2½	1975	100	7,850,000	2⅞	1984	100
2,000,000	3	1966	1.90	5,350,000	2½	1976	2.55	8,150,000	2⅞	1985	100
2,300,000	3	1967	2.00	5,700,000	2½	1977	2.60	8,500,000	2⅞	1986	100
2,600,000	3	1968	2.10	6,100,000	2¾	1978	2.65	8,700,000	2⅞	1987	100
2,900,000	2¾	1969	2.15	(and accrued interest)				9,000,000	2⅞	1988	100

These Bonds are offered, subject to prior sale before or after appearance of this advertisement, for delivery when, as and if issued and received by us and subject to approval of legality by Hawkins, Delafield & Wood, Bond Counsel to the Authority, and by the Attorney General as to the legality of the guaranty by the State. Such offering is not made hereby, but only by means of the offering circular, copies of which may be obtained from such of the undersigned and other underwriters as are registered dealers in this State.

The National City Bank of New York — Lehman Brothers — The Chase National Bank — Bankers Trust Company — First National Bank — J. P. Morgan & Co. Incorporated — The First National Bank of Chicago

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The Illinois Company — King, Quirk & Co. Incorporated — Laurence M. Marks & Co. — Wm. E. Pollock & Co., Inc. — Julius A. Rippel, Inc. — Schaffer, Necker & Co. — Shearson, Hammill & Co.

Stroud & Company Incorporated — Trust Company of Georgia — Van Deventer Brothers, Inc. — G. H. Walker & Co. — Chas. E. Weigold & Co., Inc. — Butcher & Sherrerd

California Bank Los Angeles — Camden Trust Company — The First-Mechanics National Bank of Trenton — Schmidt, Poole, Roberts & Parke — Trenton Trust Company

New York, N. Y., November 19, 1953

Continued from page 7

A Perspective of Conditions In Petroleum Industry

tember, 1952, and the year's total will probably be more than 47,000—a new record. I realize that, in the past few years, it has taken more wells on the average to find a given quantity of oil in domestic fields. Yet, even so, proved reserves are at an all-time high. So here again, I ask myself, should we complain about going from peak to peak?

Instead of taking counsel of our fears concerning the future, let us look at some carefully worked out estimates. In Jersey we believe that, even assuming a 10% drop in general industrial activity in the United States next year, the outlook is for a domestic consumption of oil 3% higher than the record consumption this year. The I.P.A.A. says it will be up 3.6%. These estimates compare with an annual growth of about 6% over the past 20 years. But remember that this outlook is in the face of an assumed decline on the part of industry generally. If such a decline does not occur, the increase in oil demand could be several percentage points higher. For example, a preliminary estimate of the Bureau of Mines for 1954, assuming no business recession, called for an increase of 5%.

Looking further down the road, it seems that the oil market will continue for a long while to expand as it has for so many years past. The recent Paley Report estimates that U. S. consumption will rise to a total of over 13 million barrels a day by 1975. This Report also predicts that the rest of the free world will be using 13 million barrels a day in 1975 compared with the present daily total of about 5 million barrels.

As a result of this anticipated upward trend of demand, the prospect is for continued growth of the domestic producing industry for some time to come. The recent Swearingen study published by the A. P. I., for example, estimates that domestic production will keep going up until, by 1967, we'll be producing at the rate of about 9,100,000 barrels daily—about 30% over the current output. The study indicates we may then begin to reach the peak of our ultimate discovery possibility and will have to look more toward the proved reserves of other areas as well as to improved secondary recovery methods at home. But the U. S. demand estimate of more than 13,000,000 barrels a day in 1975 seems likely to assure the domestic producer a constant and eager market for all the oil he can efficiently produce.

The Question of Iranian Oil

Another element in the uneasiness that has been evident in the United States industry is worry about what may happen if Iranian oil returns to world markets. With the shutdown of operations there in 1951, new supplies of oil had to be found rapidly. Such supplies were found and, in an amazingly short time, the hole left by the sudden ceasing of the flow from Iran was filled. Today, when discussions looking to resumption of Iranian production are in progress, the question in many minds is: what will be the effect of this return at a time when oil supply from other sources is more than ample?

In considering this question, one thing we should realize is that world consumption of petroleum increases each year by an amount roughly equivalent to the full production of Iran. Thus, for the past five years growth of free world consumption required on the average an additional 700,000 barrels a day of new supplies each year. Against this fact, we must take into account that Iranian oil would not be spread out proportionally over all consuming areas. But, in the other pan of the scales, there is the factor of time. It is unlikely that Iranian production would come into the market in full tide overnight, so there would no doubt be time to prepare for its reentrance. It seems to me that the very resilience which enabled the oil industry of the world to make up for the sudden loss of Iranian oil should enable the industry to cope with its restoration.

These days it is pretty hard to talk about the subject of foreign oil without the question of imports coming up. Today the public is understandably confused by many conflicting stories. We hear descriptions of "floods" of imports and "torrents" of imports. As oilmen, of course, we recognize the basic difference in the kinds of oil being imported — that is the difference between imports of heavy fuel oil and crude oil. Imported heavy fuel comes chiefly into the Eastern seaboard area, and the domestic refineries normally serving this market simply do not produce enough of this fuel to meet demand.

To get a true picture of oil imports as they relate to the domestic producer, we have to consider imports of crude oil, and particularly the figures for Districts I to IV, since the West Coast has historically had its own special producing and importing conditions. When we do this, we find that the story is definitely not one of "floods" or "torrents." Bureau of Mines figures show the ratio of crude imports to domestic crude production was 10.8% in 1950. In 1951, due to the abrupt shutdown in Iran, the ratio fell to 9.3%; last year it went up to 10.2%, and this year, the way imports are running, it looks as though the ratio will be about 10.3%. In other words, over the past four years fluctuation has been within a range of 1½ percentage points, and the ratio of crude imports to domestic production east of the Rockies is lower for 1953 than it was in 1950.

The ratio varies by months, of course. Certain periods of the year normally see larger amounts of imports coming in to meet seasonal or local conditions. In formulating its national oil policy, the National Petroleum Council recognized that circumstances were bound to vary where imports are concerned. Most other oil groups have also recognized this fact. For example, taking the A. P. I.-published Swearingen study which I referred to a few moments ago, it appears that at some time in the future the ratio of crude imports to domestic production may very likely have to rise. I repeat, however, that even with such a rise, if and when it does occur, the U. S. producer should find a ready market for all the liquid hydrocarbons that we can produce.

Jersey's own imports of crude oil in the past 12 months have actually been cut substantially. At this time in 1952, our domestic affiliates were importing about 103,000 barrels of crude daily. Today the figure is 83,000 barrels daily—a drop of 19%. And, at the present time, the ratio of Jersey's crude imports to refinery runs is lower than it has been in any of the postwar years.

As I am sure you all know, we in Jersey believe that imports play an important supplemental role to domestic production. On many occasions over the past years, Jersey spokesmen have stated the view that such supplementation is consistent not only with the long-range preservation of national security, the interests of the American consumer and the sound growth of international trade but also with the welfare of the domestic industry.

We still hold to those beliefs we have expressed many times before — that imports are valuable and should be flexible, that a strong domestic industry is essential, and that the domestic industry is strong. That imports are playing a supplementary role is evidenced, we feel, by the fact that the domestic industry set an all-time record for production in 1951, topped it in 1952, set a new record in 1953, and will probably hit still another in 1954.

With imports, as with so many other problems relating to our business, it is the long-range view that should be taken. Whether domestic production is up or down in any two or three months, or even in a single year as compared to another, is less significant than what the long-term trend shows is happening to the domestic industry. Despite present worries, it is my belief that the U. S. oil industry is fundamentally healthy. Problems like the ones I've mentioned, and others like rising costs, are not new to us. We have been meeting problems for a long time—and solving them. The present difficulties will, I firmly believe, be resolved.

One thing I am sure about. We won't go on topping peaks forever. For any commodity it is inevitable that there are going to be times when too much or too little of it is available. Valleys and peaks will continue to occur in the oil demand curve even though the long-term indications point to an overall trend upward. But though there may be declines, they should be looked at realistically. Although both take you in the same direction, it is quite a different matter whether you step down a stair or fall down an elevator shaft. My only wonder is why one step down from perfection is felt to be alarming.

I hope I have made it clear that I am still bullish on the American oil industry. I am confident of its resilience and its ability. The only thing that gives me any qualm is the possibility that the industry may be talked into the very thing we don't want to happen. If we persist in gloomy forebodings, if we keep proclaiming publicly that we are weakening, we may really get weak. Chronic pessimism isn't good for any person or any business. As Scripture tells us: ". . . a broken spirit drieth up the bones."

I trust that we won't persuade ourselves into a decline. I trust that we may see clearly that the recent temporary reductions in United States oil production are part of a pattern of economic activity generally, and that the present excess of petroleum productive capacity over consumption is not peculiar to this country but is part of a global picture. Finally, I trust that we will continue to show the world that oilmen are tough, capable, and good servants of people everywhere.

Oil & Gas Co.

MADISON, N. J.—The Oil and Gas Company, 55 Green Village Road, is engaging in a securities business. Partners are Clinton Davidson, Clinton Davidson, Jr., Raymond E. Hartz, general partners; Charles D. Dewey, Jr., Donald F. Hyde, Kenneth L. Allen, Cummins Catherwood, Richard B. Jones, and Walter Sternberg, limited partners.

H. C. Reton Opens

Henry C. Reton has opened offices at 165 Broadway, New York City, to conduct a securities business under the firm name of H. C. Reton & Co.

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"Let's Not Import Depression"

are taken into consideration there still exists a real dollar gap. This brings us to the trade, not aid, idea.

I will admit that from this viewpoint there *is* a dollar gap . . . and I will say this—that it is a very fine measure of the things we have *given* our neighbors across the ocean. And I will say further that their internal well-being, their standard of living or however you want to put it, has thereby been enhanced more greatly than had we made up this gap in goods imported from them. As we are wont to express it, they have had a bigger pie to divide.

What am I saying! Am I playing right into the hands of the free trade? He says, *that* is precisely what we are talking about. Why should we continue to pay taxes to *give* all these things away. From here on, let's make them earn them.

Well, gentlemen, if the dollar gap is so horribly undesirable we could close it very quickly and simply. All we have to do is cut off all foreign aid. This will automatically terminate excess American exportation. However, I suggest no such drastic remedy. We are all in agreement, I am sure, that this country has a considerable stake in the welfare of the other nations of the free world. We need them strong militarily to help resist the creeping wave of communism. And we need and want them healthy internally as an antidote to the Communist ideology.

Now then, in recent years we have exported many billion dollars worth of goods, at the expense of the American taxpayer and, I might say, with considerable result. Part of this has been in an effort to help other nations rebuild their economies and their war ravaged industries. This has not been in vain. The production of Britain and Western Europe now averages about 140% of its level immediately prior to World War II. Meanwhile the population has increased only 17%. So they should have a relatively larger pie to divide.

The American taxpayer in recent years has learned a patience rivaling that of Job, but certainly we can forgive him if he does not subscribe to the idea that he should go on forever sending part of his earnings abroad with no tangible return. The time seems to be approaching, and some think it may already be here, when Europe should be able to stand on her own feet.

However, very properly, as Europe has recovered economically our aid has shifted more predominantly into the military category. In other words, the bulk of the money we are now spending abroad is to build military, rather than economic strength. Now, if we are proposing to replace military aid with domestic trade, we shall be defeating our purpose. If we want a billion dollars worth of military preparedness in some foreign country, the only way *I* can see that we can be sure of getting it is to put it over there. We cannot simply buy a billion dollars worth of yard goods or tuna fish and *hope* that the recipient country will put those dollars into guns. After all, they are only human, and I certainly could not blame them if they preferred to put those dollars into butter.

So if we must continue to build military strength abroad we must of necessity do it the way we have been doing it. And further, I might add, is that not the only *fair* way? Is it not more fair—to spread the burden among our 160 million people rather than throwing it upon certain segments of labor and industry?

A Gradual Tariff Reduction Not Advisable

There is another flaw in the free trade argument which I would like to touch upon. Most proponents of the trade, not aid philosophy, while concerned with enhancing foreign economies, are rightly concerned with effects upon our own economy. They recognize that a sudden throwing down of trade barriers at our shores would have a devastating effect upon certain industries and, residually upon the overall economy. So they suggest we adopt a policy of *gradual* tariff reduction. Some say let's do it over ten years—some say over 20 years.

Now then, *IF* foreign nations are suffering because of inability to sell in our markets . . . *IF* they need a shot in the arm . . . then for the life of me I do not see how spreading this shot over ten or twenty years would accomplish the purpose. Rather we should throw down all barriers immediately.

There are many other points which, in my opinion, are seriously open to question. There is the very great question of whether the simple expedient of opening our markets would *have* any significant beneficial effect on other nations in the face of multiple other foreign economic ills and restrictions. *That* is a complete subject in itself.

Also a complete subject by itself is the question as to whether in place of aid, there is an actual need for foreign nations to make further inroads upon the American market. I will admit that the American mass market is the most *attractive* in the world. But certainly there are other markets.

Already our friends across the ocean are recapturing markets which, of necessity, they lost, and we supplied, during World War II. This is particularly noticeable in the Western Hemisphere, but evident in other countries as well. In Argentina, for example, we supplied 16% of their imports in 1937, were supplying 45% in 1947, but by 1951 had dropped back to 23%. For the same years the figures for Brazil are 23%, up to 61%, and back to 42%. In Turkey, 15, 33 and 12. The figures for Japan are most striking of all, but I shall not quote them because I think we can allow the existence of special conditions in that case.

In any event, it appears that the free nations have good markets outside the United States. Furthermore, in my opinion, they would do well to copy us in stimulating their own domestic markets by placing more spendable income in the hands of their populations. A million men with a dollar each are a greater force in the marketplace than one man with a million dollars.

So these are the questionables on the one side of the coin—and I will summarize merely by saying that there are certainly many grave doubts as to whether reduction or elimination of United States import duties would significantly benefit friendly nations or further our international objectives.

Hazards in Tariff Reduction

Now, I should like to flip the coin over and examine briefly some of the possible or probable hazards to our own economy.

Here again, no one really *knows* what would happen. We can find potentials, but it is harder to find actuals. We can estimate with fair accuracy the effect upon certain isolated items or industries, but it becomes well nigh impossible to trace the ultimate effects through the complex pattern of our economy.

The other day, for example, we took the annual dollar value of all the products we in Dow Chemical make that are subject to import duties. Then we reduced this figure by the amount of duty that would apply—in other words, we reduced our selling price by the amount of the duty on the number of pounds we sell. And we found out that on this assumption our profits would be completely wiped out. In fact we came out in the red. And incidentally, another chemical company recently arrived at an almost identical conclusion.

Now we can set this against the wages we pay and find that in order to maintain our profit we would have to reduce our total labor bill by more than 50%. I don't know whether we fire half of our employees or simply cut all their wages in half.

The obvious fallacy in this is that it assumes that foreign industry would be ready, willing and able to enter our markets with sufficient quantities of all these items and at prices represented by the tariff differentials.

This, of course, would presumably *not* be the case. So we cannot say. "*This* is what *would* happen to us." We can only say, "This is what *could* happen to us."

But, gentlemen, I can assure you that this is a sufficiently ugly potential that we in Dow Chemical are not inclined to regard free trade agitation with a light heart.

Dr. Howard Piquet, Senior Specialist in International Economics for the Library of Congress, has written a book on the increased inflow of foreign goods under free trade from a standpoint of *probabilities* rather than *possibilities*. There seems to be more than a small doubt as to what *his* findings mean.

However, during the tariff panel of the National Industrial Conference Board last spring one member of the panel addressing Dr. Piquet said, "Your book leaves the impression that a lot of people would be hurt and no one would be benefited." And Dr. Piquet replied, "If that is the impression, I should be happy, for I fear that the greater danger is that I shall be accused of being a 'free trader'."

In spite of the many effects which we don't know for sure, there are a few things which we know to be fact. We know, for example, that foreign labor, in general, is low paid in comparison with American labor. Their monetary wages, with exceptions in both directions, average 20 to 25% of those for similar jobs in this country . . . and their *real* wages are likewise lower though not so drastically so.

We know that in isolated instances we excel in technology or other advantages to a degree sufficient to offset the wage differential. BUT . . . we also know that in other instances (and this is true in regard to chemical production) we have no such superiority.

Now the only conclusion I can draw here is that in those cases, on a free trade basis, we should be undersold in our own markets by foreign competitors. I believe the advocates of free trade admit this is a probability but they come up with the pat answer that the workers thus displaced can be absorbed by what they term "relatively more efficient" industries.

This is a credible theory . . . except for one fact—*human beings somehow refuse to become statistics*. You cannot uproot people with bulldozer, load them on a truck and transport them to some place that suits your convenience —at least not in a free and democratic society.

If you think displacement of labor is a small problem, ask John L. Lewis. For ten years or more we have, pretty generally, had a surplus of coal miners in this country as a result of increasing use of oil and gas in place of coal. Ten years is quite a period of time—yet somehow those coal miners don't seem to move . . . and so today we find them working three days a week or so as a means of spreading the work among them.

Threat to Our Living Standards

The only conclusion I can draw is that, one way or another, when we are faced with competition from people who are willing to work for one-fourth as much as we are—or even less—we shall inevitably downgrade the standard of living of our own people. And to me, gentlemen, that will be importing depression.

There is another consideration —one which I devoutly wish did not even enter the picture. But it does, and—if such a thing is possible — ever more importantly than the protection of our high standard of living. That consideration is *defense*.

We are perhaps the most self sufficient of all nations of the world. And our military potency has been not one alone of capable fighting men, or of industrial genius and magnitude, but one also of being able to produce *a maximum of essentials with a minimum of dependence upon others*.

Modern war is a highly complex business with a phenomenal multiplicity of requirements. What industry, gentlemen, is expendable? What industry dare we allow to slip away where it may be blockaded from us in time of need? Certainly not steel. Certainly not chemicals or electronics. Movies, perhaps?

Or am I wrong? I somehow hear some high military people reminding me that the excellence of our training films were a potent factor in converting shoe salesmen and lawyers, shall I say, into capable fighting men efficient in handling the complex weapons of modern warfare.

I most naturally am concerned for the chemical industry. But I don't think you can point the finger at *any* industry and say, "This is expendable"—either from a standpoint of military need or simple human charity.

I do not mean to imply that the advocates of free trade ignore this important factor. They admit the necessity of protecting what they call "essential" industries — although perhaps we should not entirely agree as to what is and is not "essential." They say, in effect, industries essential to defense must either be protected or "kept in constant readiness."

The protection I can understand, but I should like to know how you keep in "constant readiness" an industry which is closed down.

During World War II we had the privilege of operating some rather important facilities for the government. With the armistice, some of these were closed down, and later reopened. And I can tell you that when you take a plant out of mothballs you don't simply walk in and throw a switch.

But there is another angle to this that has perhaps been overlooked. And again it is a human angle. I will admit that perhaps you can put a plant in moth balls and, if the need arises, get it into operation more quickly than starting from scratch — although factor of obsolescence keeps creeping into the picture. But, as Dr. Frank Simons so aptly expressed it not long ago, *you can't mothball brains*.

This is a rapidly changing world . . . and if we are to keep pace we cannot afford to let our technology, our know-how, our investigative impetus slip beyond our reach. And I submit that the only way we can keep it here and keep it advancing is to keep it actively engaged at home by permitting it to be profitable.

Well, I have, of course, not begun to cover the waterfront— otherwise we should be here all night. I have not, for example, delved into the question of the extent to which, under free trade, American industry would be forced or encouraged to emigrate to other countries . . . in order again to make itself competitive by combining American capital and know-how with the relatively cheaper foreign labor. Such moves would quite obviously *not* be beneficial to American labor and its purchasing power . . . nor would such facilities be likely to serve us well in the event of war. This possibility, again, could be a separate subject, so vast are its implications.

If I might summarize my remarks to this point, I would say that I briefly tried to depict the free trade theory as a gamble of very poor odds—as a coin holding vague and doubtful benefits on the one side and very grave dangers on the other.

Now I always feel a man is a pretty poor sort if all he can do is get up and say, "*This* is no good" —without offering something constructive, or at least positive, in return. So I would like to summarize very quickly some steps I think this nation *should* take.

Probably it is safe to say that in our time such advantages in world trade as we hope to gain must come as a result of negotiation. We are not an imperialistic people.

For this reason, I believe that a Reciprocal Trade Agreement program, properly safeguarded and soundly administered, offers best means whereby we may survive and prosper in the field of international trade.

As to what technical changes should be made in reciprocal trade legislation, that is a vast subject —one to which the President's commission will devote many months of study. But I do feel strongly on a few points which seem to me of paramount importance. They constitute my tentative program, my personal opinion, and I offer them as such.

First, I believe that the so-called most favored nation clause —a contradiction in terms, by the way—should be done away with, and that each trade agreement should be made bi-laterally and that its effect be limited to the nation with which the agreement is made.

Next, I believe that in every instance the agreement should include precautionary provisions to prevent a signatory nation from importing goods solely for transmittal to the United States when these goods are on the favored list with respect to that country.

I believe the escape provisions in the present law should be broadened and their application made possible without the tremendous amount of red tape now involved. Also I believe the peril point provision in the Reciprocal Trade Agreement Act should be simplified and the burden of proof made less onerous.

So far, this seems to be all take and no give, doesn't it?

Well, I also believe that certain tariff provisions are in order—for example, in the case of materials in which we have no domestic source of supply. I only ask that such revisions be made carefully, selectively and with the welfare of the American economy as the pervading yardstick.

I believe also that some of our customs procedures should be further simplified to remove many nuisances and uncertainties that now tend to interfere with the free flow of commerce.

Then, while there are admitted dangers in allowing tariff negotiations to become politically dominated, I believe we would be doing the free world a service if we used trade negotiation in such way as to encourage other nations to do away with various restrictive practices which now obstruct *freedom* of trade on a multilateral basis.

Finally I would suggest that in order to accelerate the economic development of other nations we broaden our program of insurance of American investments abroad. This insurance might well cover expropriation, currency depreciation and obstacles governments put in the way of profit remittances and capital withdrawals. This might be done privately or under government sponsorship.

Perhaps I have sounded like an isolationist. I am not so old-fashioned as to view the United States as a tidy little package aloof from the rest of the world.

But of one thing I am certain. We have, in this country, built a way of life. It has been good enough that we should like to find some means of extending it to others. And it has been strong enough that those others already recognized it as the bulwark of the free world.

It should, therefore, be not only our desire, but our duty to world society to protect that way of life at every turn. With all our imports, gentlemen, let us by all means *not* import depression.

Railroad Securities

Chicago & North Western

Security markets are contrary things. While earnings were advancing consistently to new peaks this summer railroad stocks were just as consistently going down. There were widespread fears of a possible sharp decline in earnings late this year and in 1954, based on expectations of a general recession in business. Many followers of railroad securities came to the conclusion finally that railroad stocks would not regain public favor until we had experienced a recession in business and it was thoroughly demonstrated that railroad earning power would not disappear and the present highly conservative dividends would not be put in jeopardy. Most railroad analysts agreed that railroad earning power would hold up well under any such recession as was being forecast by leading economists.

The confusing part of the whole picture is that business has now been going down for some time, and starting in September year-to-year earnings comparisons of the railroads as a whole have been unfavorable. Nevertheless, at just about the same time that earnings started down stocks started their recovery move. Measured by the Dow-Jones averages stocks have been advancing fairly consistently ever since the middle of September. Moreover, in recent periods the railroads have again been outperforming the industrials on the up side. It is true that for the most part the strength has been in investment and semi-investment issues, but a few of the speculative stocks such as Baltimore & Ohio and Lehigh Valley have also participated to some extent.

One of the stocks that has conspicuously bucked the more favorable market trend has been Chicago & North Western common. This stock has established a new 1953 low in the past week or so, more than 40% below the year's best price. The stock is one of the most highly leveraged stocks in existence and there had been some speculation in the shares earlier this year on the belief in many quarters that the road had finally turned the corner. There had been hopes of earnings of perhaps as high as $5.00 a share which, because of the strong financial position and based on past experience, was expected to bring a sizable dividend payment. These hopes were dashed by a recent speech by Mr. Feucht, President of the road, in which it was stated that common dividends were not in sight.

Chicago & North Western has had a hard time of it since the end of World War II. In three of the past four years the company has reported a deficit on the common stock even before allowing for sinking and other reserve funds. There have been a number of factors contributing to this poor performance, some basic and some of a temporary nature. The road does a large passenger business and the commuting service has been particularly costly to handle. It has an exceptionally short average haul on its freight and thus is burdened with unduly high terminal costs for which it gets no compensating rate division allowance. While some progress has been made in eliminating milage the road still operates a substantial amount of low density branch lines. Finally, it is periodically hit by severe winter weather conditions.

This year the company had the advantage of an unusually mild winter. The influence on operating efficiency of a comprehensive dieselization program was beginning to be felt. The company secured important passenger fare relief. The outlook for grain in the road's area was good. The final crops, while not as early estimates, did turn out well but a large part of the outturn is remaining on the farms. Reflecting the favorable weather, the improvement in operating efficiency, a change in top mangement policies, and generally good business, earnings comparisons until recently were favorable. In September, however, net income declined more than 50%, wiping out a good part of the cumulative gain of the earlier months. With the grain outlook still uncertain and an earlier seasonal stoppage of iron ore this year than last, it now appears that the company is not likely to do more than cover the preferred dividend requirement after sinking and other reserve funds in 1953.

Boston Investm't Club To Hold Dinner Meet'g

BOSTON, Mass.—The next dinner meeting of the Boston Investment Club will be held Monday, Nov. 23, at 5:00 p.m. at the Boston Yacht Club.

Walter Maynard

Principal speaker will be Walter Maynard, partner and analyst for Shearson, Hammill & Co. Mr. Maynard is a past president of the Association of Stock Exchange Firms. His topic will be "Straight Thinking on 1954 Security Markets."

Carmen Ginnel Opens

MONTAUK, N. Y. — Carmen Ginnel is engaging in a securities business from offices here.

Securities Salesman's Corner

By JOHN DUTTON

This—You Can Believe!

Experience has definitely proven to me (and to many others) that if you will work constructively day after day that you will build up a backlog of business that must eventually repay you for the effort expended. This will prove out if you give it a fair trial. No matter how slow business may be for a while, if you will meet people who are possible customers in the future, the "licks" that you put in during the days when you seem to be making little progress will repay you for your efforts if you will work along sound lines.

Calls Won't Do It

Several times I have heard salesmen talk about the law of averages, and they have told me that they didn't think they would work in the investment business. I agree with them if they are like the fellow who was complaining about dull business and his boss said, "How many calls did you make last week?" He replied, "Eighty-three." His employer then asked, "How many people did you talk with?" The salesman answered "Three—but I made eighty other calls." You can't build good will, make friends with people, and lay the groundwork for future business just by making a lot of calls. You have to interview **Qualified Prospects.**

And How About Leads?

It is a very easy thing for anyone to be glib about prospecting. Years ago when I started out in this business in New Orleans I was hard hit for prospects. The firm for whom I worked had a very conservative clientele and most of the business was done by several of the partners and one of two salesmen who had been with this organization for a long while. They wanted to expand their sales organization so they hired a hard-boiled salesmanager who had had New York experience with one of the large underwriting houses. He didn't think that he had to do any advertising—not in those days. So several of the new salesmen (including yours truly) were walking around in circles trying to find people who might buy securities. In addition, most of the larger accounts were already tied up by the partners as house accounts, or by the older salesmen.

One day, after several months of discouraging hard work which consisted mostly of calling on the wrong people (people who were not investors) I went to the salesmanager and I asked him where I could find some good prospects. He took me to the window, and pointed out to the thousands of stores and homes that stretched for miles along the crescent shaped Mississippi and he said, "Out there." I didn't say anything then but if that were said to me today, I'd tell him where to go.

It is a short sighted firm that doesn't work out a good advertising program to reduce leads for its sales force. Good men need the material to work on and they can't dig it all up themselves. Money spent on a planned advertising program is money in the bank if you have the manpower to back it up.

Leads—Are a Door Opener

No matter what kind of lead you acquire—whether it is a request for information regarding conservative investments, or a specific security, or for assistance regarding any investment problem —at least you know when you make that call that you have **Some Qualified Interest** I have personally taken ten leads, from a newspaper advertisements that offered a very conservative investment program. I made one substantial sale of Mutual Funds from the ten ads. But in addition, I found that four more of those who replied were actually interested in special situations. I opened accounts with these four people within 60 days just by telephoning them several times and getting better acquainted; then when an attractive speculative new issue came along they bought it. The ad found five people who were prospects, and even though it was slanted to produce only investment leads, four out of the five prospects were speculators. Incidentally, many people think they are investors but they want quick profits. Sorting them out comes with experience.

But the point that I would like to emphasize is this—**call on people who can invest—if not today, then tomorrow.** Don't waste your effort ringing door-bells just to make calls. These calls that open the door for you today, if you make a good first impression and win the good will and confidence of your prospect, can definitely be turned into sales. But you can't do it if you don't have the leads, and you must know how to make the calls, sell yourself, analyze the customer's investment tendencies, and then capitalize on opportunity.

That's the prescription—and it will produce business—this, you can believe!

Continued from page 5

Observations . . .

management to show that the proposal would not be a proper one. This appears appropriate since the management has at its command the facilities and resources to sustain the burden in appropriate cases. This proposed amendment is intended to state more explicitly than the present rule the standard of eligibility to be applied.

"The proposed amendments would thus place a limit which is both reasonable and consistent with the laws of the state of incorporation upon the submission by a stockholder of resolutions which fall within the province of the management in the conduct of the ordinary business operations of the company. It is in this field more than any other that the problem has assumed burdensome proportions.

More Time for Consideration

"The lengthening of the thirty-day period to sixty days is intended to serve a dual purpose. In the first place, it would afford the management an opportunity to give more adequate consideration to the stockholder's proposals in many instances. In many cases the board of directors meets only once a month. Therefore, when a proposal is submitted immediately following such a meeting, the thirty-day period would have virtually expired by the time of the next meeting. Also, the Commission, under the proposed amendments, would have more time to consider the eligibility of the proposal in light of the requirements of state law. Secondly, the amended rule by requiring the management to submit its objections to the security holder at least twenty days prior to the filing of preliminary proxy material affords the security holder an opportunity which he frequently does not have under the present rule to consider and perhaps act upon the position of the management.

"Criticism of the proposed revisions to Item 7 is primarily directed to the paragraphs relating to indebtedness of officers and directors and to options granted or exercised. Both you and Mr. Rothschild, whose letter you quote, appear to take issue with the increase in the amount of indebtedness to be disclosed from the former $1,000 figure to "**$30,000.**" However, Instruction 2 provides that the paragraph does not apply to any person whose aggregate indebtedness did not exceed **$20,000 or 1% of the issuer's total assets, whichever is less,** from which is to be excluded indebtedness for purchases subject to usual trade terms, for ordinary travel and expense allowances and for other transactions in the ordinary course of business. The proposed revision is intended to bring the proxy rule requirement into line with the Commission's general requirements, which have been in effect for many years, regarding disclosure of such matters in financial statements filed with the Commission. (See the Instructions to Schedule II of Rule 5-04 of Regulation S-X.) In so far as the proposed $30,000 figure for options granted or exercised is concerned, it was suggested, in order to eliminate immaterial transactions, that the test for disclosure concerning options be similar to the test applied in requiring disclosure of direct remuneration. This suggestion was deemed sufficiently worthy of consideration by the public to warrant its release for comment.

"The operation of the proxy rules is under continuous observation by the Commission. Not only does the staff review all proxy material filed but all proposals involving differences of opinion between the management and the stockholder are presented to the Commission for its consideration. In this way the Commission is fully advised as to the problems which arise under the rule. It is on the basis of this knowledge and experience of the Commission that the proposed amendments were formulated.

"In accordance with our usual procedures, definitive action will not be taken on the proposed amendments until after a careful study of all comments and suggestions received, including expressions such as yours, which come to our attention. I appreciate your interest and trust you will feel free to submit any further comments you may have in regard to these proposals."

While several statements in this communication from the Chairman create some doubt as to the extent of the Commission's endorsement of the proposals ("received from many sources . . . merely released by the Commission for comment"), on balance it does seemingly convey the impression that they are the Commission's "baby" ("The operation of the proxy rules is under continuous observation by the Commission. . . . It is on the basis of this knowledge and experience of the Commission that the proposed amendments were formulated").

In any event, it would seem appropriate that the Commission before actually putting into effect changes in the proxy machinery, hold hearings for the airing of competent views on both the specific and broad issues involved.

A Dissenting Opinion

Meanwhile, to illustrate prevalent difference in viewpoint toward the SEC's proposals, we include the following communication. The writer is an attorney who has conducted an abortive anti-management foray. *(Publication of this communication does not imply this column's or the "Chronicle's" agreement or disagreement with the views expressed.)*

DEAR MR. MAY:

Your recent timely Observations on the recent important SEC proposals for changes in the matter of proxy solicitations leads me to submit these additional thoughts on this important matter.

The Securities and Exchange Commission was established to protect investors and to aid security holders in dealing with their companies.

Now, however, the Commission announces proposed amendments which would obstruct, limit and often absolutely prevent the presentation of stockholder proposals.

(1) Importantly, it now intends to let companies refuse to print proposals if by the laws of their domicile, stockholders "would not be entitled to have action taken thereon."

The inadequacy of state laws, especially as to rights of small stockholders, has always been recognized.

This amendment is a "joker," which would practically abolish stockholder proposals because state laws do not provide for action on stockholder requests and recommendations generally; but only permit voting upon narrowly limited corporate procedures.

It is an abuse for the SEC thus to reverse the legislative policy of its creation, and to abandon its power of regulation by limiting stockholders by present and future state laws not designed for their benefit.

(2) The Commission suggests that hereafter stockholder proposals need not be printed in the proxy statement if "relating to the conduct of the ordinary business" of the company.

So regardless of what mismanagement exists, what exorbitant salaries and bonuses are being paid, what money has been used by officers for "entertainment" or other transgressions, stockholders are to be denied this important facility for publicly criticising management and bringing forward their protests if these abuses arise from the "conduct of the ordinary business."

The Commission probably did not realize that this amendment might often help conceal the wrongdoing of corporate officials.

(3) The Commission proposes that hereafter companies need not print in the proxy statement the names and addresses of the stockholders making the stockholder proposals.

Publicity is essential to democratic functioning. Freedom of communication between stockholders is an essential right. A stockholder who makes a proposal must be able to hear promptly and directly from all other holders and without disclosure to management. No substitute for this right of direct communication is possible.

Its suggestion of compelling stockholders to resort to management to learn the names and addresses of proposing stockholders creates an obstruction again showing that the Commission has forgotten its duty to aid stockholders.

(4) The Commission should not adopt intended amendments to restrict stockholders further for long periods in resubmitting former proposals.

In addition to other objections to such stifling of stockholder inter-communication, the present system of computing the percentages of votes cast for proposals is misleading and improper, because the companies are permitted to count non-voters as voting in the negative.

To correct a present evil, the Commission should (a) adopt a new form of proxy whereby the voting on stockholder proposals is separated from the voting for directors; (b) prohibit management from using corporate funds, which are stockholders' funds, to solicit against stockholder proposals, especially from hiring paid agents.

LEONARD KLABER

New York City
November 15, 1953.

Reynolds Group Sell Storer Broadcasting Stock at $14 a Share

An underwriting group headed by Reynolds & Co. on Nov. 17 offering 200,000 shares of $1 par value common stock of Storer Broadcasting Co. at $14 per share. This offering was oversubscribed and the books closed. These shares are being sold for the account of selling stockholders and no proceeds from the sale will accrue to the company.

The company has agreed to make applications for the listing of all of its outstanding common stock on the American Stock Exchange and the Midwest Stock Exchange.

Storer Broadcasting Company, directly or through subsidiaries, owns and operates seven standard radio broadcast stations and five television broadcast stations. On the basis of such ownership the company is the largest independent (as distinguished from network) radio and television broadcasting owner and operator in the United States.

The company has three wholly-owned operating subsidiaries; namely, Birmingham Broadcasting Company, San Antonio Broadcasting Company and The Florida Sun Publishing Company. The Florida subsidiary owns and publishes a daily newspaper in Miami Beach. Storer also owns 95% of the capital stock of Television del Caribe, S. A., which holds a license to construct a television station servicing Havana, Cuba. Construction already is underway and it is anticipated that the station will begin telecasting about Jan. 1, 1954.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The election of DeCoursey Fales as a Director of **The Public National Bank and Trust Company of New York** was announced on Nov. 12, by E. Chester Gersten, President. Mr. Fales is President and Trustee of The Bank for Savings in the City of New York, and Director of Fidelity-Phenix Fire Insurance Company and Architects Samples Corporation.

DeCoursey Fales

* * *

Shareholders of **Chemical Bank & Trust Company, New York,** at a special meeting on Nov. 12 approved a stock dividend of 10%, as proposed by the directors on Oct. 22.

N. Baxter Jackson, Chairman, announced that the distribution will be made on Dec. 9 at the rate of one share on each 10 shares held of record Nov. 25. Instead of fractional shares, cash will be paid on the basis of the closing bid price for Chemical Bank stock on Dec. 3. Details of the plan were given in the Oct. 29 issue of the "Chronicle," page 1642.

"The payment of a stock dividend at this time follows Chemical's long-standing pattern of increasing its capital out of retained earnings to meet the needs of growing business," Mr. Jackson said, "and, at the same time, increase the annual return on the shareholders' investment."

* * *

Irving Trust Company, New York, announced on Nov. 17 that Edwin A. Heard has been elected an Assistant Vice-President and James E. Ness was elected an Assistant Secretary.

Mr. Heard, formerly an Assistant Secretary, came to the Irving in 1947. He is in the Bank Investment Department.

Mr. Ness, a member of the Trust Investment Department, came to the Irving in 1948 after considerable previous experience in investment work.

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Howard J. Lang of Hamilton, Ont., has been elected a Director of **The Canadian Bank of Commerce, New York.**

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The annual dinner of the Union Dime Club was held on Nov. 10. The club, which celebrated its 20th anniversary this year, is the employees organization of **Union Dime Savings Bank, New York.**

J. Wilbur Lewis was the speaker and presented awards for the best suggestions of the year made by members of the staff. George R. Force was Chairman of the Suggestion Committee.

M. Bernard Cooke, outgoing President of the Union Dime Club, presided at the dinner.

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A new office of **East River Savings Bank,** 55 John Street at the corner of Dutch Street, is scheduled to open for business on Monday, Dec. 14. A week-long celebration is planned, with gifts for visitors and special premiums for those opening savings accounts during opening week.

Simultaneously with the opening of the John Street office, East River will transfer to its main office 26 Cortlandt Street, all accounts now located at its 291 Broadway office, which was for some years the main office of the bank.

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The Hanover Bank, New York on Nov. 17 declared a stock dividend of 12½% payable Feb. 15, 1954 to holders of record Jan. 2, 1954 and the regular $1 quarterly dividend payable Jan. 2, 1954 to holders of record Dec. 14, 1953.

Stockholders will be asked at the annual meeting on Jan. 20, 1954 to authorize an increase in the Banks capital from $24,000,000 to $27,000,000.

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At a regular meeting of the Board of Directors of **The National City Bank of New York** held on Nov. 17, William G. Gridley was appointed an Assistant Vice-President and Frank W. Malloy was appointed a Manager.

Mr. Gridley Formerly Manager of the Bank's 14th Street Branch, will be associated with the newly planned 46th Street Branch at Park Avenue, scheduled to open early next year and which will be under the supervision of Donald M. Blodget, Vice-President.

Mr. Malloy, who was formerly Assistant Manager at East Midtown Branch, will be assigned to the Bank's 14th Street Branch.

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A quarter century of service with **The County Trust Company, in White Plains, N. Y.** was completed on Nov. 10 by its President, Dr. Joseph E. Hughes.

Dr. Hughes began his banking career as an organizer of The First National Bank of North Tarrytown in 1926 and traces his present affiliation back to 1928 when he became Director and Vice-President of The Washington Irving Trust Company, in Tarrytown, which merged with The County Trust Company in 1947. In 1934 Dr. Hughes was elected President of the Washington Irving institution and continued in that position after the merger.

Otto Salveson, Assistant Vice-President and Auditor of The County Trust Company in White Plains, also completed 25 years of service on Nov. 15.

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Rhode Island Hospital Trust Company, Providence, R. I., has absorbed **The Phenix National Bank of Providence, R. I.,** effective Oct. 30.

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Directors of the **Morristown Trust Company, Morristown, N. J.** voted on Nov. 13 a stock dividend of one share for each 22 held of record by stockholders at the close of business on Nov. 16. Payment of the dividend, which was foreshadowed by stockholders approval at a special meeting last month, will be made on Dec. 8.

Following the directors' action, Edward M. Barnes, Vice-President, said that each of the bank's stockholders will receive by mail on or about Dec. 8, stock certificates for the number of any full shares and scrip certificates for the amount of any fractional interests to which he is entitled by reason of the dividend. Holders of scrip certificates representing fractional interests may either buy additional fractions to make up a full share, or sell their fractional certificates, before Jan. 15, 1954, Mr. Barnes said. He explained that after 12 noon on that day the scrip certificates will be void.

To assist holders of fractional interests in so consolidating scrip certificates, directors of the bank have appointed Donald E. Kyle, Assistant Secretary, as intermediary who will receive orders for the purchase or sale of fractional interests without brokerage cost to stockholders. Mr. Kyle will not act with respect to purchase or sale of full shares.

The stock dividend will result in an increase of the bank's capital stock account from $880,000 to $920,000, the increase being effected through the transfer of $40,000 from undivided profits to capital stock.

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Directors of **Jenkintown Bank & Trust Company, Philadelphia, Pa.,** recently announced the election of Richard W. Havens as President and Chief Executive Officer. Mr. Havens, now associated with The Electric Storage Battery Company as staff economist and financial advisor, is well known in banking circles. He assumes his new duties Dec. 3.

At the same meeting, Warren T. Locker, former President, was elevated to Chairman of the Jenkintown Bank's board of directors.

Former President Locker's new position will release him from direct operating responsibility in order that he may devote his time to assisting the bank in expanding its activities. Mr. Locker was appointed Executive Vice-President in 1941. He was elected President in 1949.

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The Central Trust Company, Altoona, Pa., will have the formal opening of its new branch office at 908-910 Logan Boulevard on Nov. 21.

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Montgomery Trust Company and **Norristown-Penn Trust Company, Norristown, Pa.,** merged as of the close of business on Oct. 30, under the charter of Montgomery Trust Company and new title **Montgomery Norristown Bank and Trust Company.**

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The Union National Bank of of Summerville, Pa., with common capital stock of $50,000 went into voluntary liquidation on Oct. 31 and was absorbed by **Brookville Bank and Trust Company, Brookville, Pa.**

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The common capital stock of **The Citizens National Bank & Trust Company of Piqua, Ohio,** was increased effective Nov. 4 from $200,000 to $300,000 by sale of new stock.

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Directors of the **Harris Trust and Savings Bank, Chicago, Ill.,** at their regular meeting authorized the transfer of $2,000,000 from undivided profits to surplus. Mark A. Brown, President, pointed out that this will bring the Chicago bank's surplus account to $18,000,000. With capital of $12,000,000 and undivided profits of $5,746,272, this will make the total capital funds of the Harris Trust $35,746,272. The transfer is to take effect immediately.

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Max L. Baughman has been elected an Assistant Vice-President of **La Salle National Bank, Chicago, Ill.,** it was announced on Nov. 12 by John C. Wright, President.

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The promotion of four members of the staff of **First National Bank in St. Louis** was announced on Nov. 6 by William A. McDonnell, President.

Edw. C. Anderson and Leonard J. Schrewe were advanced from Assistant Vice-Presidents to Vice-Presidents of the bank. Harold G. Kuhlman, correspondent bank department representative, and Jefferson L. Miller, new business department representative, were named Assistant Cashiers.

Mr. Anderson, who is a native St. Louisan, began his business career in 1918 with St. Louis Union Trust Company. The following year he joined the staff of First National Bank in St. Louis where he served with the auditing and personal loan departments. He became a member of the new business department, in 1946 and was elected an Assistant Cashier of the bank in 1947. He was advanced to Assistant Vice-President in the new business department in 1949.

Mr. Schrewe, who represents First National in Missouri, started work with the First National Bank in 1925 as an office boy. He was appointed a special representative of the bank in Missouri in 1946 and was elected an Assistant Cashier soon thereafter. He became an Assistant Vice-President in 1948.

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The Board of Directors of **The Hamilton National Bank, Chattanooga, Tenn.** announces the election at its regular meeting on Wednesday Nov. 4, of Mr. Howard P. Preston as Chairman of the Board.

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Thomas R. Preston, Chairman of the Board of the **Hamilton National Bank, Chattanooga, Tenn.,** died on Oct. 13.

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The First National Bank of Galveston, Texas increased its common capital stock from $200,000 to $300,000 by sale of new stock effective Nov. 4.

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Directors of **California Bank, Los Angeles, Calif.,** recently elected J. L. McElney, of San Francisco, to be an Assistant Vice-President of the bank, according to an announcement by Frank L. King, President.

Elected to Assistant Cashiers were: Max B. Horn, Head Office; N. R. McGrew, Main Office; J. J. Lovett, Sixth and Grand Office; and Wallace E. Frazier, W. T. Harrison, and W. Tamblyn, all of Market & Produce Office.

Mr. King also announced the election to Assistant Secretaries of J. G. Tropea, Beverly Hills Office; and Leighton B. Tuck and F. G. Sheehy, Head Office.

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Directors of **California Trust Company, Los Angeles, Calif.,** wholly owned affiliate of California Bank, recently elected Sumner Slater and Lyston G. Jaco, Jr., Trust Officers, and E. P. Duval and William Russell Assistant Secretaries.

Formerly Trust Officer of the Omaha National Bank, Omaha, Neb., Mr. Slater joined the trust company in September, 1953.

Trust Officer Jaco has been with California Trust Company since 1949 and was elected Assistant Secretary in September, 1952, and Assistant Trust Officer the following December.

Assistant Secretary E. P. Duval came with the trust company in July, 1952.

Assistant Secretary William Russell entered the employ of California Trust Company in 1948. He was formerly on the staff of the Trust Department, Income Tax Division, of the Continental Illinois National Bank & Trust Company, Chicago, for 19 years.

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The Anglo California National Bank of San Francisco, Calif. will enter Stockton in the near future, it was announced on Nov. 13 by Paul E. Hoover, President.

The bank has acquired a central location in downtown Stockton and will erect an outstanding building for its Stockton home as soon as plans can be completed. Meanwhile, for temporary quarters, the bank in the near future will occupy the building at 230 North California Street, between East Channel and East Miner Streets, next to the Santa Fe bus depot. Mr. Hoover said.

Anglo bank's permanent Stockton office will be located on the north side of East Weber Avenue between North California and North American Streets.

The Stockton office will bring the number of Anglo's offices in Northern and Central California to 35 and the number of communities served to 20.

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Directors of **Security-First National Bank, Los Angeles, Calif.** on Nov. 17 approved proposals to split the bank's stock two-for-one and to increase its capital $7,500,000 by a 25% stock dividend. George M. Wallace, Chairman of the Board stated.

The proposals will be submitted for stockholders' approval at the annual meeting to be held on Jan. 12, 1954.

The stock split will change the par value per share from the present $25 to $12.50. The stock dividend will result in the issuance of 600,000 additional shares of the $12.50 par value stock.

This will mean that on the effective date, about Feb. 10 stockholders will have the number of their shares increased in the ratio of two and one-half shares of the new $12.50 par value stock for each share of the $25 stock owned.

When approved the bank's capital will be $37,500,000.

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Directors of **Union Bank & Trust Co. of Los Angeles, Calif.** at their November meeting, declared a stock dividend of 5,000 common shares, to be distributed Jan. 4, 1954, to shareholders of record Dec. 16, according to Ben R. Meyer, Chairman of the Board. This is equal to one new share for each 17 now held. Scrip certificates will be issued for fractional shares.

The result of the distribution of the stock dividend will be an increase of $250,000 in capital by a transfer from surplus. Concurrent with this distribution, the directors authorized the transfer of $500,000 from undivided profits to surplus, resulting in a net increase of $250,000 in surplus and in an increase in the total of capital and surplus from $10,000,000 to $10,500,000.

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The First National Bank of Kirkland, Wash., with common capital stock of $260,000 went into voluntary liquidation, effective Sept. 26 and was absorbed by **The National Bank of Commerce of Seattle, Wash.**

Bridgeport Brass Stk. Offer Underwritten

Bridgeport Brass Co. is offering holders of its common stock rights to subscribe for 240,672 additional shares of $5 par value common stock at $21.50 per share on the basis of one new share for each four shares held of record Nov. 17, 1953.

Transferable warrants expire at 3:30 p.m. (EST) on Dec. 2, 1953.

Hornblower & Weeks and Stone & Webster Securities Corp. jointly head an underwriting group which will purchase any unsubscribed shares.

Proceeds of the sale will be used by the company for working capital and capital expenditures.

Bridgeport Brass manufactures brass, copper, bronze and other non-ferrous metal alloys into sheet, wire, road and tube. Its fabricating division produces various articles including valves, aerosol pressure-packaged containers, flashlight tubes, fittings, etc. During 1952 and the first nine months of 1953 approximately 89% of the company's sales were derived from mill products and the remainder from fabricated products.

For the nine months ended Sept. 30, 1953, Bridgeport Brass Co. had net sales of $110,390,000, and net income of $4,422,000, equal to $4.63 per common share.

Public Utility Securities

By OWEN ELY

Southern California Edison Company

Southern California Edison, with current revenues of $137 million, is one of the most rapidly growing utilities, gross having increased 140% in the past decade. Net earnings have been somewhat variable, due to occasional droughts (which affect the company's predominantly hydro-electric operations) and special charge-offs for a frequency change during 1945-48 and for plant subsidence costs in 1950-51.

Favored by good water conditions in 1952, share earnings reached $3.27, the best since 1929-30. However, this year's earnings have been declining rapidly due to the severe drought which has affected both the San Joaquin River and the Colorado River watersheds. For the 12 months ended September only $2.57 a share was reported compared with $3.04 in the previous period, and the quarter's earnings were 74¢ vs. 98¢. Part of the decline was, however, due to the larger number of shares outstanding, particularly as the company does not use the device of "average shares" in its earnings statement; the company sold 500,000 shares at 37¾ in January this year.

The company serves 79 cities and over 150 smaller communities and outlying rural territories, with a population estimated at about 3,192,000. The largest cities served are Long Beach (population 250,000) and Santa Monica (71,000), and a number of others have populations in excess of 25,000. The territory includes large areas devoted to farming, truck farming and fruit growing, much of which is made possible by irrigation. Industrial activity is well diversified. Although many of the company's industrial customers are major users of electric energy, the revenue for the calendar year 1951 derived from the largest single industrial customer accounted for approximately 1% of the company's total electric revenue, and the 10 largest industrial customers together accounted for approximately 5.8% of such revenue.

In 1952 about two-thirds of the company's output was hydro and one-third steam. Over half of the hydro output was supplied from the Hoover Dam under a contract with the Federal government. This year, of course, the proportion of hydro power will be smaller. In March and June this year two new steam units were scheduled to begin operation with a total effective capacity of about 250,000 kw. President Mullendore stated in October "while production from the hydro-electric plants is somewhat better than earlier estimates, and in spite of some indications of a tapering-off from the present high level of industrial activities, all available steam capacity will be used and the purchase of some additional power will be needed to carry the load during the peak hours for the remaining months of the year." He forecast that results for the full year 1953 will be "markedly lower per common share outstanding than in any year since 1948."

In the calendar year 1952 it is estimated that Southern California Edison earned about 5.7% on the average rate base. However, these earnings were relatively high due to the very favorable water conditions. The company on December 16, 1952 called the attention of the California Public Utilities Commission to the "upward spiral in taxes, wages and prices and a relatively greater proportion of the more expensive steam generation," all of which were believed to foreshadow a continuing decline in the rate of return on the company's rate base. The company asked for an increase in rates sufficient to yield $16 million.

This amount, after allowance for income taxes, would be equivalent to about $1.24 a share on the common stock. Assuming that earnings for the calendar year 1953 may drop to below $2.50, the increase if allowed in full might raise the earnings to around $3.60, it is estimated. In 1952 the Commission allowed Pacific Gas & Electric an increase approximating $33 million. Hence it appears likely that at least a portion of Southern California Edison's requested increase will be allowed. Mr. Mullendore has stated a few weeks ago that the rate proceedings "are not progressing as rapidly as we had hoped, and it now looks as though no benefits could be derived from increases in rates before April or May, 1954."

Share earnings have been stated above on the basis of actual shares outstanding. However, it should be noted that there are two issues of convertible preference stock outstanding—the 4.48% and 4.56% series—with a combined 1,422,000 shares outstanding as of recent date. Conversion of these issues would, of course, dilute the common stock earnings, possibly to the extent of about 20¢ a share.

The common stock has been selling around 36½ and pays $2 to yield 5½%.

Henry J. Keiper Opens Own Firm In NYC

Henry J. Keiper has formed H. J. Keiper & Co. with offices at 50 Broad Street, New York City, to engage in the securities business. Mr. Keiper has been in Wall Street for many years.

David M. Shayne Joins Hemphill, Noyes & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—David M. Shayne has become associated with Hemphill, Noyes & Co., 9478 Santa Monica Boulevard. Mr. Shayne was formerly Vice-President of Cantor, Fitzgerald & Co., Inc., with headquarters in Beverly Hills.

Continued from first page

Honest Money, Stable Price Level and Healthy Economy

is to stabilize the price level. Does the Treasury assume that it can do that? Does it assume that the Federal Reserve authorities can and will do it? Does the Treasury contention mean that the President has directed the Treasury and Federal Reserve authorities to act together in a manner that will provide a stable price level? Have the Federal Reserve authorities adopted the policy of attempting to stabilize the price level on the theory that this would be in accordance with sound principle? How does the much advertised restored independence of the Federal Reserve System fit into this policy —have the Federal Reserve authorities, after all, again subjected themselves to Presidential and Treasury policy?

If the Board of Governors of the Federal Reserve System is now taking the position that the machinery of that System should be employed to stabilize the price level, regardless of the readjustments needed if we are to move toward peacetime economic equilibrium, then we are confronted with the fact that the Board is following a policy declared by the Board and 66 monetary economists in 1939 to be unsound.

On March 13, 1939, the Board issued a statement, available in the *Federal Reserve Bulletin* of April, 1939, pp. 255-259, in which it said, among other things: "Experience has shown . . . that (1) prices cannot be controlled by changes in the amount and cost of money; (2) the Board's control of the amount of money is not complete and cannot be made complete; (3) a steady average of prices does not necessarily result in lasting prosperity; and (4) a steady level of average prices is not nearly as important to the people as a fair relationship between the prices of the commodities which they produce and those which they buy" (p. 255).

Said the Board further, pp. 256-258: "There have been times when the amount of money and prices have changed together; but usually they have not. When they have moved together this may have been due to the fact that it takes more money to do the same amount of business when prices are high than when they are low.

"Whether prices and the volume of money do or do not move together depends on many other conditions, such as weather and the size of harvests, inventions, foreign trade, government spending, taxes, wages, and the general attitude of business. When people are venturesome and expect good times, they lay in supplies and this tends to raise prices. When people are discouraged and expect things to go badly, they tighten their belts and buy as little as possible. The demand for goods declines and prices fall. Usually other things have a greater influence on prices than has the amount of money.

"Neither do prices depend on the cost of money. This also has been shown by the experience of the last 10 years. . . . During this period when the cost of money was so drastically cut, prices went down by about one-fourth.

"In view of these facts the Board finds it impossible to believe that prices can be controlled by changes in the volume and cost of money.

". . . The Federal Reserve System, furthermore, does not and cannot have complete control of the amount of money and its use. . . .

". . . Currency is not the most important item in our business life, and the Federal Reserve System supplies at all times the currency that the public demands. . . ."

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"The Federal Reserve System can see to it that banks have enough reserves to make money available to commerce, industry, and agriculture at low rates; but it cannot make the commercial banks use these reserves, it cannot make the people borrow, and it cannot make the public spend the deposits that result when the banks do make loans and investments.

". . . Even if the amount of money did determine prices and even if the Federal Reserve System could determine the amount of money, experience shows that steady prices would not necessarily mean prosperity.

"It is true that violent changes in prices are harmful. A very rapid rise in prices results in speculation, in accumulation of inventories and in unsound undertakings, which later result in a collapse with falling prices, failing business, and general distress.

"But that does not mean that lasting prosperity is assured when prices are steady. We had fairly steady prices from 1921 to 1929; but during that period there was developing a speculative situation which led to the collapse in 1929. . . . While prices are stable, destructive forces may be at work that lead to panic and disaster. To require the Board to be guided in its policies entirely or principally be changes in the level of prices would prevent it at times from doing its best to serve the public interest."

Said the Board still further, pp. 258-259: "One reason why steady average prices do not assure prosperity is that the average can be steady while prices of some of the commodities that make it up change violently. People are more interested in the relation between the prices of what they produce and sell and the prices of what they buy and use than in the general price level. . . . Even the ability of people to pay their debts does not depend so much on the average level of prices as upon the amount by which their net income exceeds their living expenses.

"A steady average of prices, furthermore, may cover up sharp movements in prices of important commodities upon which large sections of the country depend. For example, from March to September 1937, while the average of wholesale prices was steady, grains declined by 19% and cotton by 38%. . . .

"An attempt to maintain a steady average of prices would run into serious difficulty in years when prices of some commodities were forced up by drought, armament demand, or other things beyond the control of the monetary authority. . . . Differences between price movements of raw materials and finished products were, in fact, an important reason of the turn down in business in 1937."

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"The Board believes that an order by Congress to the Board or to any other agency of Congress to bring about and maintain a given average of prices would not assist but would hinder efforts to stabilize business conditions. It would hinder, because the price average frequently would indicate a policy that would work against rather than for stability. Such an order would also raise in the public mind hopes and expectations that could not be realized."

On April 10, 1939, sixty-six monetary economists issued a statement in which they said that "The Board's statement is in harmony with well-established economic principles and with the facts of monetary history."

It is the business of monetary economists, if scientists, to ascertain and to adhere to valid principles. And these are not restricted in their application to a few years, or a decade, or a generation.

The question arises as to why the Treasury is now advocating a policy apparently in conflict with such a weighty collection of opinions the validity of which can easily be verified by a study of the pertinent evidence.

A Stable Price Level and a Sound Money Are Not the Same Things

A stable price level is simply a stable index of a selected list of prices. A sound money involves other considerations. An index of prices is a mathematical abstraction which provides no guidance as to whether the dispersions and lack of harmony in prices are small or great. As an example of this fact, the economic maladjustments became so great under the cover of a relatively steady index of wholesale prices during the period of 1923-1929 that this nation was finally carried into the economic recession beginning in 1929. The lesson involved in that experience was so painful that we should not foreget or ignore it even if two decades have since elapsed. The events of 1923-1932 and the soundness of our money during that period involved different considerations. In so far as currency was concerned, it was the improper use of credit, and defective Federal Reserve policies, rather than the quality of our money, that revealed unsoundness during that period.

The unsoundness and danger inherent in the announced policy of present Treasury officials to stabilize the price level, resting on an erroneous implication that a stable price level means an honest and sound dollar, are also revealed in more recent events. On Oct. 22, 1933, President Roosevelt announced the same policy basically as that now being propounded by our top Treasury officials. The only difference is that President Roosevelt proposed to stabilize the price level after it had been "restored"—which was commonly interpreted in official circles then to mean to the level of 1926 — whereas the Treasury officials today propose to maintain the present price level. Said President Roosevelt on Oct. 22, 1933: "When we have restored the price level, we shall seek to establish and maintain a dollar which will not change its purchasing and debt-paying power during the succeeding generation." Said Secretary of the Treasury Humphrey on Aug. 3, 1953: "By 'honest money' we mean money that will buy as much next week, next month and next year as it will buy today." The proposed "sound dollar" of President Roosevelt and that of Secretary Humphrey are basically the same.

Under the so-called "sound dollar" of the New and Fair Deals, the index of industrial production suffered in 1937-1938, the sharpest 12-month drop on record and, by March, 1951, the purchasing power of our dollar, in terms of the index of wholesale prices, reached the lowest level ever attained after the institution of the Federal Reserve System in 1914. Both those experiences occurred under a "managed" irredeemable currency of the type now being offered our people by our top Treasury officials as a "sound and honest" money.

The current announcements of monetary policy imply that our people are to receive something different from what antedated the present Administration in so far as an honest and sound dollar is concerned. But the evidence disproves the accuracy of such implication: (1) The Treasury proposes to continue with our system of irredeemable currency, and (2) if a stable price level means a sound and honest dollar then our dollar has been very sound since December, 1950, for the reason that the index of wholesale prices since that date has been remarkably steady—no monthly deviation from the average (112.9) exceeding 3.6 points. As a consequence, the issue of a sound dollar, by Treasury definition, does not exist; it is fictitious and has been fictitious since December, 1950.

In the light of current Treasury statements, candid dealing with our people during the political campaign of 1952 would have required the Republicans to say that the Fair Dealers had given our people a sound and honest money and that the Republicans proposed to continue their variety of currency. In the political campaign of 1932, candidate Roosevelt stated repeatedly that he would uphold the Democratic Party Platform which promised "A sound currency to be preserved at all hazards." After being installed as President, he plunged our people into an irredeemable currency and devalued our standard dollar. In the campaign of 1952, the Republicans ran on a Platform which promised a redeemable currency; after being installed, they launch a program to continue the irredeemable currency of the New and Fair Deals, and state that by an honest and sound dollar they mean a stable price level.

An honest and sound money involves a standard metallic dollar of fixed weight and fineness with all substitute money redeemable in it at the statutory rate. Credit, as a major part of our currency system, is sound and honest if it is automatically self-liquidating.

A sound and honest money provides a fixed standard of value; it serves as a medium of exchange and as a storehouse of value; part of it serves as reserves against bank deposits. Credit is a superstructure resting upon the metallic monetary standard and money. Prices and the price level are the results of all the forces of supply and demand operating over various periods of time. It is important that a sound and honest money not be confused with a stable price level or with any price level.

Our money is neither sound nor honest. We have, domestically, an irredeemable currency; and there is no valid process of reasoning by which irredeemable bills of credit can be correctly labeled "sound and honest." An irredeemable currency is proof of moral or fiscal bankruptcy on the part of the issuers. In this country the bankruptcy is moral because our gold supply, in the light of experience, should easily permit the ordinary processes of redemption.

The Proper End to Be Sought Is a Healthy Economy; That Involves a Sound Currency, Free Markets, and Economic Equilibrium

To try to enforce a stable price level on the theory that it will contribute to economic health is to attempt to convert what should be a natural result of a healthy economic balance into a causal factor. Such action is analogous to the artificial stabilization of a thermometer on the assumption that therefore the temperature itself will be stable.

Similarly, to seize upon "full employment" as the, or a, basic aim of central policy is to confuse what should be one possible manifestation of a healthy state of economic affairs with what can be made to exist under conditions of serious economic and social maladjustment. "Full employment" can be made to exist by entering a war, by the acts of a totalitarian government, by the absence of capital and the prevalence of poverty. The only good full employment, like the only good price level, is that which flows naturally from a high degree of economic equilibrium — the state of affairs which brings the highest degree of well-being to all concerned.

The proper end to be sought by government is economic equilibrium (dynamic, not static) in which the factors in production and the forces in consumption, exchange, and distribution of income reach the best possible balance considering the natural resources, intelligence, capital equipment, and government of a nation. The degree of equilibrium attained and attainable is always a relative thing falling short of perfection. Perfect equilibrium, like the idea of perfection in anything, belongs to the realm of concept; but such a concept, as a standard for measurement, is a necessary and valuable tool in scientific analysis.

The best means of moving toward economic equilibrium is provided by free and fair competition operating in free markets with a sound currency. Under such conditions the results flow from the combined judgments of all — the many millions of people—who exchange their goods and services for money and their money for goods and services. The resulting prices and activity in production, consumption, exchange, distribution, saving, and investment, by the nature of things, are objective and therefore correct because they flow from the combined judgments of those directly involved. A different judgment, coming from government officials with power to enforce their wills, is subjective and arbitrary in nature. Government action based upon subjective, and therefore arbitrary, standards provides a case of government dictatorship. The essence of dictatorship is the power to enforce one's will arising from subjective judgment.

In those areas in which free and fair competition cannot or will not operate in the public interest, as, for example, in cases of monopoly, provision of parks and libraries, conservation of natural resources, matters of health, catastrophe, and so on, government intervention is both justifiable and desirable. But wherever free and fair competition can operate, it should be encouraged to do so because it yields the only objective standards of value available in the economic world. It is these standards that are employed in correct regulation of monopolies, in objective appraisal of the wisdom of government activities falling in areas outside those of private enterprise, and in correct estimates of the advantages and disadvantages of such political and economic systems as Socialism, Communism, and Fascism.

An irredeemable currency, monetized Federal debt, and artificially low interest rates as tools of government dictatorship, contribute to economic disequilibrium, not equilibrium. They are distorting factors because they contain inherent defects not found in a metallic and redeemable money and in the interest rates determined in free markets in terms of a sound currency.

We have departed far from the principles which, if pursued, yield the greatest economic good to the people of a nation. Our government has forced on our people, as a basic tool, an irredeemable currency. It is a distorting and disturbing factor—a subtle, and ultimately deadly, drug. It is a tool used by bankrupt and totalitarian governments. It is a means by which a government frees itself of effective control by the people whose purse and currency it uses and manipulates to control them —by buying support, by redistributing the people's income.

Our government with the aid of our Federal Reserve authorities has gone into the business of monetizing Federal debt — just a step removed from the issuance of fiat money and a companion in evil of our system of irredeemable currency. Interest rates and prices are distorted by dictatorial methods. Profligate waste and spending on the part of the government are some of the results.

The originally proposed program of the present Administration to market United States government securities outside banks and to bring to an end the New and Fair Deal practice of monetizing Federal debt through sales to banks quickly came to an end after a short experiment with an attempt to tap people's savings through the sale of government securities payable in irredeemable currency. Experiencing a relatively sharp rise in interest rates in connection with this experiment, monetization of the Federal debt was quickly resumed and the Federal Reserve banks have set new records in their holdings of United States government securities since the Republicans assumed office in Washington. On July 27, 1953, 56 monetary economists pointed out that a prerequisite to a good government bond market outside banks was a redeemable currency, and they supplied good and adequate evidence to support their contention. The Treasury has not respected that evidence; but it has demonstrated the accuracy of the contention of those economists by resorting to further monetization of Federal debt at artificially low interest rates after trying to sell some bonds outside banks in terms of an irredeemable currency.

In short, the present Administration has run away from a borrowing program designed to tap the savings of the people in free markets in terms of a redeemable currency and is continuing with the unsound monetary and fiscal mechanism employed under the New and Fair Deals.

Despite the praise, by anti-New and Fair Dealers, of the importance and virtues of private enterprise operating under conditions of free and fair competition in free markets, the major elements of a governmentally-managed economy, brought into our midst by the New and Fair Deals, are being continued and fostered by the present Administration, both domestically and in our international relations. Pressure groups seeking subsidies and government handouts in various forms in accordance with practices invited by the New and Fair Deals are being accorded substantially the same type of reception as that provided by the New and Fair Deals.

This situation raises the question of whether the majority of the people of the United States have succumbed to such an extent to the enervating forces unleashed by the New and Fair Deal paternalistic government programs that they have in fact become, and wish to be, a government-kept people.

The fact that government price fixing, subsidies, maintenance of parity prices, and lending and give-away programs are departures from the objective tests of free markets and involve the subjective evaluations characteristic of government dictatorship is in high degree ignored today. Indeed, the elements which comprise government dictatorship seem generally not to be understood in this country. Much of what is in nature dictatorship is widely and vigorously labeled "Liberalism" with the implication that what is in fact government dictatorship is socially beneficial. The behavior of our pressure groups and the responsiveness, particularly since 1932, of our government officials to them have in effect put Treasury funds on an auction block.

In some respects the new Administration has revealed marked superiority over the New and Fair Deal Administrations in respect to the protection of private enterprise, the curbing of self-serving pressure groups, and the dissipation of Treasury funds. But fundamental changes have been of small extent or consequence, and, the major characteristics of New and Fair Dealism are now being continued under the banner of Republicanism — whatever that may mean.

It probably makes little difference in the end whether the drugs of irredeemable currency, continued monetization of Federal debt, and government dictatorship in an almost endless variety of forms are administerd by a political party which is intentionally advancing a governmentally-managed economy or by one which professes belief in the virtues of private enterprise, free markets, and a central government of more restricted scope than that which has developed in this country during the last two decades but lacks the will to substitute good economics for what it apparently regards as necessary political expediency.

It seems possible, and it may be probable, that our people have been so thoroughly demoralized by the statism of the New and Fair Deals that the majority of them are going to demand statism without understanding what it is. Strong evidence exists that the majority of our people may not comprehend the nature and importance of freedom, may fear it, and may not want it. Impressive evidence could be marshalled in support of a contention that an apparent majority of our people are demanding Socialism or a governmentally-managed economy in some similar form, and are going to get it. The forces operating in this direction are many, subtle, and powerful. Possibly, impressive evidence could also be marshalled in support of a contention, frequently advanced today, that the Republican Administration is not going to do anything effective to arrest this tide and is, in fact, keeping open the gates which lead to Socialism —the slow-fuse of Communism. The penetrating comment was made (by John Maynard Keynes in 1920, before he became a supporter of statism and irredeemable currencies) that "perhaps it is historically true that no order of society ever perishes save by its own hand" and that the so-called capitalists "allow themselves to be ruined and altogether undone by their own instruments, governments of their own making, and a press of which they are the proprietors." The possible applicability of that comment to us today would seem to be worthy of serious consideration.

Some Requirements of Good Leadership in Government Today

Many, possibly most, questions with which our government deals fall in technical areas in which specialists must work over a period of many years if correct answers based upon the evidence are to be obtained. The field of money is of this type.

To obtain correct answers to questions falling in technical areas it is necessary that the government, if it is to provide good leadership, turn to the objective scientists in the fields involved. To call for a popular vote on the question of a monetary standard or monetary issues, or to send questionnaires on these matters to non-specialists, is not a defensible procedure. It is a well-established fact that if a people are subjected to the drug of irredeemable currency they, like those addicted to other drugs, will do all they can to retain it. This attitude characterizes practically every group of people whose members are not long and close students of monetary standards and of people's reactions to them under varying conditions. It also characterizes the attitude of those who wish to subject our people to Socialism, Communism, or government management in some similar form.

For example, the notion appears to be widespread that because bankers deal in money they are as a consequence better than average students of monetary standards and, if consulted as a group, can and would provide the government and the general public with the correct answers in respect to the proper monetary standard for this nation. That notion clearly is not supported by the evidence. For one reason, banking procedures are one thing while specialization in the field of monetary standards and principles is something else. For another, the history of the advice given by the banking fraternity as a whole in respect to the desirability of an irredeemable currency reveals that it has been almost uniformly erroneous.

There are bankers who are also good students of monetary standards and principles; but it may be doubted that they are more common than similar students in industrial fields. In this country, and abroad, the common — apparently uniform — practice has been for the majority of the banking fraternity, after the people are plunged into irredeemable currency and develop the common reactions to the drug, to react as do the mass of people and to do all within their power to retain it. There is the additional consideration that in banking there are gains to be had from the use of an irredeemable currency which are not to be enjoyed by the mass of people. This is particularly true of our Federal Reserve banks which can issue promises to pay without being required to redeem them.

If, therefore, our bankers should be surveyed for an opinion as to whether this country should continue with its irredeemable currency or provide for redemption, one should expect the majority vote to be in favor of irredeemable currency.

The survey of 558 bank officials, conducted by the *Bankers Monthly*, with the results reported Sept. 21, 1953, provides a typical illustration of what past experience should teach us to expect. According to the report, the vote was 242 against resumption of redemption as compared with 222 in support of a redeemable currency. If that vote contains any surprise, it probably is in the relatively large size of the minority vote—which suggests that perhaps a bigger percentage of our bankers, than in the past, have become students of the characteristics and implications of redeemable and irredeemable currencies and have a keener sense of social responsibility than seems to have existed in earlier days —for example in the 1870's.

The banking business, like the industrial field, has produced some outstanding men who have shown themselves to be good students of monetary standards. Though in the minority, these men are doing what they can to help to obtain a redeemable currency for our people. The problem here lies in whether our present government will recognize the quality of such leadership and rely upon it or whether it will be guided by a majority vote resting in part upon uninformed and emotional desires of those benumbed by the drug of irredeemable currency and in part upon the contentions of those who, as in the case of Federal Reserve officials, have gained, under an irredeemable currency, special privilege without corre-

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Honest Money, Stable Price Level and Healthy Economy

sponding responsibility and are, perhaps unwittingly, endeavoring to preserve that improper status.

Some members of Congress have proposed that a Monetary Commission be appointed to determine whether the United States should have a redeemable currency. This proposal might easily suggest that here is a case in which these members of Congress at least are disposed to obtain and to act upon the majority opinion of objective specialists. But the facts are otherwise except perhaps in the case of new Congressmen. Congress has been fully supplied by such specialists with valid arguments and supporting evidence, since the suspension of redemption in March, 1933, as to why this nation can have and should have a redeemable currency. No commission could possibly be appointed which could produce in any reasonable period of time what those specialists have produced over a period of 20 years. But over those years and up to date, our various Administrations and Congresses have chosen to ignore those reliable data and recommendations because of the desire of those officials to further a governmentally-managed economy; and they have wanted the tool of irredeemable currency to aid them in that enterprise.

The proposal for a Monetary Commission is defective for two other reasons: (1) it can, and may, be a device, employed by those who wish to perpetuate irredeemable currency, to delay the institution of redemption, and (2) such a Commission could be so constituted that it would almost surely produce the wrong answer — that is, recommend a continuation of irredeemable currency. A commission composed of outstanding men in various fields, but not specialists in monetary standards, could easily produce either result, and they could be expected to do just that. A commission could be appointed, composed of certain types of specialists in the field of money, who also would recommend irredeemable currency; but they would do so only because they are advocates of a high degree of government management of our economy or because they are Socialists or Communists. Had the following group of Treasury specialists—real or implied—in the field of money been put on such a commission they surely would have recommended continuation of an irredeemable currency because they supported and furthered it: Harry Dexter White, Frank Coe, Harold Glasser, Victor Perlo, Irving Kaplan, Sol Adler, Abraham George Silverman, William Ludwig Ullmann. According to the report on *Interlocking Subversion in Government Departments* by the Subcommittee to Investigate the Administration of Internal Security Act and Other Internal Security Laws, Committee on the Judiciary, United States Senate, July 30, 1953, p. 29: "All these persons were named by both Miss Bentley and Chambers as participants in the Communist conspiracy," and all "were employees of the Treasury Department during part or all of the period studied by the subcommittee."

Apparently the best grounds for hope that the people of the United States may be freed from the drug of irredeemable currency are to be found in the introduction in Congress of the Reed, Hale, Hiestand, and Bridges-Reece gold standard and redeemable currency bills and in the promise of hearings on the Bridges-Reece bill when Congress convenes.

If the present government is to provide the people of the United States with the leadership so badly needed, this Administration will support the passage of a good gold standard and redeemable currency bill. If it is the intent of the present government to foster and preserve human freedom and private enterprise and to steer this nation away from a governmentally-managed economy, then our government should provide our people with the type of money appropriate to such freedom. And that means a redeemable currency. Because of the vital importance of a redeemable currency to the well-being of the people of a nation, there is probably no more crucial test of the quality of leadership to be provided by the present Administration and Congress than whether they will provide our people with a redeemable currency—a sound and honest money.

This Country Stands in Serious Need of the Benefits to Be Derived From a Redeemable Currency as We Face the Needed Economic Readjustments

If peace should come and if our people can once more turn their thoughts, energies, and wealth to the pursuit of peaceful activities, the readjustments involved can be expected to be many and possibly far-reaching. The so-called "prosperity" generated in high degree by activities in connection with World War II and the Korean War, and the armament and related activities in preparation of further protection or war, has involved major maladjustments in our economy. Besides involving the blood and the waste of time and energy of many of our buys, it has rested in high degree on production for destruction, on profligate waste by our government, on lending and give-away programs of an unprecedentedly reckless government, on huge public and private debt, on a radically devalued and depreciated currency.

The corrective readjustments needed are those to be found in releasing and cultivating all forces which tend to restore economic equilibrium.

To assume that, as the necessary and proper corrective readjustments take place, the price level or employment can or should be kept at the same level as that prevailing under those conditions of economic and social maladjustments, is to fail to recognize the nature of, and necessity for, the corrective readjustments involved in a return to productive peacetime activities and to saner governmental procedures—monetary, fiscal, and otherwise.

Good government leadership requires that the need for such corrective readjustments be explained to our people; it does not warrant official statements to the effect that prices, employment, and productive activity can or should be kept at the levels or in substantially the same form as those that prevailed when they rested in high degree upon the maladjustments caused by war, waste, destruction the slaughter of human beings, irredeemable currency, and monetized Federal debt. The Reserve Board's statement of March 13, 1939, that "experience shows that steady prices would not necessarily mean prosperity" contains a fundamental truth which present Treasury and Federal Reserve officials should respect and make clear to the general public. Technical progress in peacetime, when accompanied by increased efficiency and lower costs per unit, should lead to falling prices and greater real wealth for all, including those who save. When our Treasury officials state that their purpose is to maintain a stable price level, presumably at the present level, they are in effect stating, without saying so, that they propose to freeze, if they can, the losses which savers and relatively fixed-income people have experienced up to date as a consequence of the decline in the purchasing power of our dollar. The losses in purchasing power on three classes only of the people's savings and investments—on the average holdings of United States savings bonds, time deposits in all banks in the United States, and life insurance policies for the period 1945-1951—amounted to $123,068,133,998, which is approximately 65 times the loss of $1,901,000,000 on bank deposits for the 13 years, 1921-1933. Regardless of whether peacetime readjustments in the direction of economic equilibrium should bring a rising, falling, or stable price level, only the price level so produced would be sound; and such equilibrium comes only when the forces of supply and demand can operate competitively in free markets in times of peace and in terms of a redeemable currency.

A redeemable currency is a necessary, basic facilitating, and therefore a badly needed, instrument in the process of readjustment in the direction of economic equilibrium. Without it, a sound economy and good international relations cannot come into being. Under an irredeemable currency we experienced the longest depression in our history — that of 1873-1879. And the persistence of heavy unemployment, 1933-1940, under an irredeemable currency should teach a valuable lesson for those who think that an irredeemable currency insures full employment.

Domestically, a gold standard and a redeemable currency are analogous to sound railway rails supporting the rolling stock. Such money provides a sound basis on which the rolling stock (paper money and credit) may perform its functions well if the managing personnel operate it properly.

In international relations, no single instrument has compared or can compare with a good monetary standard and a redeemable currency in opening up foreign trade, travel, and investment. Real internationalism comes only with a gold standard and a redeemable currency. Perhaps one of the most outstanding commentaries on man's intelligence in these so-called modern times is the prevalence of much talk in favor of internationalism while it is blocked by the use of irredeemable currencies and the attendant government management. A gold standard and a redeemable currency are analogous to railways which cross international borders.

The Benefits Commonly to Be Had From the Institution of a Redeemable Money

The benefits commonly to be had from resumption of redemption were well illustrated by our experience with resumption in 1879 coming toward the end of the long economic depression of 1873-1879. Confidence in the currency was restored. Multiple quotations for our dollar disappeared. Business expanded as did the volume of money and bank deposits. Prices rose as business expanded. Gold flowed in from abroad. Our Treasury was swamped with orders, from our people and from abroad, for government securities. It was able to fund and refund its maturing or callable debt at lower interest rates than it had been compelled to pay under an irredeemable currency. "To resume," said Secretary of the Treasury, John Sherman, in 1879, "is to recover from illness, to escape danger, to stand sound and healthy in the financial world, with our currency based upon the intrinsic value of solid coin." (John Sherman's *Recollections of Forty Years in the House, Senate and Cabinet*. The Werner Co., New York and Chicago, 1895, Vol. II, p. 704.)

The institution of a redeemable currency means the adoption of an honest money. With the establishment of such a money, the Treasury and Federal Reserve banks would be required, in accordance with the standards of honesty applicable to others, to redeem their bills of credit presented by our people. Their discrimination, arising from the redemption of their bills of credit only when presented by foreign central banks and governments, would be ended.

An honest money invites confidence in the use of paper money and bank deposits and, consequently, an expansion of saving and investment.

It invites the development of a good government bond market outside banks at rates of interest below those that would prevail under an irredeemable currency in the absence of debt monetization by banks.

It opens the gates through which the ingenuity of private enterprise can go to work to develop foreign trade, investment, and travel. Such a currency system requires that the government remove its obstructive controls and frustrating interferences. The almost endless parade of government planners and plans to develop foreign trade and private investment under irredeemable currencies and the related government management and institutions could come to an end in so far as we are concerned, and the people involved could devote themselves to what should be more useful activities.

Our adoption of a thorough-going gold standard and a redeemable currency, at the present statutory rate of $35 per fine ounce of gold, which has prevailed since Jan. 31, 1934, should hasten the return of other nations to sound currencies because of what should be the obvious advantages gained by our people through the use of an honest and sound currency.

Our adoption of a redeemable currency at the present statutory rate should constitute the most potent blow that could be delivered, aside from the use of military force, against statism and in behalf of human freedom. Power to control the government's use of the people's purse, which was taken from them with the introduction of irredeemable currency in 1933, would be returned to them. That is where that power must reside if a people are to possess and to retain their proper freedom. That is where the power of the purse under our Constitution was expected to reside.

Redeemable currencies and human freedom are natural companions. Irredeemable currencies are the common companions of dictatorships and of morally or fiscally bankrupt governments. Irredeemable currencies are man's monuments to his abuse and poor management of credit resting upon gold and redeemable currencies—the currencies to which the people of the world attach the greatest value when they are free to choose.

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"Humphrey's Honest Dollar"— A Reprieve From Evils of Cheap Money

ever, net property account has increased $33.2 billion.

Finally, in March 1951, the then Secretary of the Treasury, John Snyder, under Mr. Truman, together with the Federal Reserve Board, announced their historical accord. This accord in effect released the Federal Reserve System from artificially supporting in its entirety the cheap money policy, and stated as the objective the desire to prevent disorderly markets. Based on that policy, government bond prices began to decline and money as a commodity started to go up in price. It finally culminated in the very sharp drop of government bond prices the first six months this year which was the reflection of the tremendous demand for a product which was limited in supply. The supply might have been greater had there been more incentive for the nation to save in the preceding five to seven years, or had the price of the product been a little higher so that it would have been used more economically. In other words, there was not money enough to go around to everyone who wanted to borrow it without resorting to artificial means of increasing the supply. This would have started an inflationary price cycle of dangerous potentialities. Even with the increase in interest rates that has taken place, money today is less expensive than it was in the depths of the 1933 depression. How many other industries can say the same for their commodities or services?

Humphrey's Honest Dollar

Mr. Humphrey's avowed policy objective is to stabilize the value of the dollar. This means preventing any additional deterioration in its purchasing power as well as preventing deflation. Within limits, he hopes to hold the price level steady. During the last decade, the dollar has lost about one-half of its purchasing power. This has penalized those folks who have saved and have been thrifty, whether in the form of savings accounts, insurance policies, or pension plans. It is interesting to note that individuals own $300 billion of insurance, savings deposits, bonds, mortgages, etc. They owe about $130 billion on home and farm mortgages, non-farm business borrowings, instalment and other consumer debt. This means that there are more people who suffer from inflation and low interest rates than benefit from it. Too many times there is over-emphasis on the desirability of a low rate of interest to someone who is borrowing without realizing that that same person may have more at stake in his own savings of one kind or another.

To accomplish Mr. Humphrey's objective of an honest dollar, he likes to express his policy as being built on "three pillars of sound money."

(1) To control the budget. This is basic but difficult because of advance commitments that had been previously made for which appropriations had been voted totaling $80 billion. In other words, there were orders outstanding that have to be paid when delivery is made totaling $80 billion.

To put it on an individual basis, it is the same as you having trouble with your family budget and telling your wife that she simply must economize only to find out that she has already made non-cancellable commitments for a new fur coat with accessories, and for the redecoration of your living room. The fur coat will be delivered and then the invoice will follow. So too the painters and decorators in the living room. Although she obeys you and stops spending, it may take a year to a year and a half to pay for what already has been committed.

Mr. Humphrey reports, however, that he believes that he has now checked the trend so that starting with next year, there should be some decrease in the total budget barring unforeseen international developments.

(2) It is necessary to control the debt both in total and in form. 75% of the debt matures in 5 years. This is unsound. As market conditions permit, he hopes to make use of longer term maturities thereby removing some of the pressure from today's money market. The national debt is about equal to the national income of the nation. In addition, the annual budget is not yet balanced and totals about 25% of the national income. Under those conditions, it is obvious that the maturing bonds will have to be refinanced rather than retired. To be practical, the debt should be spread out over a longer period in order to allow some hope of at least retiring a part of each maturing issue. When you place a mortgage on your own home, you plan it so that you can meet the installments out of current income rather than by new loans. In a general way, that is what Mr. Humphrey is attempting to do in lengthening out the maturity structure of the government debt.

(3) Finally, sound money calls for an independent Federal Reserve System to operate as a central bank. The best way I can illustrate this last point is to call attention to the level of Central Bank rediscount rates that have been in effect in foreign countries during most of the postwar period; e.g., England — 4%; United States — 1½%. Even today, the price of our money is lower than it was in the depth of the depression of 1933.

I wonder if I might be permitted just a little "plug" for the banking industry. Many individuals have concluded that the honest dollar means more profit for the banks. This does not necessarily follow. In fact, some bankers have been the most vehement in criticizing the government for permitting government bond prices to drop as a result of this policy. It is not comfortable to be a banker and see a 20% drop in deposits and a rising demand for loans unless your government bond portfolio is managed with such contingencies in mind. I think it is obvious that a slight increase in the price of the commodity does not make up for the decline in deposits which was evident this Spring.

Personally, on a professional basis, I commend Mr. Humphrey's objective of the honest dollar and the trend of financial policy which the Federal Reserve System attempted to initiate in '47 and '51 and as now in effect. In the long run, inflation is disastrous to everyone. A dollar of stable purchasing power is better for everyone whether it is the man working for a salary, for hourly pay, or a return on his savings. Pensioners, life insurance beneficiaries, savings bank depositors, all have suffered a severe loss due to the monetary inflation of the past decade. Because of this inflation, there is a huge public debt to pay off which might have been much smaller if we had adopted Mr. Keynes's philosophy in its entirety and permitted money as a commodity to be decontrolled in '46 along with the rest of the economy.

Price & Co. Formed

CAMDEN, N. J.—Price & Co., Inc. has been formed with offices at the Northeast corner of Broadway and Market Street, to engage in a securities business. Matthew F. Van Istendal, Jr. is a principal of the firm.

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The State of Trade and Industry

that weekly production ever exceeded the two-million-ton level, it adds.

While steel production is declining moderately, it was expected to do so at this time, states "Steel." In fact, there had been predictions that the decline would be even sharper than it is. Even though the biggest consumer of steel—the automobile industry—expects its output in November to be approximately 25% below the October production, the major producers of steel are not alarmed by the reduced rate of steel buying. They look at the situation this way, says this trade weekly: "We think we've seen the worst of the declines in sales. Purchases are now the result of definite studies by users of their needs, rather than wild purchasing to inflate stocks."

Sustained good business until the first of April is foreseen by Walter S. Doxsey, President, American Steel Warehouse Association. He estimates that warehouse sales in 1954 will fall not more than 10% under current high levels. However, Mr. Doxsey warns that competitive conditions will no longer permit warehouses (suppliers of steel to small users) to enjoy orders for mill-size quantities which have accounted for as much as 5% of their total tonnage during the last two or three years.

Warehouses are in an increasingly improved position to serve their customers, continues this trade magazine. Inventories on most forms of steel have been pretty well built up. An exception is wide flange structural shapes. They are in short supply and are expected to remain that way for some time. Some warehouses now notice that customers place prices above availability of steel.

Although scattered revisions in base prices are still being made by premium-price producers of steel, they were not sufficient in the week ended Nov. 12 to lower "Steel's" arithmetical price composite on finished steel. It remains at $115.18 a ton.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be at an average of 91.3% of capacity for the week beginning Nov. 16, 1953, equivalent to 2,057,000 tons of ingots and steel for castings as against 92.3% (revised), or 2,081,000 tons a week ago. For the like week a month ago the rate was 95.0% and production 2,142,000. A year ago the actual weekly production was placed at 2,212,000 tons and the operating rate was 106.5% of capacity. The percentage figures for the current year are based upon the capacity as of Jan. 1, 1953, the rate this year being higher than last year.

Electric Output Holds to Higher Trend the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 14, 1953, was estimated at 8,457,342,000 kwh., according to the Edison Electric Institute.

The current figure represents an increase of 59,819,000 kwh. above that of the preceding week, and an increase of 573,464,000 kwh., or 7.3%, over the comparable 1952 week and 1,124,208,000 kwh. over the like week in 1951.

Car Loadings Decline 4.2% Under Previous Week

Loadings of revenue freight for the week ended Nov. 7, 1953, decreased 32,995 cars, or 4.2% below the preceding week, according to the Association of American Railroads.

Loadings totaled 747,868 cars, a decrease of 81,427 cars, or 9.8% below the corresponding 1952 week, and a decrease of 43,535 cars, or 5.5% below the corresponding 1951 week.

U. S. Auto Output Falls 20% Due to Model Changeover Operations

Automobile output for the latest week declined about 20% below the previous week, due to model changeover operations, according to "Ward's Automotive Reports."

The industry turned out 93,658 cars last week, compared with 116,789 in the previous week. A year ago the weekly production was 107,473 cars.

United States truck production last week totaled 17,970 compared with 12,480 the previous week. A year ago truck output was 30,430 units.

Canadian companies made 3,101 cars last week, compared with 3,588 in the previous week and 6,547 in the like 1952 week. Truck production amounted to 855 units last week, against 926 the week before and 2,375 in the year earlier period.

Business Failures Continue Downward Course In Holiday Week

Commercial and industrial failures declined to 155 in the holiday-shortened week ended Nov. 12 from 207 in the preceding week, Dun & Bradstreet, Inc., reports. Despite this dip, casualties continued to exceed the level of 148 in the comparable week a year ago and of 109 in 1951. Only one-half as many businesses failed, however, as in prewar 1939 when the toll amounted to 308.

Casualties involving liabilities of $5,000 or more fell to 134 from 181 last week, but remained above the 125 of this size which occurred a year ago. There was a dip among small failures, those with liabilities under $5,000, to 21 from 26 in the previous week and 23 in the similar week of 1952. Twelve of the week's casualties incurred liabilities in excess of $100,000, as compared with 23 a week ago.

All industry and trade groups had lower mortality during the week. More concerns failed than last year in retailing and construction; other lines had small declines from the 1952 level.

Wholesale Food Price Index Makes First Advance in Eight Weeks

Marking the first upward movement in eight weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose slightly to $6.50 on Nov. 10, from the five-month low of $6.48 a week ago. Compared with the year-ago level of $6.30, the current index shows a rise of 3.2%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Gains Slightly in Latest Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved in a narrow range last week and closed at 272.71 on Nov. 10. This was up slightly from 271.74 a week earlier, and compared with 285.14 on the corresponding date last year.

Grain price movements were mixed but net changes for the week were small. Wheat developed a stronger tone, aided by smaller receipts and the belief that there will be no drastic change in the high support levels for farm commodities. Corn was under pressure at times and prices turned easier under the impact of continued liberal offerings of new crop grain.

Weather conditions throughout the harvesting season were excellent and the great bulk of the crop has been secured. Oats were somewhat firmer while rye prices worked lower. Sales of grain and soybean futures on the Chicago Board of Trade averaged 54,900,000 bushels per day last week, as compared with 53,300,000 the week before, and 33,900,000 a year ago.

There was some improvement in domestic flour business the past week although buying for foreign account remained slow. Activity occurred around midweek and was largely centered in Spring wheat flours.

Inventories were said to be light in many cases and buyers were not inclined to book much flour for future delivery.

Cocoa continued the sharp upward price trend of recent weeks, with trading limited by a scarcity of offerings. The persistent demand was attributed to the tightening supply position, an active manufacturer interest, and the higher prices paid by U. S. importers for actual cocoa. Demand for coffee was fairly active; buyers continued to show a preference for Columbian coffees at a wide premium over the Brazil grades. Demand for refined sugar was quiet. Eastern refiners announced a reduction of 10 cents a hundred pounds in their granulated product at midweek.

Raw sugar prices fell 17 points in the week, largely due to liquidation induced by the reallocation of 80,000 tons of beet sugar by the United States Department of Agriculture.

Lard finished slightly lower but showed a stronger tone at the close.

Spot cotton prices moved moderately lower last week as the trade awaited the issuance of the government crop forecast.

The report for Nov. 1 placed this year's yield at 16,093,000 bales, or about in line with preliminary estimates of private forecasters. The latest figure contrasts with the Oct. 1 estimate of 15,596,000 bales, and an actual yield of 15,136,000 bales last year. There was a moderate volume of mill price-fixing which helped to check the declines. Sales of the staple in the 10 spot market declined and totaled 210,500 bales last week, as against 240,700 the previous week, and 295,800 a year ago. CCC loan entries in the week ended Oct. 30 were 544,200 bales, the largest for any week on record. Total entries for the season were 2,383,800 bales, exceeding the total amount placed in the loan during the entire 1952-53 season.

Trade Volume Rises Moderately With Return of Cooler Weather and Other Factors

Stimulated by seasonally cool weather shoppers increased their buying moderatly in most parts of the nation in the period ended on Wednesday of last week. Attractive reduced-price promotions and late shopping hours enabled most merchants to surpass the sales figures of a year ago; however, retailers with smaller sales than those of a year earlier were more numerous than in the early months of this year.

Christmas promotions began in most cities somewhat earlier than in recent years; merchants generally looked forward to a gift season of peak proportions.

Retailers in Pittsburgh, Washington, D. C., and some other cities in the East continued to report their sales volume as below that of a year ago. Early indications pointed to a Florida tourist season of record size.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from unchanged to 4% higher than the level of a year ago. Regional estimates varied from the comparable 1952 levels by the following percentages: New England and East —1 to +3; Midwest and Northwest +1 to +5; South and Pacific Coast +2 to +6 and Southwest 0 to +4.

While the interest in household goods rose slightly it continued to be below seasonal expectations and somewhat short of the level of a year ago. There were substantial rises in the demand for automotive supplies; new cars continued to be sold at substantial discounts.

The volume of trading in most of the nation's wholesale markets in the period ended on Wednesday of last week held close to the level of the prior week and was about on a par with that of a year earlier. Retailers sought rapid delivery of many seasonal items in preparation for holiday selling.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Nov. 7, 1953, increased 3% above the level of the preceding week. In the previous week, Oct. 31, 1953, a decrease of 2% was reported from that of the similar week of 1952. For the four weeks ended Nov. 7, 1953, a decline of 3% was reported. For the period Jan. 1 to Nov. 7, 1953, department store sales registered an increase of 2% above 1952.

Retail trade volume in New York last week witnessed a mild upturn as a result of more seasonal weather and according to estimates, the figures for the period are expected to be slightly above those for the like week a year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Nov. 7, 1953, registered a decline of 3% from the like period of last year. In the preceding week Oct. 31, 1953, a decrease of 6% was reported from that of the similar week of 1952, while for the four weeks ended Nov. 7, 1953, a decrease of 4% was reported. For the period Jan. 1 to Nov. 7, 1953, a decline of 1% was registered from that of the 1952 period.

Joins Alm, Kane, Rogers

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — George S. Smith, Jr. has joined the staff of Alm, Kane, Rogers & Co., 39 South La Salle Street. He was formerly with E. F. Hutton & Company.

Mutual Funds

By ROBERT R. RICH

Taking Profitable Losses

About this time of year, investment-minded citizens and their securities dealers are sharpening their pencils in order to calculate the best way to minimize the year's tax bill by the manipulation of securities transactions for short- and long-term capital gains and losses.

In addition, the "inside money" is this year being particularly careful to make sure these tax-purpose transactions serve a double purpose of improving the investment quality of their portfolios to meet the more uncertain business times ahead, moving their assets, as many investment companies have already done, into the securities of companies in less cyclical industries.

Timing is, of course, a basic factor in these transactions. Securities' sales, for example, to establish profits for 1953, should be made on or before Dec. 24, although cash sales can be made through Dec. 31, as can sales to establish losses for 1953.

In offsetting short-term capital gains and losses (those gains or losses on securities held for six months or less) and long-term gains and losses (on securities held for more than six months), and in offsetting the net short-term gain or loss against the long-term gain or loss, there are several possibilities, the taxable consequences of which are most succinctly expressed by the following table permuted by the Keystone Company.

Taxability of Capital Gains and Losses

Possibilities	*Taxability*
(1) Net long-term gain	50% taxed at your income rate, with a maximum effective rate of 26% (half taxed at 52%).
(2) Net long-term loss	Deductible up to $1,000 each calendar year, with remainder carried forward.
(3) Net short-term gain	100% taxable as income.
(4) Net short-term loss	Deductible up to $1,000 each calendar year, with remainder carried forward.
(5) Net long-term gain *minus* Net short-term loss	*Net gain:* Taxable as in (1) above. *Net loss:* Taxable as in (4) above.
(6) Net short-term gain *minus* Net long-term loss	*Net gain:* 100% taxable as income. *Net loss:* Taxable as in (2) above.
(7) Net long-term loss *plus* Net short-term loss	Deductible up to $1,000 each calendar year, with remainder carried forward.

Put another way, short-term capital gains and losses are given at 100%. Long-term capital gains and losses are taken into account at 100%, no longer being subject to the 50% limitation under previous law. Where net long-term capital gains exceed net short-term capital losses, an investor can deduct 50% of the excess.

Net capital losses can be deducted from regular income up to $1,000 for 1953, with the surplus loss carried forward for a period of five years as a short-term capital loss to offset capital gains, or, if there are none, as a deduction up to the amount of $1,000 per year on regular income.

Securities sold to realize a loss should not be repurchased within 30 days, but an issue sold at a profit may be repurchased immediately.

National Securities & Research has prepared the following examples to illustrate the method of reporting capital gains or losses for the calendar year 1953:

100% long-term gain	$10,000	100% short-term loss	$4,000
100% long-term loss	3,000	100% short-term gain	2,000
Net long-term gain	$ 7,000	Net short-term loss	$2,000

Excess of net long-term gain over net short-term loss $5,000. This amount is subject to Federal income tax to the extent of only 50%, or $2,500, which is included with other income and the tax computed thereon at the applicable rate. If net income is in the surtax bracket in excess of 52%, an investor is permitted to make an alternative computation by calculating the tax on ordinary net income (which should include net short-term gains, if any) then and thereto 26% of the excess of net long-term gains over net short-term losses (26% of $5,000).

Normally, unless the surtax net income (including net short-term gains, if any) is in excess of $14,000 if single, $22,000 if head of a household and $28,000 if a joint return is filed, the alternative computation ordinarily will not result in a smaller tax liability.

In another example, if:

100% long-term gain	$10,000	100% short-term gain	$8,000
100% long-term loss	3,000	100% short-term loss	4,000
Net long-term gain	$ 7,000	Net short-term gain	$4,000

Then net capital gain is $11,000. This amount would be treated for tax purposes as follows:

50% of net long-term gain of $7,000:	$3,500
100% of net short-term gain of $4,000:	4,000
	$7,500

The $7,500 is subject to the regular income tax rates, with the exception that $3,500 net long-term gain cannot be taxed at more than 52%, i. e. 26% of $7,000.

If an investor realizes gains and losses in one year the result will be as follows:

(a) Net long-term gain __$2,000 Net short-term loss __$2,000
The result is zero—No tax liability.

(b) Net long-term gain __$2,000 Net short-term loss __$3,000
Net loss $1,000—Deductible from regular income.

(c) Net long-term loss __$3,000 Net short-term gain __$5,000
Net gain $2,000—Taxable at regular income tax rates.

(d) Net long-term loss __$15,000 Net short-term gain __$5,000
Net loss $10,000—$1,000 applied to reduce ordinary net income $9,000 carry-over loss to be applied against future gains, or applied against regular income to the extent of $1,000 annually for five years.

Special Techniques in Gains and Losses

Aside from the mechanical principles of handling capital gains and losses, as discussed above, there are special techniques available to the investor, upon the advice of his dealer, for taking or postponing capital gains or losses.

Prentice-Hall, a local publisher, in a private paper prepared by its Economic Research Staff, notes that short sales can be used to postpone gains or losses. For example, if an investor wants to take a short- or long-term capital gain at present 1953 prices, but wants to realize the gain for tax purposes in 1954, this can be accomplished by selling short against the stock, and covering by delivering the stock in 1954. Whatever gain is made will be short- or long-term—depending on its status at the date the short sale is made, but for tax purposes the sale will be effective in 1954, as of the date the short sale is covered.

Another technique is the use of options in order to make present capital gains secure without necessarily giving up the stock. If an investor has a long-term capital gain in a stock which he wants to keep, or if he wants to shift an assured present capital gain into 1954 for tax reasons, he can guarantee his present profit by buying a put (an option to sell the stock at a pre-determined price) at approximately the stock's current price, good for two to three months.

If the market rises, the put is not taken and the investor can either sell the stock for a bigger gain than the assured one protected by the put or hold it for further appreciation. If the market declines, the put can be exercised and the present assured capital gain realized in 1954.

A second method is the use of a call option. In this case, the stock is sold and at the same time a 60 or 90 day call is made, this being an option to buy the stock. The cash resulting from the stock sale can be held or reinvested.

With this method, if the stock continues to go up, it can be reacquired at about its present 1953 price, and then held or sold for the incremental capital gain. If the stock goes down, the investor would be safe with the assured capital gain taken now.

In other observations made on transactions for tax-savings, Prentice-Hall comments that, although taxes will be lower next year, with the results being to take losses this year and gains next year, nevertheless, investors should not lose sight of the negligible savings compared with the possible risks.

In the highest brackets, capital gains taxes stand at 26% now compared with 25% next year, a savings of $10 per $1,000 of long-term gain. In lesser brackets, the savings will amount to about 2%, or $20 per 1,000.

However, with business on a down-sloping plateau and the stock market promising additional selectivity in its behavior, it may be in many cases not wise to postpone gains solely to realize the miniscule tax-savings promised. In addition, the postponement of too much gain until next year, may put an investor in a higher bracket.

Further Considerations in Tax Savings

National Securities & Research is once again reminding securities people that tax-free gifts under present law total $30,000 during a lifetime—or $60,000, tax-free, for gifts made jointly to others by husband and wife. In addition to the $30,000, annual tax-free gifts up to $3,000 (or $6,000 on gifts made to others by husband and wife) may be made each year without tax to any one person.

Futhermore, gifts even though taxed may also be a source of tax savings, since tax rates on gifts over and above these basic exemptions and annual exclusions are only three-quarters of the rates applied to a taxable estate of the same size.

An incidental observation made by Prentice-Hall on this business of saving money (or making it) by manufacturing losses is the switch in bonds held at a paper loss in portfolio. The loss on bonds is considered to be about as great now as it will be in the foreseeable future, and this being so, the suggestion has been made that bonds be sold now for the loss and the proceeds switched to similar bonds at about the same discount price. In this way, the capital loss can offset any capital gain and then any ordinary income up to $1,000 this year, with a carry-over for five more years.

The result is that tax savings from taking the loss on today's bonds is done at a time when income and capital gains tax rates are at a peak. On the other side of the coin, the new bonds purchased with the proceeds will, at maturity, offer a capital gain from present discount prices at a time when tax rates should be lower.

One last, and interesting technique that may be utilized while all this buying, selling and switching is going on is, in estate planning, the switch to discount bonds. By buying and switching into discount bonds, the heirs may get a gain exempt from the capital gains tax, because the basis for figuring gain is the estate tax valuation of the bonds and not the original purchase price. The result is that the profit between the time of acquisition and death escapes the gains tax completely.

Take the specific case of the Treasury 2½'s of 1967-72, which are now in the price vicinity of 96. At death, they will pay par if applied to the Federal estate tax. So, by purchasing these bonds the investor guarantees, as much as anything can be guaranteed, a four point income-tax-free gain while, at the same time, providing liquidity for estate taxes.

Group Securities Reports 21% Increase in Sales

An increase of 21% in Group Securities sales for the first nine months of 1953 over 1952 and a 30% increase in the proportion of its sales to the total industry, is reported by Distributors Group.

Meanwhile redemptions were 11% less than in the 1952 period. About 90% of the $7,200,000 sales volume represented new money, the balance being accounted for by shifts within the fund.

Most popular of its funds were The Common Stock Fund and The Fully Administered Fund, both at new highs for shares outstanding.

Meanwhile, a heavy dealer demand for the newly published folder, "Here Is a House . . .," as well as for two companion pieces on The Common Stock Fund of Group Securities, Inc., is reported by Distributors Group, Inc.

"Here Is a House . . ." portrays, in simple graphic form, the values in the quality stocks held for The Common Stock Fund, as compared with other types of property with which the reader is more familiar. One of the two companion pieces is an information sheet giving basic data on the fund; the other a current "Brief Case" further detailing the story of common stock values today.

Canada Still Expanding, Bullock Analysis Reports

Evidence that the Canadian economy continues to expand is featured in the November "Bulletin," Calvin Bullock's dealer publication.

"While some leading Canadian stocks are down from 20% to 40% from their 1951-52 highs," the text states, "comparison of key economic factors in the first eight months of this year with similar figures for 1952 shows industrial production up 9%, manufacturing output up 10%, retail sales up 6%, building construction up 8%, petroleum production up 30% and hydro-electric power up 9%."

In addition, the Bulletin reports Canadian Government tax revenues up despite reduced tax rates. It sees Canada's record as reassuring to those investing in the long-term growth of Canada.

Canada Gains British Capital

The increasing flow of British capital from troubled spots in the East and Africa into Canadian natural resource companies is one of the most important developments of the year, Frank L. Valenta, President of Natural Resources of Canada Fund, Inc. said in a statement issued in connection with the release of the Fund's financial report for the fiscal year ended Sept. 30.

Mr. Valenta called attention to the investment by Anglo-Iranian Oil Company in Triad Oil Company. He added that in selecting Triad for its initial venture in Canada's oil industry, Anglo-Iranian had secured an interest in one of the best managed of the Canadian oil companies. It is a company with substantial reserves in the Redwater Field and with an intelligently directed oil exploration program.

Another outstanding transaction and one which is nearing completion, Mr. Valenta said, involves the sale by a mining company of $2,500,000 of 5% convertible debentures to United Kingdom interests.

Natural Resources of Canada Fund on Dec. 30 last had net assets of $1,366,720 compared with $1,211,303 a year ago. The report disclosed that 2,422 shareholders residing in 23 states owned 541,202 shares of the Fund contrasted with 1,517 shareholders owning 398,228 shares on Sept. 30, 1952. Since Sept. 30, the net assets of the Fund have increased to approximately $1,450,000.

Two Keystone Funds Show Good Gains

Keystone Custodian Funds, Inc., Trustee for the ten Keystone Funds with combined assets of $213,500,000, today issued Annual Reports covering operations for the fiscal year ended Sept. 30, 1953 to the shareholders of Discount Bond Fund "B4" and High-Grade Common Stock Fund "S1." Both Funds reported increases in the number of outstanding shares, in the number of holders, and in total assets.

Keystone Fund "B4" held 60 issues of discount bonds, selected for their generous income return, on Sept. 30, 1953. These were the results for fiscal 1953 compared with 1952:

	Fiscal 1952	Fiscal 1953
Total net assets on Sept. 30	$38,110,343	$40,939,183
Shares outstanding Sept. 30	3,504,511	3,986,715
Number of Holders Sept. 30	17,573	18,700
Capital Gains Distributions per sh.	30c	54c
Dividends from income, per share	60c	60c
Value per share on Sept. 30	$10.87	$10.27

These changes were made in the Primary List for investment by Fund "B4" during the last six months of the 1953 fiscal year:

Additions

Delta Airlines Cv. Deb. (Subord). 5½s, 1973.
40 Wall St. Bldg., Non-Cum. Inc. Deb. 5, 1966.
Gulf, Mobile & Ohio RR Co. Gen. Inc. "A" 5s, 2015.
Missouri-Kansas-Texas RR Co. Adj. "A" 5s, 1967.

Elimination

Brazil Ext'l 3¾s of 1944, ser. 3.

Keystone Fund "S1" held 42 high-grade common stocks representing 17 industries at the end of fiscal 1953. Utility, bank and insurance stocks—issues characterized by relatively stable income, dividends and prices—have accounted for a substantial portion of the Fund's investments over the last two years. These were the changes reported for fiscal 1953:

	Fiscal 1952	Fiscal 1953
Total net assets on Sept. 30	$4,470,215	$4,564,767
Shares Outstanding Sept. 30	132,501	143,402
Number of Holders Sept. 30	1,537	1,637
Capital Gains Distributions per sh.	$1.70	$1.51
Dividends from income, per share	$1.48	$1.41
Value per share, Sept. 30	$33.74	$31.83

These changes were made in the Primary List for investment by the Fund since March 31, 1953:

Additions

Duquesne Light Co.
Ohio Edison Co.
United Shoe Machinery Corp.
Wrigley (Wm.) Jr. Co.

Eliminations

Cleveland Electric Illum. Co.
New England Tel. & Tel. Co.

CANADA GENERAL FUND, a mutual investing in stocks of Canadian enterprises, reports for the three months ended Sept. 30, 1953 total net assets of $17,313,392 compared with $14,632,388 a year ago and an increase in shares outstanding in the past 12 months from 1,664,565 to 2,173,742.

Henry T. Vance, President, stated that income received by the fund from Canadian sources no longer is subject to the Canadian withholding tax since the opening of a Canadian office in August.

Margaret Kennedy Begins New Speaking Plan

Announcement was made that Margaret Kennedy, general partner of Seligman, Lubetkin & Company, beginning Dec. 1, will accept invitations during 30 weeks each year to speak under mutual fund sponsorship before selected dealer-assembled groups on, "The Woman's Dollar in a Changing World." On Dec. 1, wholesaling contracts between Seligman, Lubetkin and the three mutual funds it has wholesaled will be severed.

CORRECTION

In the article "Funds Take Cautious Attitude Toward Market," published in the "Chronicle" of Nov. 5, the reference in the table "Changes in Common Stock Holdings of 46 Investment Management Groups" that Allis Chalmers distributed a 5% dividend in stock was incorrect.

Quarterly Investment Company Statistics

Source: National Association of Investment Companies

INVESTMENT COMPANY COMMON STOCKS

Conservative Leverage

Generally speaking, these issues might be expected to move up to about 1½ times as fast as common stock prices in general.

	Market Price Sept. 30, 1953	Approx. Net Asset Value per Share Sept. 30, 1953	Discount (—) or Premium (+)	Dividends Latest Fiscal Year	Nine Months 1953 Price Range
Carriers & General	[1]12 5/16	$15.16	—18.8%	[2]$0.76	14⅜-12⅛
Colonial Fund	17½	20.38	—14.1	[3]1.03	21⅞-16½
*General American Inv.	21½	22.75	— 5.5	[4]0.60	27⅝-20½
General Public Service	3¾	3.96	— 5.3	[5]0.15	4¼- 3⅝
Overseas Securities	15⅝	10.82	+44.4	[6]0.67	19⅜-15⅝

*Leverage—preferred stock—more than offset by holdings of cash and government securities.
1 Mean between bid and asked prices.
2-6 Plus the following amounts paid from realized capital gains:
2 $0.29 3 $0.72 4 $1.83 5 $0.30 6 $2.42

Medium Leverage

From present levels, these issues might be expected to move from about 1½ times to 2 times as fast as common stock prices in general.

	Market Price Sept. 30, 1953	Approx. Net Asset Value per Share Sept. 30, 1953	Discount (—) or Premium (+)	Dividends Latest Fiscal Year	Nine Months 1953 Price Range
Equity Corporation	1¾	$3.46	—49.4%	$0.15	2⅜- 1¾
U. S. & Foreign	47⅛	73.31	—35.7	[1]1.88	65 -46

1 Plus $1.37 paid from realized capital gains.

High Leverage

From present levels, these issues might be expected to move at least twice as fast as common stock prices in general.

	Market Price Sept. 30, 1953	Approx. Net Asset Value per Share Sept. 30, 1953	Discount (—) or Premium (+)	Dividends Latest Fiscal Year	Nine Months 1953 Price Range
Central-Illinois Securities	3½	$5.10	—31.4%	None	4⅝- 3¼
North American Invest.	[1]11½	9.40	+22.3	[3]$1.79	13½-10
Pacific-American Invest.	[1]5.65	5.25	+ 7.6	[4]0.15	Unlisted
Tri-Continental Corp.	14	[2]23.36	—40.1	1.04	17⅞-13⅜
U. S. & International	5¼	8.63	—39.2	None	8½- 5

1 Mean between bid and asked prices.
2 After deducting $2.42 a share reserve for taxes on unrealized appreciation.
3 Paid from realized capital gains.
4 Plus $0.88 paid from realized capital gains.

Options

This issue is an option on an advancing stock market, but has had wide percentage moves. Price range since 1936 has been included to illustrate the extent of past fluctuations.

	Market Price Sept. 30, 1953	Price Range Nine Months 1953	Price Range 1936-1953
*Tri-Continental warrants	3⅜	5⅛ - 3¼	5⅜ - 1/32

*Each perpetual warrant entitles the holder to purchase 1.27 shares Tri-Continental common at $17.76 a share. The asset value of the common was $23.36 per share on Sept. 30, 1953, but the market price of the common was less than the exercise price of the warrants (see above).

Blyth Group Offer Pacific Lighting Stk.

A nationwide syndicate headed by Blyth & Co., Inc., and including 87 other investment banking houses, on Nov. 17 made public offering of 800,000 shares of common stock (no par value) of Pacific Lighting Corp. at $33 a share.

Net proceeds from the sale of the common stock will be used to repay approximately $13,000,000 in bank loans. The balance will be used by the company to make advances to its subsidiaries to finance, in part, their construction and expansion programs estimated to be approximately $63,500,000 for the 16 months ending Dec. 31, 1954.

Pacific Lighting Corp. is a holding company with three public utility subsidiaries which own and operate the largest gas system in the United States, in terms of customers served. As of Jan. 1, 1953, this system supplied natural gas to a population estimated at over 6,100,000 persons located throughout the major portion of Southern California, principally in and around Los Angeles.

For the 12 months ended Aug. 31, 1953, Pacific Lighting had total operating revenues of $153,780,000 and net income of $11,678,000, equal to $2.54 per common share.

The company has paid dividends on its common stock every year since 1908. Since 1938, the dividend rate has been $1.50 per share per annum (after giving effect to the 2-for-1 stock split in October 1953), and on Sept. 3, 1953, directors declared a quarterly dividend of 50 cents per share on the common stock, payable Nov. 16, 1953, to stockholders on Oct. 23, 1953, representing an increase of 33⅓%.

Kenwell Oils & Mines Common Stock Offered

Offering of 500,000 common shares of Kenwell Oils & Mines Ltd,. was made on Nov. 18, by John R. Boland & Co. Inc., New York; Republic Investment Co., Inc. and Paul C. Kimball & Co., Chicago; Barham & Co., Philadelphia; and Frame McFayden & Co. of Toronto, Ontario, Canada. The shares which are listed on the American Stock Exchange and the Toronto Stock Exchange are being offered at the daily prevailing market price existing on the American Stock Exchange.

Net proceeds to be received from the sale of these shares are estimated at approximately $602,500 after expenses which the company intends to use to pay for its proportionate share of drilling 27 additional well sites on its Levelland Texas interests, and for the exploration and development of its other properties.

According to the prospectus, the company owns interests aggregating 1,299 net acres of 3,190 gross acres of proven oil properties in Kansas, Texas, and the Province of Alberta. The prospectus indicates that the net reserves applicable to the company's interests in 22 producing oil wells in these areas, are estimated at 1,300,775 barrels.

The company also holds approximately 338,768 net acres in approximately 1,381,154 gross acres of wildcat acreage in the Provinces of Alberta, Saskatchewan, British Columbia, Manitoba, Ontario, and the Northwest Territories of Canada.

Continued from first page

As We See It

from the course set out by its prophets under the Employment Act of 1946, which is designed to maintain full employment at all times in the future. Such an attitude may to the ordinary observer appear not altogether consistent with the position of Mr. Keyserling, but such minor matters as this do not usually trouble the "practical politician." The point is, according to these observers, that the New Deal and the Fair Deal have made it plain to the world how unemployment and the other difficulties of a depression may be avoided, and succeeding administrations will not dare disregard these discoveries, or if they do they will not long remain in office.

New Deal Prescriptions

The fact remains, however, that the "opposition" in Congress and in American politics generally is also earnestly engaged in doing what it can to make sure that the precepts of the New Deal and the Fair Deal are faithfully followed. If they are not followed then the utmost political capital is to be made of this "deviation," particularly if—as, of course, they take for granted—failure to follow in the footsteps of Roosevelt and Truman precipitates a depression and widespread unemployment. And, if the facts are to be candidly recorded, there are a good many Republicans who seem to fear the possibility of a spread of unemployment as they fear the plague — and, in some instances at least, seem to accept the idea that such a catastrophe may best be warded off by methods which bear a close resemblance to those advocated by all the New Deal and Fair Deal followers.

Meanwhile, we are hearing from a good many who begin to hark back to the old, old idea that we may very easily, if we are not careful, "talk ourselves into a depression." The idea now, as in former times, is that by calamity howling we may cause consumers to refrain from buying what they want and what they otherwise would purchase. Somewhat the same effect may be expected, so it is said, upon many businessmen whose judgment would be influenced materially by what is being said on the street corners—reinforced, of course, by the suspicion that in the circumstances customers might be hard to find.

Students of depressions and recoveries as they have come and gone through the years must be excused if they are not particularly impressed by this line of reasoning. One can scarcely doubt that some such factor may at times be one of the causes of a sharp change for the worse in business, but that it of itself is likely to produce such an effect is a little difficult to believe. At the same time, it must be admitted that this notion places no greater strain upon credulity than the Keynesian or post-Keynesian notion that consumers spend their money about as freely one time as another, the proportion of outlays to total income remaining constant or nearly constant.

It was basically this notion that led to the idea that the way to keep the wheels of business turning steadily is simply to place money, or "purchasing power," in the hands of the people by whatever means are at hand. According to many who reason in this way, it makes little difference how the funds are obtained, or at what cost, since the consumer would at once spend them and the resulting rate of business activity would sanctify or somehow eliminate the ill-effects of whatever is done to come by the funds. It turned out to be a potent political philosophy which, of course, underlay the Hopkins "tax and tax, spend and spend, and elect and elect" dictum.

Still Obscure

Now the fact is that the best brains of this or any other country have not been able convincingly to trace out the cause of business depressions or say precisely what brings them to an end. But their researches have made it clear beyond peradventure of a doubt that the causes of both the depression and its disappearance are complex. They are multivarious, and the particular combination of circumstances which is present in one instance may well be absent in the next. If such is the case, it follows naturally and inevitably that no one has any valid formula for preventing or curing such depressions.

One thing that may be said with confidence is that depressions are bred in follies or excesses of one sort or another which precede, possibly long precede, the onset of adverse business conditions. The time to prevent general depressions is when most people are thinking the least about such things. It is at such times that businessmen tend to proceed with ventures which have no very solid basis, and in general tend to manage their affairs with less than their normal prudence. It is then that wage earners feel that their jobs are safe forever and tend to let down in the performance of their duties and take various steps which add to the cost of producing the goods or the services their employers must sell to the public. It is then that investors most readily provide funds for doubtful ventures. Better foresight and greater prudence at this stage would probably do more to eliminate depressions than anything else. But how to effect any such consummation! That is the question.

Meanwhile, let us keep calm, proceed with our affairs with as much wisdom and vigor as we can muster —and avoid panaceas as if they were the plague.

Continued from page 5

The Internatinnal Gold And Dollar Movement

former have exceeded these levels.[3] As a matter of fact, dollar holdings of other countries increased by $968 million from July, 1952 to June, 1953, although they purchased, together with the Bank for International Settlements, gold from the United States during these 12 months to the extent of $996 million. By freely buying and selling gold from and to foreign monetary authorities at a fixed price for all legitimate monetary purposes, the United States maintains the international gold bullion standard.

Largely as a result of these movements, the monetary gold stock of the United States rose by $4.7 billion from $20.1 billion in 1945 to an all-time high of $24.8 billion in August, 1949; it subsequently declined to $22.3 billion in August, 1953. On the other hand, foreign countries as a whole (excluding the USSR) experienced a decline in gold reserves of $4.6 billion from January, 1946 to September, 1949 (of which $749 million was accounted for by their gold contributions to the International Monetary Fund); from October, 1949 to June, 1953 they added $2.8 billion to their gold reserves. In June, 1953 the United States held 62% of world gold reserves (excluding those of the USSR, but including those held by international institutions), as against some 60% in 1945 and 70% in September, 1949.

The gold position of other countries as a whole was also affected by accruals from new production that was not absorbed by consumption in the arts and industry or by private hoards. From the beginning of 1946 to September, 1949, during which the monetary gold reserves of these countries showed a decline of $4.6 billion, newly-mined gold that did not go into industrial uses or private hoards, or which was otherwise unaccounted for, found its way to the United States; but since October, 1949, a portion has accrued to, and has in effect been retained by, the monetary authorities of the nondollar countries. The aggregate monetary gold reserves of these countries increased between October, 1949 and June, 1953 by $2.8 billion, of which about $2.1 billion can be accounted for by purchases from the United States. The difference of some $0.7 billion originated in current production. Since gold output outside the United States (and the USSR) totaled some $2.9 billion from October, 1949 to June, 1953, some $2.2 billion, or as much as three-fourths, appears to have been consumed by industry and the arts or to have disappeared into private hoards, or is otherwise unaccounted for. However, during the 12 months ended June, 1953, such disappearance was some 15% smaller than during the previous 12 months, although it was substantially larger than during the period October, 1949-June, 1950 (i.e. from the currency readjustments to the Korean outbreak), when gold disappearance was only about one-tenth of current output. The decline in the disappearance during the year ended June, 1953 coincided with a further softening in the so-called free market price of gold, which reportedly stood at the beginning of September, 1953 at $36.25 per fine ounce or only 4% above the official gold price of $35.

The aggregate gold and dollar position of countries other than the United States was also influenced by transfers of gold and dollars to and from international institutions, principally the International Monetary Fund, the International Bank for Reconstruction and Development, and the Bank for International Settlements, including the European Payments Union. No comprehensive review of such transfers can be made here. As to the International Monetary Fund, reference has already been made to the gold subscriptions of member countries to that organization; mention should also be made of the fact that total transactions of the International Monetary Fund from 1947 to mid-1953 amounted to nearly one billion dollars, of which more than one-fourth has been repaid. The International Bank for Reconstruction and Development during the same period disbursed $0.9 billion; the bulk of these dollars was derived from borrowings in the United States. The EPU received a direct United States contribution in the form of a capital fund of $362 million, and in addition the United States supplied the so-called "special resources" grants to certain EPU debtors to cover their EPU deficits; however, even though the settlements by the EPU of its members' intra-European payments greatly affected the gold and dollar positions of individual countries, they had no marked bearing on the level of gold and dollar holdings of foreign countries as a whole.[4]

The recent rise in the combined gold and dollar holdings of other countries, like the previous decline, was very unevenly distributed, as is apparent from Chart II. Of the five broad groups of countries and areas, Canada is the only one to show significantly higher gold and United States dollar holdings in June 1953 ($2.2 billion) than in December 1945 ($1.7 billion). The holdings by the Western European countries other than the United Kingdom that are participating in the Organization for European Economic Cooperation stood in June 1953 at $8.3 billion, as against $7.8 billion in 1945. The holdings of nonsterling Asiatic countries were about the same in mid-1953 as in 1945 ($2.4 billion). Finally, Latin American holdings were only slightly lower in June 1953 (at $3.7 billion) than in 1945 ($3.8 billion); and those of the sterling area still amounted in mid-1953 to only $3.9 billion, as against $4.1 billion in 1945. The gold and official dollar holdings of the United Kingdom alone[5] stood in August 1953 at $2,469 million, as against $2,476 million in December, 1945.

Since the middle of 1952, however, most major countries and areas have shared in the recovery of monetary reserves, even though the speed and the extent of the improvement varies from country to country. The Continental Western European countries added $1.5 billion to their gold and dollar holdings from April 1952 to June 1953; these countries as a whole indeed had been building up their gold and dollar reserves since mid-1948. Of the $8.3 billion held by them in June 1953, $2.1 billion was held by Switzerland. The recent rise in gold and dollar holdings by the group has been especially marked in Germany ($503 million from April 1952 through June 1953), the Netherlands and its dependencies ($409 million), and Belgium, including the Belgian Congo (some $149 million). The current rise in the gold and dollar holdings of the sterling area began only toward the end of 1952, but such holdings by June 1953 were $0.7 billion higher than in September 1952. Latin American holdings increased during this period by $0.3 billion; and those of nonsterling Asiatic countries as a whole remained unchanged. Canada's gold and United States dollar holdings declined somewhat during the year ended June 1953, but the strength of its interna-

3 Most of the gold was actually earmarked for foreign and international account at the Federal Reserve Bank of New York. Such earmarked gold amounted to 6,050 million dollars in June 1953, as against 4,851 million in June 1952.

4 The new arrangement whereby the International Monetary Fund acts as an intermediary for member countries who wish to buy or sell gold resulted in 1952 in a considerably greater volume of gold transfers among nondollar countries than in earlier years. The settlements in gold by the EPU likewise brought about a considerable volume of gold transfers. For these reasons a somewhat smaller proportion of gold transactions in 1952 involved the United States as buyer or seller than in earlier years.

5 I.e., sterling-area central reserves of gold and United States and Canadian dollars, as made public by the British Chancellor of the Exchequer.

United States Net Gold Purchases from Other Countries

(In millions of dollars; minus signs indicate net sales by the United States; data include transactions with the Bank for International Settlements)

Period	Total	Un. Kingdom and Overseas Sterling Area	*Continental Europe	†Latin America	†Asia and Oceania	‡Other Countries
1945	—453	---	168	—473	—188	41
1946	721	94	82	171	14	361
1947	2,864	663	1,069	808	1	323
1948	1,510	1,233	193	82	— 4	7
1949	193	642	—250	—148	— 52	2
1950	—1,725	—1,007	—364	—172	— 35	—147
1951	75	522	—177	—126	— 50	— 94
1952	394	452	—116	58	— 5	5
1951 1st half	—932	—467	—217	—164	— 21	— 63
2nd half	1,007	989	40	38	— 29	— 31
1952 1st half	633	532	33	98	— 6	7
2nd half	—269	— 80	—148	— 40	— 1	---
1953 1st half	—727	—360	—240	—122	— 5	---

*Almost entirely Western European countries. †Excluding sterling area countries ‡Including Canada.

Note—For more detailed and more recent data, see the *Federal Reserve Bulletin.*

tional economic position was reflected in the latter part of last year in the rise of the Canadian dollar rate, whose monthly average reached a high of U. S. $1.0424 in September 1952; the rate stood at U. S. $1.0166 in mid-September, 1953.

By and large, the international gold and dollar movement was dominated up to the end of 1947 by sales of gold to the United States by the Continental Western European countries, Canada, Latin America, and the nonsterling Asiatic countries; during this period the decline in the sterling area's gold and dollar reserves was only moderate, primarily of course because of the utilization of the American and Canadian loans. From 1948 on, however, the international flow of gold and dollars was marked, on the one hand, by a steady, if uneven, recovery of monetary reserves on the part of Continental Western Europe, Canada, Latin America, and Asia; on the other hand, by four successive waves out of and into sterling area reserves. Chart II shows that the sterling area lost reserves from March, 1948 to September, 1949; more than recovered these losses from October, 1949 to June, 1951; suffered a sharp setback from July, 1951 to March, 1952; and began slowly rebuilding its reserves in the latter part of 1952. It is because of the ups and downs in the sterling area reserves that the international flow of gold and dollars in recent years appears on the whole as a two-year cycle dominated by the flow of gold back and forth between the United States and the United Kingdom.

III
Factors in the Recovery of Gold and Dollar Reserves

The preceding survey of the postwar trends in the aggregate gold and dollar holdings of foreign countries raises the very intriguing question as to whether the factors that have contributed to the gradual improvement in monetary reserves since 1948, after their depletion during the earlier postwar years, are temporary or permanent. What can be stated with reasonable certainty is that the recovery in monetary reserves rests on the sound foundation of a record agricultural and industrial production and an abatement of inflationary pressures in large parts of the world, as well as on the gradual restoration of a stronger competitive position in many industrial countries in Western Europe. Nevertheless, temporary factors, such as the continuing disbursement of United States economic aid, United States defense outlays in foreign countries, and the maintenance of trade and exchange controls against dollar goods, have undoubtedly also contributed.

These factors, whether permanent or temporary, can best be traced in the United States balance of payments, which reflects the position of the rest of the world as a whole. As may be seen from the upper section of Chart III, the United States export surplus on current account—covering goods, services, and emigrant and charitable remittances — disappeared in the first half of this year. It is true that the surplus had also virtually disappeared during the second half of 1950 when, principally as a result of a sudden increase in commodity purchases after the Korean outbreak, United States imports were about as large as exports, but that balance did not last long, as the export surplus reappeared in 1951. This time, however, the restored balance seems to rest on a more solid basis than in 1950, for the following reasons:

The reduction in the United States export surplus occurred in two stages—first, from $10.7 billion in 1947 to an annual rate of $2.9 billion during the nine months October, 1949-June, 1950; and secondly, after the post-Korea relapse, from a surplus of $4.2 billion during April, 1951-March, 1952 to a bare $64 million during July, 1952-June, 1953. This decline in the United States export surplus was mainly a result of a decrease in "commercial" exports (i.e. exports other than those supplied under military aid) and a rise in imports. "Commercial" exports of goods and services fell from $19.7 billion in 1947 to an annual rate of $13.5 billion in October, 1949-June, 1950; and again from $19.6 billion during April, 1951-March, 1952 to $16.9 billion during July, 1952-June, 1953. On the other hand, United States imports of goods and services increased from $9.0 billion in 1947 to an annual rate of $10.7 billion in October, 1949-June, 1950 (and to $15.5 billion in 1951) and they increased further (to $16.8 billion) during July, 1952-June, 1953. United States imports have thus grown fairly continuously in value (with a slight recession in 1949) not only because of higher prices but also owing to increased volume.[6]

While the marked decline in the United States export surplus was the most significant factor in the reduction of the dollar deficit, the ability of non-dollar countries to increase their aggregate gold and dollar holdings reflected also the receipt of United States Government loans and grants and the continuing flow of private capital from the United States. The contribution that these two sources of dollars made during the postwar years to the improvement of gold and dollar holdings of the rest of the world is shown in the middle section of Chart III. Loans and grants (excluding military aid) declined from $5.6 billion in 1947[7] to an annual rate of $4.1 billion during October, 1949-June, 1950 and $2.9 billion during April, 1951-March, 1952; however, in July, 1952-June, 1953 they still amounted to $2.0 billion. Private long-term investment ranged between $0.7 and $1.2 billion annually from the beginning of 1947 through mid-1953.

The net transfers of gold and dollars resulting from the United States export surplus, United

Continued on page 38

6 For a survey of recent United States balance-of-payments developments, see "The Balance of Payments of the United States in 1952/53," *Federal Reserve Bulletin*, October 1953.

7 Excluding 3.1 billion dollars representing United States contributions to the International Monetary Fund and the International Bank for Reconstruction and Development.

CHART I

Gold and Dollar Holdings of Countries Other Than the United States

(Excluding international institutions and, as regards gold, the USSR)

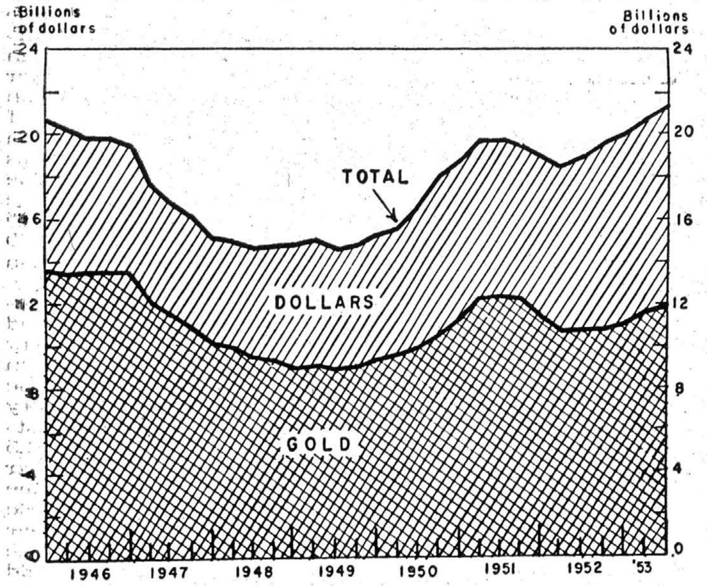
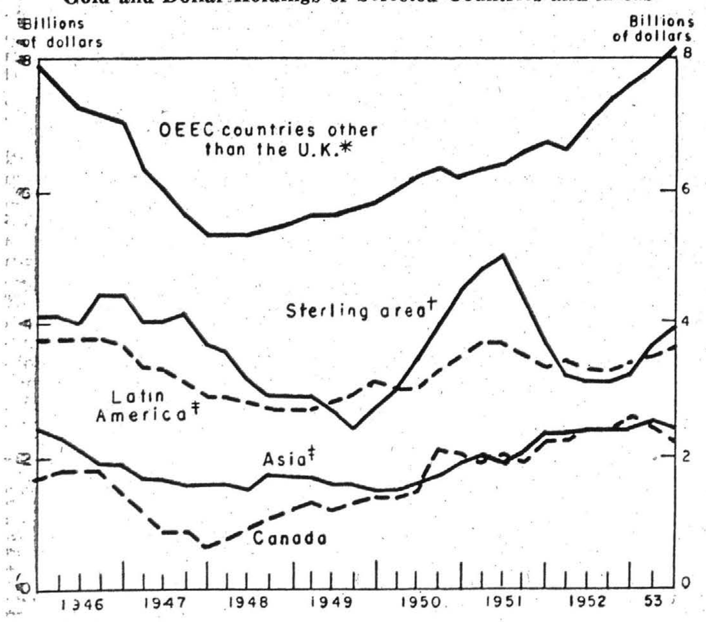


CHART II

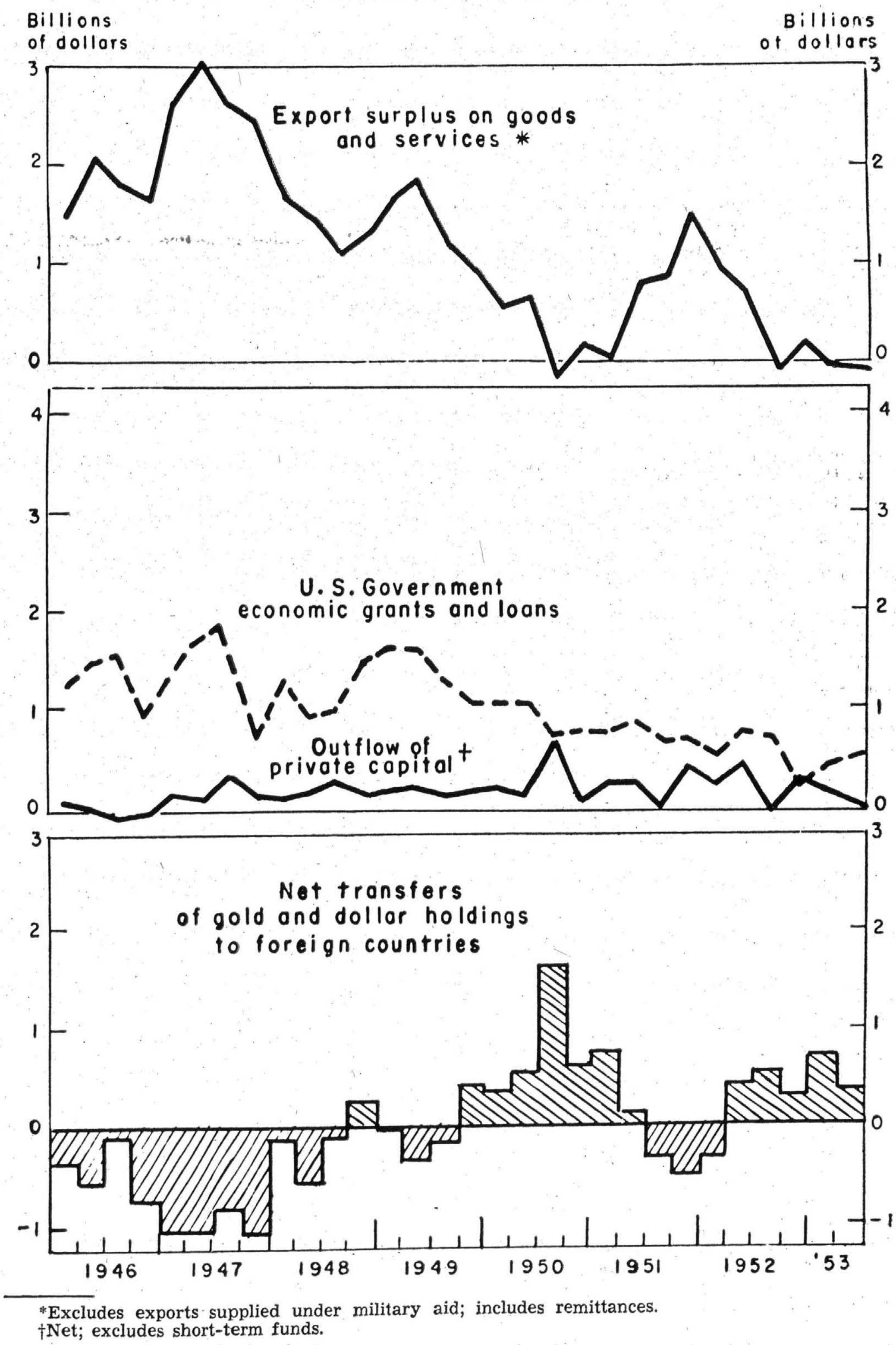
Gold and Dollar Holdings of Selected Countries and Areas



*Including Switzerland, which accounts for about $2 billion of the amount shown in the chart.
†Including the United Kingdom, but excluding Eire and Iceland.
‡Excluding sterling, French-franc, and Dutch-guilder areas.

CHART III

United States Balance of Payments



*Excludes exports supplied under military aid; includes remittances.
†Net; excludes short-term funds.

Continued from page 37

The International Gold And Dollar Movement

States Government grants and loans, and the outflow of United States private long-term capital, are shown in the lower section of Chart III. Two waves of gold and dollar accumulation abroad are apparent: from October, 1949 through June, 1951 non-dollar countries accumulated $4.6 billion, of which $1.4 billion was during the "post-devaluation" phase (October, 1949-June, 1950) and $3.2 billion during the "post-Korea" boom phase (July, 1950 - June, 1951); from April, 1952 through June, 1953 they accumulated $2.4 billion. Consequently, the rest of the world as a whole was able, through transactions with the United States, to add $7.0 billion to its gold and dollar holdings, thus making good a major portion of the $8.0 billion loss of such reserves from the end of the war to September, 1949 and from July, 1951 to March, 1952. The postwar dollar gap, therefore, involved merely a drain of $1.0 billion on aggregate gold and dollar resources of other countries as a whole.

The decline in exports from the United States after 1947 was the outcome, to a substantial extent, of a reduction in the demand for American export products, which in turn reflected basically the diminishing dependence of the rest of the world on United States supplies, the recovery of production, and the rise of productivity in large parts of the world. The chief reason why international payments difficulties appeared essentially as a dollar problem was that Western Europe and its overseas currency areas were unable to secure from non-dollar countries sufficient foodstuffs, raw materials, and industrial goods to match its increased needs. In particular, Western Europe was receiving far less than before the war from Eastern Europe and the non-dollar countries of Latin America. To the extent that this reduction in supplies was made good elsewhere, it was done through increased imports from the United States and Canada (along with continuing purchases of such traditional United States exports as tobacco and cotton). These (and other shifts) in the flow of trade accounted for much of the so-called dollar shortage.

As agricultural and industrial output expanded to all-time record levels, however, export capacity gradually recovered and it became possible to replace the abnormal postwar imports by domestic production. The large increase over prewar in the industrial production and exports of Western Europe was a particularly notable achievement. In mid-1953 a substantial portion of the remaining dollar gap appeared to be attributable to the disruption in the East-West trade and to increased defense expenditures.

However, it soon appeared that the needed diversion of a growing portion of the rising output from domestic consumption and investment to dollar-earning exports would not be possible, nor could imports be discouraged effectively, so long as inflation, open or latent, persisted in the domestic economies. Nor under these circumstances could the exports of certain European countries, which had favored the easy and sheltered markets of their respective currency areas, be diverted toward the dollar area and other countries. More particularly, in most of the countries and areas that lost gold and dollars during the period from mid-1951 to mid-1952, the increased dollar gap had been merely one part of an enlarged balance of payments deficit with all major countries and areas. In this situation, general domestic retrenchment was clearly indicated, and those countries that were really determined to maintain tight controls over their budgets, over bank credits to business and individuals, and over wages, were also able to improve their over-all external balance and strengthen their gold and foreign exchange reserves—including their dollar holdings.

It had become apparent by early 1949 that the postwar rise in output could not be relied upon to alleviate, by itself, the balance of payments disequilibria so long as exchange rates remained "overvalued" in terms of the dollar. After this situation had been ended by the widespread devaluation of most non-dollar currencies in the fall of 1949, not only did the competitive position of exports from the devaluing countries to dollar and other markets improve, but because of the rise in local-currency prices of goods from the dollar area, imports from the United States were effectively discouraged. Certain serious distortions that have developed in more recent years in international price and cost relationship still remained to be corrected in mid-1953; but in contrast to 1949, these were confined to a few countries.

The recent improvement in the international payments position seems therefore to have been of a sturdier character than the earlier recovery from October, 1949 to June, 1951. In the first place, the recent rise in gold and dollar holdings has not, as in certain countries after the outbreak of hostilities in Korea, been at the cost of a general depletion in raw material stocks. Secondly, the recent improvement, in contrast to that of 1950 and early 1951, has been accomplished without a rise in prices of primary commodities originating in the sterling area; such prices are now at about the level of mid-1950. In addition, the economies of Western Europe, Canada, and the United States have been operating at (or close to) all-time record levels, despite the subsidence of the inflation-nurtured boom in much of Europe and in the primary-producing countries, as well as in North America. Furthermore, the ability of the Western European and Canadian economies to cope with the problem of transferring resources to dollar-earning or dollar-saving tasks has been enhanced by their increased reliance both upon controls over the availability and the cost of credit and upon the price mechanism; the structure of prices, particularly in Western Europe, is also more competitive today than five years ago. Finally, the stretching out of rearmament programs has reduced the pressure on certain raw materials and on engineering industry capacity, and thus should make it somewhat easier for Western European countries to export metal manufactures to foreign markets.

Nevertheless, there are still several reasons for caution in interpreting the recent improvement in the world payments position. First, by mid-1953 the non-dollar world was still receiving grants from the United States in excess of its actual dollar deficit; and this aid is being greatly reduced. In addition, the United States Government is purchasing a large amount of goods and services abroad, including stockpiling, military offshore purchases of commodities that are then dominated by the United States as part of the military aid, construction outlays on airfields and other military installations for use of the NATO forces, and the maintenance of United States forces overseas; these expenditures are relatively temporary in character.

Furthermore, the movement toward a more balanced position has been aided considerably by developments in the United States, where at certain periods during 1952 a continuing high level of demand contrasted with declining demand in Western Europe; the greater expansion of industrial activity in America than in Europe raised the demand for imports in the United States and at the same time tended to reduce the import demand in Europe. Also, to the extent that the drain on gold and dollar holdings or even an increase in reserves resulted partly from more stringent exchange and import restrictions, it cannot be regarded as a sign that a truly stable and satisfactory dollar balance has been established; it is only when proper monetary and fiscal policies relieve the pressure of aggregate demand that a self-sustaining external balance can be established. In addition, the improvement in the dollar positions of many non-dollar countries has tended to lag behind the improvement in their over-all balances of payments; and the improvement in the gold and dollar holdings of some countries has to a certain extent been merely the counterpart of a deterioration elsewhere. Even though the over-all payments problem appears to be easing, certain countries still have considerable dollar deficits in their balance of payments; however, these appear mainly attributable to special circumstances.

Finally, the remaining payments difficulties also reflect, to a varying extent according to countries and areas, various maladjustments of a structural nature. For instance, the American economy appears to exert a dominating influence on the outer world because of its larger resources, its greater productivity, and the speed with which it exploits technical innovations; and some of the dollar problems of the outer world are undoubtedly attributable to these factors. There are also deep-seated maladjustments in the patterns of trade among the principal trading areas. Furthermore, countries like France, the Netherlands, and the United Kingdom have also been greatly affected by the loss of much of their overseas investments at the same time that they have been incurring large dollar indebtedness.

Yet, even though internal economic balance still must be consolidated and there still remains a need for structural adjustments in production and trade, many countries appear to be making greater strides toward stabilizing their economies, domestically and externally, than at any time since the war. More particularly, the sterling area, which accounts for more than one-fourth of total world trade, seems to be on its way to a more nearly sustainable pattern in its international accounts.

IV
Conclusion

Far from demonstrating the prevalence of an intractable "disequilibrium," the postwar dollar "shortage" for the most part has therefore been a sign of the rapid recovery of Western Europe and its overseas currency areas, and of the free gifts made by the United States and Canada to speed up postwar rehabilitation and reconstruction. A rapid economic expansion and an acceleration of investment throughout the free world during the earlier postwar years was one of the major purposes of United States foreign policy. Now that the recipients of American aid have succeeded in employing their own resources fully and in restoring fiscal and monetary order, the dollar "shortage" is largely disappearing. Even though it is not possible to isolate the fundamental factors working toward a dollar equilibrium from the temporary and extraneous ones, these favorable circumstances must not be allowed to obscure the remarkable improvement in the basic international economic situation that has been achieved thus far.

Today, the main cause for skepticism is the fact that the closing of the dollar gap is taking place in an environment in which the ability of non-dollar countries, especially most Western European nations, has not yet been tested by currency convertibility and a reduction in trade discrimination. Nevertheless, recent developments have given rise to new hope that many of these countries, even while continuing to meet heavy defense requirements, will succeed in the triple task of stabilizing their currencies, reestablishing efficient, flexible and self-supporting economies that alone can insure balanced growth, and rebuilding their monetary reserves. These developments have also strengthened the conviction that, if the recent improvement in the international payments position is to be sustained, effective policies will have to be devised in the United States as well as abroad, to promote a much more integrated pattern of world trade.

V. M. Ruch & Co. Formed

BUFFALO, N. Y.—V. M. Ruch & Co., Inc. has been formed with offices at Ellicott Square to act as brokers and dealers in industrial, railroad, and public utility stocks and bonds. Officers are Mrs. Virginia M. Ruch, President and Treasurer, and Paul E. Ruch, Secretary and Assistant Treasurer. Mrs. Ruch was formerly an officer of Edward Cornelius & Co., Inc.

Oakes Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—George G. Schorr has been added to the staff of Oakes & Co., Ingraham Building. He was previously with Barham & Co.

Now David Blau & Co.

The firm name of Salkin Blau and Company, Inc., 1457 Broadway, New York City, has been changed to David Blau & Company, Incorporated.

Now Cons. Inv. Services

NORFOLK, Va. — Nicholas P. Kostopulos is now conducting his investment business under the firm name of Consolidated Investment Services, from offices at 201 Plume Street.

F I F Management Corp.

DENVER, Colo. — The firm name of Investment Service Corporation, 444 Sherman Street, has been changed to F I F Management Corporation.

IN MEMORIAM
Floyd W. Mundy

Floyd W. Mundy, senior partner of the New York Stock Exchange firm of James H. Oliphant & Co., passed away Nov. 16 at Doctors Hospital, this city, after an illness of several months. Mr. Mundy came to New York from his native city of Chicago in 1903 to join the Oliphant firm, of which he became the managing partner in 1907, following the demise of James H. Oliphant.

Mr. Mundy was a graduate of Cornell University in 1898 and a member of several New York clubs, a former Treasurer of Sigma Phi and a Trustee of Madison Avenue Presbyterian Church.

Exchange Firms Ass'n Elect New Officers

Horace W. Frost, a resident Boston partner of Tucker, Anthony & Co., was elected President of the Association of Stock Exchange Firms for the 1953-54 fiscal year by the Board of Governors at its annual meeting here this afternoon. He succeeds Roscoe C. Ingalls, Ingalls & Snyder, New York, who has served in that capacity since Nov. 1952. Mr. Frost entered the securities business with his present firm in 1915, becoming a partner in 1935.

Horace W. Frost

Eugene M. Geddes, Clark, Dodge & Co., New York, and John J. Sullivan, Bosworth, Sullivan & Co., Denver, were elected Vice-Presidents, and James J. Lee, W. E. Hutton & Co., New York, Treasurer.

New Governors elected for varying terms to the Board of 35 at the annual meeting are:

Henry M. Cook, Newhard, Cook & Co., St. Louis; Van R. Halsey, Carlisle & Jacquelin, New York; John H. Kitchen, George D. B. Bonbright & Co., Rochester; Robert J. Lewis, Estabrook & Co., New York; Charles McKenna Lynch, Jr., Moore, Leonard & Lynch, Pittsburgh; Herbert O. Peet, H. O. Peet & Company, Kansas City; James H. Scott, Scott & Stringfellow, Richmond; Wickliffe Shreve, Hayden, Stone & Co., New York; Edward F. Thompson, Jr., Lamson Bros. & Co., Chicago; George H. Walker, Jr., G. H. Walker & Co., New York; and Lloyd C. Young, Lester, Ryons & Co., Los Angeles.

Governors re-elected were: Roger Cortesi, Auchincloss, Parker & Redpath, New York; Walter Maynard, Shearson, Hammill & Co., New York; and Sewell S. Watts, Jr., Baker, Watts & Co., Baltimore.

Elected as the Nominating Committee for 1954 were: Harold L. Bache, Bache & Co., New York; Maynard C. Ivison, Abbott, Proctor & Paine, New York; Walter W. Stokes, Jr., Stokes, Hoyt & Co., New York; Max J. Stringer, Watling, Lerchen & Co., Detroit; and C. Newbold Taylor, W. H. Newbold's Son & Co., Philadelphia.

Following the annual meeting of the Board, Mr. Ingalls and the retiring Governors were honored at a dinner attended by many past Presidents and Governors which had added significance in that it marked the 40th Anniversary of the Association. The retiring Governors are:

Henry I. Cobb, Jr., De Coppet & Doremus, New York; Ralph W. Davis, Ralph W. Davis & Co., Chicago; Russell E. Gardner, Jr., Reinholdt & Gardner, St. Louis; Edward H. Hilliard, J. J. B. Hilliard & Son, Louisville; Maynard C. Ivison, Abbott, Proctor & Paine, New York; F. Warren Pershing, Pershing & Co., New York; Frank C. Trubee, Jr., Trubee, Collins & Co., New York; Hans A. Widenmann, Carl M. Loeb, Rhoades & Co., New York; and Phelps Witter, Dean Witter & Co., Los Angeles.

Allen Inv. Co. Formed

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo.—Allen Investment Company has been formed with offices at 1921 Fourteenth Street to engage in the securities business. Officers are Allen J. Lefferdink, President; Leslie L. Sayre, William Hopkins, J. O. Robinson and James S. Rice, Vice-Presidents; and H. B. Holmes, Secretary and Treasurer.

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)	Nov. 22	§91.3	*92.3	95.0	106.5
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 22	§2,057,000	*2,081,000	2,142,000	2,212,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 7	6,130,000	6,027,600	6,313,450	6,612,300
Crude runs to stills—daily average (bbls.)	Nov. 7	¶6,962,000	6,867,000	6,941,000	6,860,000
Gasoline output (bbls.)	Nov. 7	23,552,000	23,713,000	24,030,000	23,465,000
Kerosene output (bbls.)	Nov. 7	2,314,000	2,721,000	2,582,000	2,713,000
Distillate fuel oil output (bbls.)	Nov. 7	10,071,000	10,173,000	10,142,000	10,376,000
Residual fuel oil output (bbls.)	Nov. 7	8,252,000	7,991,000	8,460,000	8,478,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 7	143,732,000	143,368,000	142,517,000	121,374,000
Kerosene (bbls.) at	Nov. 7	37,578,000	37,963,000	37,756,000	33,383,000
Distillate fuel oil (bbls.) at	Nov. 7	135,873,000	134,631,000	129,226,000	120,146,000
Residual fuel oil (bbls.) at	Nov. 7	51,336,000	51,558,000	53,341,000	53,602,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 7	747,868	780,863	804,070	829,295
Revenue freight received from connections (no. of cars)	Nov. 7	638,016	654,731	662,801	716,617
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 12	$251,725,000	$152,790,000	$268,942,000	$411,529,000
Private construction	Nov. 12	121,145,000	88,529,000	101,896,000	249,420,000
Public construction	Nov. 12	130,580,000	64,261,000	167,046,000	162,109,000
State and municipal	Nov. 12	107,001,000	56,008,000	127,670,000	90,479,000
Federal	Nov. 12	23,579,000	8,253,000	39,376,000	71,630,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 7	8,820,000	9,120,000	9,275,000	9,953,000
Pennsylvania anthracite (tons)	Nov. 7	536,000	604,000	699,000	943,000
Beehive coke (tons)	Nov. 7	76,400	*83,100	84,700	82,300
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 7	122	113	120	118
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 14	8,457,342	8,397,523	8,264,800	7,683,878
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 12	155	207	169	148
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 10	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Nov. 10	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Nov. 10	$35.33	$35.33	$32.33	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 10	29.675c	29.675c	29.675c	24.200c
Export refinery at	Nov. 10	29.025c	28.875c	28.225c	34.850c
Straits tin (New York) at	Nov. 10	81.750c	81.500c	80.500c	121.250c
Lead (New York) at	Nov. 10	13.500c	13.500c	13.500c	14.125c
Lead (St. Louis) at	Nov. 10	13.300c	13.300c	13.300c	13.925c
Zinc (East St. Louis) at	Nov. 10	10.000c	10.000c	10.000c	12.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 17	95.31	95.14	95.23	97.03
Average corporate	Nov. 17	106.04	106.39	105.17	109.24
Aaa	Nov. 17	110.70	111.44	110.34	113.31
Aa	Nov. 17	108.16	108.52	107.09	111.81
A	Nov. 17	105.86	106.04	104.66	108.88
Baa	Nov. 17	100.00	100.00	98.88	103.64
Railroad Group	Nov. 17	103.97	104.31	103.30	106.39
Public Utilities Group	Nov. 17	106.21	106.39	105.00	109.60
Industrials Group	Nov. 17	107.98	108.52	106.92	112.19
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 17	2.85	2.84	2.83	2.71
Average corporate	Nov. 17	3.39	3.37	3.44	3.21
Aaa	Nov. 17	3.13	3.09	3.15	2.99
Aa	Nov. 17	3.27	3.25	3.33	3.07
A	Nov. 17	3.40	3.39	3.47	3.23
Baa	Nov. 17	3.75	3.75	3.82	3.53
Railroad Group	Nov. 17	3.51	3.49	3.55	3.37
Public Utilities Group	Nov. 17	3.38	3.37	3.45	3.19
Industrials Group	Nov. 17	3.28	3.25	3.34	3.05
MOODY'S COMMODITY INDEX	Nov. 17	396.2	394.3	393.0	407.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 7	355,840	227,040	231,884	372,747
Production (tons)	Nov. 7	266,329	257,169	259,457	243,283
Percentage of activity	Nov. 7	97	96	97	97
Unfilled orders (tons) at end of period	Nov. 7	510,994	423,728	560,609	581,039
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 13	106.07	105.98	105.99	109.50
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 orders	Oct. 31	24,150	23,472	20,711	26,523
Number of shares	Oct. 31	699,998	657,320	594,442	746,001
Dollar value	Oct. 31	$33,439,247	$29,262,676	$25,018,112	$32,901,925
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 31	22,524	22,299	17,730	20,261
Customers' short sales	Oct. 31	257	218	216	89
Customers' other sales	Oct. 31	22,267	22,081	17,514	20,172
Number of shares—Total sales	Oct. 31	654,992	625,446	503,649	584,913
Customers' short sales	Oct. 31	9,146	7,566	8,575	3,370
Customers' other sales	Oct. 31	645,846	617,880	495,074	581,543
Dollar value	Oct. 31	$24,948,106	$23,996,230	$19,096,128	$23,670,713
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 31	226,680	205,900	140,320	164,790
Short sales	Oct. 31				
Other sales	Oct. 31	226,680	205,900	140,320	164,790
Round-lot purchases by dealers—					
Number of shares	Oct. 31	264,050	235,930	236,430	329,920
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Oct. 24	343,740	286,570	352,450	199,170
Other sales	Oct. 24	6,407,510	5,800,330	5,550,840	3,572,710
Total sales	Oct. 24	6,751,250	6,086,900	5,903,290	5,771,880
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 24	704,920	627,120	632,950	543,850
Short sales	Oct. 24	148,510	127,010	125,260	109,580
Other sales	Oct. 24	567,910	510,360	505,930	449,040
Total sales	Oct. 24	716,420	637,370	631,190	558,620
Other transactions initiated on the floor—					
Total purchases	Oct. 24	258,780	201,900	210,340	102,820
Short sales	Oct. 24	31,600	15,800	21,700	8,100
Other sales	Oct. 24	251,550	155,980	173,200	98,500
Total sales	Oct. 24	283,150	171,780	194,900	106,600
Other transactions initiated off the floor—					
Total purchases	Oct. 24	263,105	221,190	218,630	170,680
Short sales	Oct. 24	43,900	41,800	44,150	29,540
Other sales	Oct. 24	276,157	212,195	180,855	197,001
Total sales	Oct. 24	320,057	253,995	225,005	226,541
Total round-lot transactions for account of members—					
Total purchases	Oct. 24	1,226,805	1,050,210	1,061,920	817,350
Short sales	Oct. 24	224,010	184,610	191,110	147,220
Other sales	Oct. 24	1,095,617	878,535	859,985	744,541
Total sales	Oct. 24	1,319,627	1,063,145	1,051,095	891,761
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 10	109.9	109.9	110.1	110.7
Farm products	Nov. 10	93.8	*93.5	95.1	104.3
Processed foods	Nov. 10	104.2	*104.8	104.2	106.3
Meats	Nov. 10	85.4	86.9	87.2	101.3
All commodities other than farm and foods	Nov. 10	114.5	*114.5	114.6	113.0

*Revised figure. ¶Includes 651,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of August	110,545	109,285	85,175
Stocks of aluminum (short tons) end of Aug.	24,378	17,848	19,842
AMERICAN GAS ASSOCIATION—For Month of September:			
Total gas (M therms)	3,578,696	3,487,202	3,539,900
Natural gas sales (M therms)	3,400,783	3,315,116	3,356,400
Manufactured gas sales (M therms)	52,438	50,950	66,000
Mixed gas sales (M therms)	125,475	121,136	177,500
AMERICAN PETROLEUM INSTITUTE—Month of July:			
Total domestic production (barrels of 42 gallons each)	224,855,000	217,321,000	206,537,000
Domestic crude oil output (barrels)	204,701,000	197,837,000	188,868,000
Natural gasoline output (barrels)	20,092,000	19,439,000	17,628,000
Benzol output (barrels)	62,000	45,000	41,000
Crude oil imports (barrels)	19,513,000	21,207,000	18,519,000
Refined products imports (barrels)	9,812,000	10,298,000	9,122,000
Indicated consumption domestic and export (barrels)	233,983,000	240,428,000	219,145,000
Increase all stocks (barrels)	20,197,000	8,398,000	15,033,000
AMERICAN ZINC INSTITUTE, INC.—Month of October:			
Slab zinc smelter output, all grades (tons of 2,000 pounds)	84,031	*81,211	80,588
Shipments (tons of 2,000 pounds)	67,175	57,547	79,787
Stocks at end of period (tons)	158,417	*141,561	95,342
Unfilled orders at end of period (tons)	25,950	27,323	37,533
COAL OUTPUT (BUREAU OF MINES)—Month of October:			
Bituminous coal and lignite (net tons)	40,670,000	41,095,000	32,744,000
Pennsylvania anthracite (net tons)	2,904,000	*2,650,000	4,213,000
Beehive coke (net tons)	370,000	*369,500	302,400
COKE (BUREAU OF MINES)—Month of Sept.:			
Production (net tons)	6,401,979	*6,724,779	6,159,700
Oven coke (net tons)	6,032,478	*6,311,134	5,804,800
Beehive coke (net tons)	369,501	*413,645	354,900
Oven coke stocks at end of month (net tons)	2,475,217	*2,375,697	2,837,930
COPPER INSTITUTE—For month of Sept.:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	87,160	*84,953	82,426
Refined (tons of 2,000 pounds)	114,760	*108,974	98,930
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	104,886	106,985	135,486
Refined copper stock at end of period (tons of 2,000 pounds)	72,907	78,825	71,456
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1947-49 Average=100)—Month of October:			
Adjusted for seasonal variations	110	*106	115
Without seasonal adjustment	115	*110	120
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of Aug. (000's omitted)	33,030,729	31,951,012	28,797,925
Revenue from ultimate customers—month of August	$580,125,700	$566,985,200	$512,854,100
Number of ultimate customers at August	49,357,205	49,210,737	47,910,863
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of September:			
Factory sales of washers (units)	340,532	291,260	283,732
Factory sales of ironers (units)	9,113	8,067	22,492
Factory sales of dryers (units)	86,461	70,774	71,516
INTERSTATE COMMERCE COMMISSION — Index of Railway Employment at middle of September (1935-39 average=100)	117.1	118.5	118.4
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of October:			
Copper (per pound)—			
Electrolytic domestic refinery	29.598c	29.623c	24.200c
Electrolytic export refinery	28.522c	28.688c	34.751c
Lead—			
Common, New York (per pound)	[illegible]	13.740c	14.404c
Common, St. Louis (per pound)	13.500c	13.540c	14.204c
‡‡Prompt, London (per long ton)	£92,534	£93,344	------
‡‡Three months, London (per long ton)	£88.852	£89.341	------
Silver and Sterling Exchange—			
Silver, New York (per ounce)	82.250c	85.250c	83.250c
Silver, London (pence per ounce)	74.000d	74.000d	73.000d
Sterling Exchange (Check)	$2.80607	$2.80271	$2.79406
Zinc (per pound)—East St. Louis	10.000c	10.180c	13.297c
‡‡Zinc, London, prompt (per long ton)	£73.778	£70.210	------
‡‡Zinc, London, three months (per long ton)	£70.932	£69.366	------
Tin (per pound)—			
New York Straits	80.904c	82.350c	121.500c
§§New York, 99% min.	79.904c	81.350c	120.500c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$183.423	$185.200	$191.000
¶Antimony (per pound) (E. & M. J.)	37.970c	37.970c	42.470c
Antimony (per pound) bulk, Laredo	34.500c	34.500c	39.000c
Antimony (per pound) in cases, Laredo	35.000c	35.000c	39.500c
Platinum, refined (per ounce)	$92.000	$92.000	$90.000
†Cadmium (per pound)	$2.00000	$2.00000	$2.00000
‡Cadmium (per pound)	$2.07500	$2.07500	$2.07500
§Cadmium (per pound)	$2.15000	$2.15000	$2.15000
Cobalt, 97%	$2.40000	$2.40000	$2.40000
Aluminum, 99% plus, ingot (per pound)	21.500c	21.500c	20.000c
Magnesium ingot (per pound)	27.000c	27.000c	24.500c
**Nickel	60.000c	60.000c	56.500c
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of September:			
Total number of vehicles	573,688	*615,382	551,159
Number of passenger cars	475,289	513,457	438,397
Number of motor trucks	98,051	101,478	112,375
Number of motor coaches	348	*447	387
PORTLAND CEMENT (BUREAU OF MINES)—Month of September:			
Production (barrels)	23,795,000	24,289,000	23,010,000
Shipments from mills (barrels)	27,417,000	27,092,000	26,240,000
Stocks (at end of month—barrels)	12,823,000	16,401,000	9,602,000
Capacity used	102%	101%	99%
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of September:			
Total operating revenues	$904,263,439	$924,753,910	$942,156,597
Total operating expenses	673,209,889	689,467,155	674,593,772
Operating ratio	74.45	74.56	71.60
Taxes	$111,323,268	$112,211,991	$129,533,241
Net railway operating income before charges	99,941,786	101,635,605	121,311,182
Net income after charges (estimated)	80,000,000	82,000,000	99,000,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shapes to platers. ¶Domestic, five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colburne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange.

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Outlook for Business, Interest Rates and Stock Market

sales programs revised. The result of these decisions — call them economic forces, if you will —was that the weak spot in our economy tended to be corrected. Since the dangerous liquidation predicted never came to pass, many people thought that the economists who made the predictions were wrong. Actually the forecast that the high level of inventories might lead to serious economic consequences was not wrong. In fact, the economic analysis served its purpose as one of the tools of management.

Of what use, if any, are forecasts to investors? It should be generally recognized that anyone dealing with investments deals with uncertainty. The wisdom of every decision will be influenced by unknown future developments. Hence the most that can be done is to recognize the probable risks, as well as the potential gains, and to take adequate precautions. Even though every recognizable fact seems to point toward a definite change in the level of securities prices, a trust officer would be foolhardy indeed not to recognize the risk that such a change may not occur. He must exercise a greater degree of caution than an individual investor does because his decisions are usually judged by those who have all the advantages of hindsight, while the person who manages only his own investments has to rationalize his mistakes only to himself.

Decisions made by government officials, investors, and business men imply assumptions about the long-term outlook of the national economy. Since the probability of accuracy decreases rapidly as the period of the forecast increases, policy makers in their public speeches and pronouncements tend to explain their decisions solely in terms of the near-term economic outlook. Such opinions may be helpful to the short-term trader, but they are often considered of dubious value to the long-term investor. A long term analysis, on the other hand, should establish a frame of reference within which day-to-day investment decisions may — cautiously—be made.

An appraisal of the economic outlook for trust investments should cover the economic outlook for fixed income investments—that is, high grade bonds and preferred stocks—and for equity securities. Two main factors which influence the future outlook for fixed income securities are the level of interest rates and the fixed charge coverage. The outlook for equity securities hinges on (1) the outlook for corporate earnings; (2) the outlook for dividends; and (3) the rates at which investors generally will tend to capitalize the earnings and dividends. Thus the principal factors affecting both types of securities may be examined under four headings: the outlook for interest rates, corporate earnings, corporate dividends, and the level of the stock market.

The Outlook for Interest Rates

One method of attempting to appraise the economic future is to note what the past trend has been, and then to weigh the forces which probably would tend to sustain the existing trend against the forces which would tend to limit or reverse that trend. Because an established trend usually has a certain momentum, the limiting forces must become fairly powerful to slow down and finally to reverse the past trend.

Interest rates do not stand still in a dynamic and growing economy unless they are frozen by action of the government or the central bank. Movements upward and downward usually reflect the basic forces of supply and demand for credit, but many changes may be brought about almost entirely as the result of government monetary or fiscal policy. These three forces will be examined in turn.

The Demand for Funds: The private demand for investment funds arises largely from three sources: (1) the investment in plant and equipment; (2) the investment needed for construction; and (3) the investment for business inventories. Expenditures for plant and equipment have averaged about $21 billion annually since 1945. This is at a rate two and one-half times as great as during the expansion of the 1920's.

Why has our economy expanded at such a rate over so long a period? Undoubtedly during the 1930's the plant and equipment had not been built at a rate sufficient to keep pace with the normal expansion of productivity and population. It has been estimated that by the end of 1939 there was a $40 billion deficiency. The expenditure of more than $169 billion in the last eight years, however, has been sufficient to make up for the deficiency and to provide adequate facilities to expand production at a rate higher than our normal rate of secular growth.

Since 1950 the expenditure for plant and equipment has been at an average annual rate of $25 billion. Both prohibitively high corporate taxes and a law permitting rapid amortization of new facilities have encouraged an expansion of plant and equipment at a faster rate than the demand for the products produced by the plant and equipment. The limiting factors which are building up to slow down this rapid rate of expansion appear strong, while the forces which have sustained the rapid rate of growth—expanding markets and high profit margins—appear to be somewhat weak.

Assume that for the next seven years the average demand for funds for plant and equipment will be less than the demand during 1953, but will be as great as the average over the last eight years. Such a demand would permit a growth in industrial capacity sufficient to meet both the increased demands of a growing population and a rising standard of living comparable to our past rate of growth. It would mean a reduction from the 1953 level of about $7 billion in the demand for funds, or a reduction of over $4 billion from the average annual demand during the years 1951, 1952 and 1953.

The expansion of business inventories has averaged about $4 billion a year, but in the last three years they have shown a greater dollar increase. It should be noted that the increase in business inventories has not shown as large a percentage gain in the years 1939-1953 as the increase in total business sales. In other words, while there is at present much discussion about the fact that inventories are too high, an even further expansion of inventories could be anticipated if one believes that business sales in general over the next six years will be maintained in dollar volume. On the average, however, unless one can foresee substantial increases in total sales, there is reason to believe that the demand for funds to increase business inventories will not average more than $2 billion a year between now and 1960.

The expansion in construction over the past eight years has been phenomenal. The average annual expenditures for residential construction has been $10 billion; for other types, it has averaged $9 billion annually. The rate of residential construction has tended to be more rapid than the rate of formation of families for some time. It appears that we are nearing the point at which there would be no housing shortage. Hence the pent-up demand from the years of underbuilding has probably been satisfied. A primary factor in determining the future demand, therefore, will be the rate of family formations. Because the low birth rate in the period of the depression will necessarily mean a low rate in family formation, it does not seem likely that there will be an increase in the rate of residential building. A reduction to an average annual level of $9 billion would not seem unduly pessimistic.

For the last three years, 1951-1953, commercial and other types of construction have averaged about 25% higher than in the years of 1948 and 1949. It is difficult to foresee any single overwhelming, stimulating force which would lead to an increase in the rate of such construction. At the same time there are limiting forces: namely, the fact that accumulated shortages have been largely overcome. Hence future expansion at a normal rate would call for much smaller annual expenditures. A reduction to the average level of the last eight years—a level almost five times as great as the prewar level—would mean annual expenditures of about $9 billion, $4 billion less than in 1953, and about $3 billion less than the average for the last three years.

My attempt here is not to seek a high degree of accuracy in each of these estimates, but rather to define in broad outline the probable future demand for funds relative to the supply. On the basis of the foregoing assumptions, over the next six years the future annual demand for funds for gross private domestic investment may well be $12 billion less than the annual average demand in the period 1951-1953.

Public construction for the past eight years has averaged $7 billion annually. New construction expenditures of State and local governments have increased from less than $1 billion in 1945 to more than $6½ billion in 1952. Despite this increase, only recently have outlays begun to exceed the amounts necessary to meet newly arising requirements for facilities. Many feel that the needs for new construction on the State and local levels are of such magnitude that annual expenditures must be increased considerably. Although voters are not always enthusiastic about increased borrowing or higher taxes, the demand for certain facilities makes it appear reasonable to assume that expenditures for public construction will tend to expand at such a rate that over the next six years they will average about $13 billion annually. This increase, however, will not be sufficient to offset the probable decrease in demand for funds previously considered.

The Sources of Funds: From this analysis it looks as if there will be a reduced demand for funds. The next factor to consider is the supply of funds available to meet the demand. Primarily, it is the relative size of the supply that should be considered.

One of the principal sources of money is the savings of individuals. Two types of savings are important. One, which may be called voluntary, is exemplified by the time and savings deposits in commercial banks, by share accounts in savings and loan associations, by deposits in mutual savings banks, and by purchases of savings bonds. From 1945 through 1952 the average annual savings of these types was $7 billion. If we assume equal savings will be made over the next six years, it will mean that $7 billion will be seeking an outlet each year. Note that there are other methods of voluntary savings which have not been included.

A second type of savings of growing importance is contractual savings. Under this type the saver is obligated by contract to make payment. Hence it becomes almost an involuntary type of savings. Last year such net payments on insurance, pension, and retirement plans amounted to over $9 billion, an increase of more than 50% over 1949. It is unlikely that the size of such payments will be reduced.

An important source of contractual savings arises from the fact that a large part of mortgage debt is on an amortized basis. At the end of 1952 the gross mortgage debt of non-corporate borrowers amounted to $82 billion, while the long-term debt of corporations was about $84 billion. Assuming that payments on principal of these debts total 5% annually, these payments alone would furnish over $8 billion annually.

Business expenditures have been financed from internal sources—that is, from depreciation allowances and retained profits—as well as from the capital markets. At the present rate of depreciation corporations are expected to receive an average of $10 billion annually over the next six years. This is about twice as much as was furnished from this source in 1946.

During the last eight years corporations have retained about $8 billion in profit annually. Even though corporate earnings before taxes may decline somewhat in the next six years, the reduction in taxes will probably be such as to permit retained earnings of at least $10 billion annually—or at a rate comparable to that in effect for the past three years.

The conclusion to be drawn from this analysis is that while the combined demand for funds by the private sector of the economy and by State and local governments is expected to fall, the supply of funds to meet these demands is expected to rise. The combined force of these two developments would be to lower rather than to increase interest rates.

The Outlook for Fiscal Policy: The Federal Government by its monetary and fiscal policies may influence interest rates by increasing the demand for funds, by increasing the supply of funds, or by direct action. In this analysis no attempt will be made to predict which party will be in power in Washington. Instead, my attention will be centered on the policies and objectives which will probably be followed by government authorities. Thus any implications are strictly non-partisan and non-political.

The present Administration has set up certain general objectives to which most thinking people seem to subscribe. It is with these that we shall deal. In a pre-election pledge President Eisenhower stated, "Never again shall we allow a depression in the United States."

The President and his advisers know full well that the forces generated by an important downturn in business are self-accelerating and gain momentum rapidly. A government intent on preventing a depression will determine its policies largely on the basis of the position of the economy. Had a depression followed shortly after the end of the war, or had there been a more serious depression in 1948 or 1949, there were then economic forces which could have led to a rapid recovery. Government action would not have had to be decisive or immediate since the shortages created in the war and prewar period had not been fulfilled.

What forces in our domestic economy today can a policy maker in Washington find which would tend immediately to stop a recession or to bring about an upturn before a long and protracted period of liquidation had taken place?

This is no attempt to convey the idea that our economy is on the brink of a substantial decline. A review of recent economic developments indicates, however, that the present rates of expenditures for the construction of plant and equipment will probably not be maintained. A review of the production of consumer durable goods and the expansion in consumer credit would indicate that most of the immediate wants of consumers for durable goods have been met. Thus my intent is to emphasize a fact which undoubtedly is recognized in Washington: namely, that a recession once underway cannot be stopped by monetary and fiscal policies and that underlying forces in the domestic economy do not seem sufficiently strong to hasten recovery, even from a mild recession, before a long and perhaps painful period of liquidation has taken place.

The Objectives of the Federal Government

Government officials have stated other important economic objectives. Again you will doubtlessly agree with the objectives, even while disagreeing with the priority assigned to them. From government actions and stated policies one would appear justified in concluding that the announced objectives have been given the following priority: (1) prevention of a depression; (2) no further decline in the value of the dollar; (3) management of the public debt so as to assure the continued success of Treasury financing; (4) gradual extension of the length of the maturities of the public debt; (5) balancing the budget.

In view of these objectives, what role can the government be expected to play and how will its actions affect the level of interest rates? An examination of its actions to date may help materially in appraising its future actions.

At the beginning of 1953 there seemed to be little reason to take drastic action to avert a depression since inflationary forces were then not only strong but gaining momentum. Consequently an attempt was made to keep the boom from reaching speculative proportions. To do this the Treasury tried to accentuate a trend toward higher interest rates which had been developing for some time. At the beginning of 1948 Treasury Bills sold on a 1% yield basis. The rate climbed steadily (with a slight interruption of the rise in 1949) until by 1951 it was up to 1½% and by December, 1952, it had reached 2%, where it remained substantially unchanged until April.

The yield on Aaa bonds had risen slowly since 1950 until it averaged 2.96% in 1952. During the first three months of this year there was some pressure on bond prices to decline and yield rates to rise. On April 9 the Treasury Department announced that it would issue $1 billion of 30-year fully marketable 3¼% bonds. This was ⅜ of 1% higher than the highest marketable Treasury bonds then outstanding. This offering, coming when it did, placed an added strain on the long-term capital market. The offer led to some downward adjustments in the market price of outstanding long-term government bonds.

In April, the Chairman of the Board of Governors of the Federal Reserve System stated that "only very rarely is there likely to be a disorderly situation (in the government bond market) that would require Federal Reserve intervention for reasons other than credit policy." This statement was followed on May 12 by the widely publicized statement of the Deputy to the Secretary of Treasury that the "Treasury must sell its securities in the market, at the going rate of interest, and not at any artificial rate supported by the Federal Reserve System." He also stated: "The long-term market has been overloaded because too many people have been trying to borrow at the same time. A delay of some projects would be wholesome both for the market and the business situation."

Further comments in May by the Chairman of the Board of Governors led to the belief that the Federal Reserve was going to carry out a definite tight money program. The Treasury, it was assumed, was about to undertake a program of competing in the long-term capital market, and of refinancing some of the short-term debt with long-term maturities. The belief that interest rates might rise further had two results—no doubt it tended to discourage some borrowers from entering the market, but on the other hand, it led some corporations, states, and municipalities to hasten their offerings in order to avoid paying higher rates later. This action tended further to decrease bond prices.

It seems reasonable to assume that the objectives of the Treasury were: first, to prevent a further inflationary wave of rising prices; and second, to make the debt sounder by extending the length of its maturities. The first objective was accomplished. Also more of the debt was placed with non-bank investors. But the Treasury has not succeeded in lengthening maturities. In fact, it has not even managed to hold its own in this respect.

After the yields of municipal bonds, Aaa bonds, long-term governments, and Treasury bills, had reached the highest level in 20 years, Federal Reserve action was undertaken to ease money rates. Had the monetary authorities sought only to ease the credit stringency and not to reverse their monetary policy, it would have been logical to do it without fanfare. In making money more plentiful, however, the Federal Reserve announced a reduction in reserve requirements. Usually changes in reserve requirements have been used dramatically to indicate a reversal of past monetary policies. Consequently, despite the denials of the monetary authorities, it appears to some that this was a reversal even though when the policy change was made, national statistics did not seem to indicate an imminent downturn in business.

In the light of these actions it seems reasonable to conclude that so far as government policy is concerned a decline in business will most certainly not bring about an increase in interest rates. A tightening of money rates under such circumstances would tend to accentuate the decline—something that no administration would care to do.

The Treasury faces the problem of raising additional funds by borrowing. The deficit for the fiscal year 1954 is at present estimated by Mr. Dodge at about $4 billion; a study of estimates of receipts and expenditures for 1955 leads one to expect a deficit of more than $5 billion. Some idea of the extent to which these figures may be underestimated can be gained from a study made by William R. Biggs, Vice-President of the Bank of New York. His study shows that a decline similar to that of 1949—that is, an 8½% decline in industrial production and a 5% decline in the price level—would be followed in the next fiscal year by a budget deficit of about $17½ billion since nearly 80% of the revenue of the government comes from taxes on personal and corporate incomes.

Government officials are well aware that the amount of the Federal revenue is determined by the level of business activity. This fact gives them another very real incentive to adopt no fiscal or monetary policy which might result in instability.

If the Federal deficit is not greater than the difference between the changes in the supply of and the demand for funds in the rest of the economy, interest rates will tend to remain stable. If budget deficits force the government to add greatly to the demand for funds, the monetary policy would probably be one of fairly easy money and hence would exert no strong upward pressure on interest rates. It is doubtful if it would be possible to carry out successfully any large scale funding operations in such a market. If the budget is balanced by 1956, long-term funding of the debt can absorb some surplus savings. The monetary managers, however, must remain constantly aware of two pressures. One is that the sale of long-term bonds to non-bank investors might lead to a serious reduction in the monetary supply. This deflationary action might result in a reduced level of economic activity at a time when the Treasury still had a large and unwieldy debt. The management and rearrangement of the debt could be facilitated by controlled money market conditions. The second pressure is that those candidates seeking election—rather than re-election—may make a political issue of any increase which takes place in the cost of carrying the public debt.

The conclusion thus appears warranted that the upper limit of the rate which the Treasury will offer for long-term funds for the next six years has already been established. Economic and political forces are now such as to warrant an investment policy which anticipates yield rates over the next six years of no more than 3¼% on long-term government bonds. While recent instability in the government bond market may narrow the spread between the yield on long-term governments and high grade corporates, the upper limit of yields on Aaa's in the next six years will probably not exceed the maximum yields of 1953.

The Outlook for Corporate Earnings

On the whole the future outlook for corporate earnings is good. If industrial production declines, the earnings of corporations will also decline. There are three important reasons, however, for assuming that corporate earnings will be well maintained.

In the first place, the high level of corporate taxes that has prevailed provides an important cushioning effect against decline. When many corporations paid excess profits taxes, declines in profits were largely absorbed by declines in taxes. Now, however, the expiration of the excess profits tax at the end of the year will tend to offset the decline in corporate earnings after taxes.

Another factor tending to support corporate earnings is the fact that management is in a good position to control expenses in the event of a business decline. The great demand for industrial production and the reduced level of competition, both characteristic of the expanding economy, have tended to reduce the emphasis on efficiency. The greatest encouragement to inefficiency, however, has been confiscatory tax rates. A corporate management paying in taxes 82 cents out of a dollar of profits has little incentive to scrutinize each expenditure carefully. Corporations entertained many new innovations, knowing that if the development should prove successful, the corporation would benefit in the long run; while if the experiment was unsuccessful, the cost would come largely from a reduction in taxes. Such a tax set-up encouraged extravagance.

It might be added parenthetically that sometimes what appeared a reckless expenditure proved to be highly profitable. The point to be made, however, is that to the extent that inefficiency and extravagances still continue, corporate managements under pressure to preserve earnings in the face of declining profit margins, have both an opportunity and, with reduced corporate taxes, an added incentive to reduce expenses.

A third important reason for thinking that corporate profits may be well maintained is the fact that more than one-third of the labor force has been working overtime. Overtime work is generally expensive, and a reduction in the work week will tend to reduce costs more than proportionately.

On the basis of the changes in tax laws and with the experience of other declines as a guide, corporate earnings even in the face of a decline of the magnitude of the 1949 decline—that is, a drop in industrial production to 215 and a decline of 5% in the commodity price level—might well amount to as much as $34 billion before taxes, in contrast to corporate profits last year of $39 billion.

Assuming a corporate tax rate of 50%, this would leave corporate profits after taxes of about $17 billion, in contrast to $18.6 billion in 1952. With such corporate earnings, what would be a reasonable estimate of earnings on the Dow-Jones industrial stocks? If the relationship of the past few years between corporate earnings after taxes and earnings on the 30 stocks in the Dow-Jones Industrial Average prevails, earnings on the stocks should be approximately $23.00—about the same as in 1949.

I have made no attempt here to project earnings on any particular stock or to talk about any specific security, but rather to relate projected corporate earnings to a well-known stock average.

Over the long run period there may be increased pressures on corporate profits. With the industrial capacity which this country now possesses, the degree of price competition will be great. The income of consumers should continue to increase; the demand for products should soar; and after 1956 the rate of family formation should begin to increase. The pressure on corporate profits, however, will tend to prevent their growth at such a high rate as witnessed in the postwar years. It now appears that despite a greater growth in national income over the intervening years, by 1960 the level of corporate earnings before taxes will be about the same as for 1953—that is, close to $45 billion. If in the light of the trend toward lower taxes, however, we assume a 40% tax on corporate income in 1960, corporate earnings after taxes would be about $27 billion, a figure some 50% higher than in 1952. Stated in terms of earnings on the Dow-Jones Industrial Average this would be about $36 if past relationships between total corporate profits after taxes and earnings on the Dow-Jones Industrial Average continue.

While corporate debt has increased greatly since the war, the percentage of income required for debt service is small in the light of present corporate earnings. If corporate earnings are maintained as well as anticipated, there should be no general decline in the bond market as a result of the inability of corporations in general to service their debts.

The Outlook for Corporate Dividends

When earnings decline, corporations tend to reduce dividends. When corporate debt increases, management and lenders tend to favor the liquidation of debt instead of increased dividends. These are the unfavorable factors about future dividend payments.

The forces tending toward higher dividend payments appear much more significant. In the first place, policies during postwar years have been toward skimpy dividends. Corporations, encouraged to expand facilities, have leaned heavily on retained profits as a source of funds. With depreciation charges furnishing a larger supply of funds, and with a general decrease in the rate of expenditure on plant and equipment, corporations will have less justification for retaining profits.

On the basis of the outlook for corporate earnings, the conclusion would seem to be that even in the light of a decline of the magnitude of 1949 dividend payments might be higher than in 1952. On the Dow-Jones Industrial Average then, dividends might be as much as $15 even if the earnings on the stocks declined to $23 as estimated.

If corporate earnings after taxes approximate the indicated level of $27 billion by 1960, and if the changes in dividend payouts are correct, total dividend payments would be about $17 billion, or almost twice as high as the average for the last four years. Again stated in terms of the Dow-Jones Industrials, with earnings of $36 and with a 65% payout the dividend would be about $23.

The Outlook for the Stock Market

Perhaps it should be repeated that this is not an attempt to estimate the future value of any particular security, but rather to establish what seem to be reasonable limits of general fluctuations.

There should be a pronounced relationship among the three factors so far discussed and the level of the stock market. Twenty-five years ago the yield on Moody's Aaa corporate bonds and the yield on the Dow-Jones Industrial Average were equal. During the period from 1929 through 1952, the general tendency of the yield on bonds was downward, and the general trend of yield on stocks was upward. These changes were such that by 1952, the average annual yield on the Dow-Jones Industrial Average was twice as high as the yield on Moody's Aaa bonds. This relationship is referred to as the Stock-Bond Yield Ratio. A statistical projection of the trend of this ratio at the past rate of change leads to the conclusion that in six years the average annual yield of the Dow-Jones Industrial Average should be about 2.25 times the yield on Aaa bonds. That is to say, if the yield rate on Aaa bonds should rise to 3½% the yield on the Dow-Jones Industrial Average should approximate 7⅞%.

Before accepting such a projection, however, the reasons for the change in the ratio over the years should be considered. Probably the most important factor which led to the rising ratio between stock and bond yields was the steady upward climb in the tax rate on personal income. During the period the percentage of personal income taken by personal income taxes increased more than fourfold. If it is assumed that the reduction in personal income taxes which will take place over the next six years will counteract the projected growth in the ratio, then the present relationships of stocks yielding twice as much as bonds would be continued. On the other hand, if the force of the tax reduction is a stronger factor, then one might conclude that the ratio would drop as low as 1.75 by 1960. Within these ranges of supposition, the level of the Dow-Jones Industrial Average may be expected to fluctuate in the future as shown in the following table:

Projected Level of the Dow-Jones Industrial Averages 1960

	—3¼% Yield on Aaa— Assumed Stock-Bond Yield Ratio			—3½% Yield on Aaa— Assumed Stock-Bond Yield Ratio		
	2.25	2	1.75	2.25	2	1.75
Yield on D-J Indus. Avgs.	7.3%	6½%	5.7%	7⅞%	7%	6⅛%
Annual Div. on DJIA:						
$15 level of DJIA	205	230	263	190	215	245
$20 level of DJIA	273	308	350	253	285	326
$23 level of DJIA	315	353	403	292	328	375

From the table it can be seen that if the yield on Aaa bonds is 3.25% and that if the Stock-Bond Yield Ratio rises to 2.25, then by 1960 the logical average level (assuming dividends of $23) would be about 315. If the Stock-Bond Yield Ratio stays at the present level until 1960, then under the same assumptions the average level of the Dow-Jones Industrial Averages would be around 353. If, however, a reduction in personal income taxes or any other force, such as growth of confidence, should result in a reduction in the Stock-Bond Yield Ratio to 1.75, then the average level should be about 400, if the dividend payments are at the projected level.

If by 1960 the yield rate of Aaa bonds is at the 3½% level, the anticipated levels of the market would be less than if the lower rates prevailed assuming the same level of dividend payments and the Stock-Bond Yield Ratios as shown in the table. Under these circumstances the level would tend to be about 292 if the ratio rose to 2.25, but if the ratio should decline to 1.75 the level would likely be nearer 375. If there were no change in the ratio from the present level of 2 but interest rates rose to 3½% then the level of the Dow-Jones industrials should tend to be about 328 on the basis of a $23 dividend.

It appears that during the next six years the upward pressure on interest rates will subside, and that the tops established in 1933 will not be broken. Corporate earnings after taxes may continue to expand and dividend payments should increase. A reasonable level for the stock market in 1960 would be about 350, as measured by the Dow-Jones Industrial Averages, which would be equivalent to about a 6½% yield.

With Standard Investment

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — David B. Earhart has been added to the staff of Standard Investment Co. of California, 571 East Green St.

Now With Taussig, Day

(Special to THE FINANCIAL CHRONICLE)

PEORIA, Ill.—Donald J. Risser has become associated with Taussig, Day & Co., Inc., First National Bank Building. He was formerly in business for himself under the name of The Main Street Securities Dealer.

Earl G. Steel

Earl Gladstone Steel, partner in Davies & Co., San Francisco, Calif., passed away at the age of 54 after a long illness.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Air-Springs, Inc., New York
Oct. 30 (letter of notification) 9,000 shares of common stock (par 10 cents). **Price**—At market (for an aggregate price not to exceed $50,000). **Proceeds**—To four selling stockholders. **Office**—63 Wall St., New York, N. Y. **Underwriter**—d'Avigdor Co., New York.

★ Allen Electric & Equipment Co., Kalamazoo, Mich.
Nov. 13 (letter of notification) 75,000 shares of common stock (par $1). **Price** — $4 per share. **Proceeds** — For working capital. **Office** — 2101 North Pitcher Street, Kalamazoo, Mich. **Underwriter** — S. R. Livingstone, Crouse & Co., Detroit, Mich., and Olmsted & Mulhall, Inc., Kalamazoo, Mich.

Amalgamated Growth Industries, Inc.
Sept. 28 (letter of notification) 149,999 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For acquisition of patents, etc., and for new equipment and working capital. **Office**—11 West 42nd St., New York City. **Underwriter**—R. A. Keppler & Co., Inc., New York, N. Y.

★ American Development Corp. (Del.)
Nov. 16 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—$14,500 to be paid to Commonwealth Research Corp. in accordance with agreement; $20,000 for drilling and testing one well on the North Carolina acreage; $50,000 reserve for drilling three additional wells; and the remainder for working capital, etc. **Office**—317-325 South State St., Dover, Del. **Underwriter**—Walter Aronheim, New York City.

American Diamond Mining Corp.
Nov. 6 (letter of notification) 260,000 shares of common stock (par $1). **Price**—$1.15 per share. **Proceeds**—To explore and develop the Murfreesboro, Pike County, Ark., property and for general corporate purposes. **Office**—99 Wall St., New York 5, N. Y. **Underwriter**—Samuel W. Gordon & Co., Inc., New York, N. Y.

• American Fidelity & Casualty Co., Inc. (11/24)
Nov. 3 filed 150,000 shares of convertible preferred stock (par $5) to be offered for subscription by common stockholders of record Nov. 20 on a share-for-share basis; with rights to expire on Dec. 9. Certain stockholders have waived their rights to purchase 30,000 of new shares. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Geyer & Co., New York.

American-Israeli Cattle Corp., Beverly Hills, Cal.
Aug. 24 filed 100,000 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—To establish and develop a cattle industry in Israel. **Underwriter**—None.

American Telephone & Telegraph Co.
Oct. 14 filed $602,543,700 of 12-year 3¾% convertible debentures, due Dec. 10, 1965, being offered for subscription by stockholders of record Oct. 30 in the ratio of $100 of debentures for each seven shares of stock held; rights to expire on Dec. 10. Rights will be mailed on Nov. 5. Conversion price beginning Feb. 9, 1954 is $136 per share of capital stock. **Price**—At par (flat), $100 for each $100 principal amount. **Proceeds**—For advances to subsidiary and associated companies, etc. **Underwriter**—None.

Anacon Lead Mines, Ltd., Toronto, Canada
Sept. 28 filed 700,000 shares of common stock (par 20 cents—Canadian funds) to be offered for subscription by common stockholders at the rate of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—To develop mining properties. **Underwriter**—None. Financing proposal has not been dropped.

★ Annandale Golf Club, Pasadena, Calif.
Nov. 9 (letter of notification) $150,000 of unsecured 2% debentures. **Price**—At par. **Proceeds**—To construct new club house. **Office**—1201 West Colorado Street, Pasadena, Calif. **Underwriter**—None.

Arizona Public Service Co. (11/24)
Nov. 4 filed 240,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc.

Armstrong Rubber Co.
March 31 filed $4,000,000 of 5% convertible subordinated debentures due May 1, 1973. **Price**—To be supplied by amendment **Proceeds**—For working capital. **Business**—Manufacturer of tires and tubes. **Underwriter**—Reynolds & Co., New York. **Offering**—Postponed.

★ Atomic Development Mutual Fund, Inc. (Del.) (12/8)
Nov. 18 filed 90,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Underwriter** — Atomic Development Securities Co., Washington, D. C.

Bassons Industries Corp., N. Y.
Nov. 6 (letter of notification) 60,000 shares of Class A participating preferred stock (par $5) and 60,000 shares of Class B common stock (par $1) in units of one share of each class of stock. **Price**—$5 per unit. **Proceeds**—For working capital. **Business** — Plastic molders and fabricators. **Office** — 1432 West Farms Road, Bronx, N. Y. **Underwriter**—Carter Manning, 51 East 42nd St., New York 17, N. Y.

• Bridgeport Brass Co.
Oct. 28 filed 240,672 shares of common stock (par $5) being offered for subscription by common stockholders of record on Nov. 17 on the basis of one new share for each four shares held; rights to expire on Dec. 2. **Price**—$21.50 per share. **Proceeds**—For expansion program. **Underwriters**—Hornblower & Weeks and Stone & Webster Securities Corp., both of New York.

★ Bridgeport Gas Light Co.
Nov. 12 filed 60,500 shares of cumulative convertible preferred stock, to be offered for subscription by common stockholders at rate of one preferred share for each three common shares held. **Price**—At par ($25 per share). **Proceeds**—For construction program. **Underwriters**—Smith, Ramsay & Co., Inc., Bridgeport, Conn., and Chas. W. Scranton & Co., New Haven, Conn.

Burton Picture Productions, Inc.
Sept. 24 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For production of movies and TV stories. **Office**—246 Fifth Avenue, New York. **Underwriter** — Alexander Reid & Co., Newark, N. J.

★ Butler Engineering Co., Inc., New York
Nov. 12 (letter of notification) 215,000 shares of common stock (par 10 cents), of which 16,070 are to be offered to certain nonaffiliated persons in discharge of claims aggregating $16,070 against the company. **Price**—$1 per

NEW ISSUE CALENDAR

November 19 (Thursday)
Welch Manufacturing Co., Inc. — Com. & Pfd.
(Bids 2:15 p. m. EST)

November 20 (Friday)
Central Illinois Electric & Gas Co. — Common
(Offering to stockholders—Stone & Webster Securities Corp. and Allen & Co. are dealer-managers) 70,400 shares
Giffen Industries, Inc. — Common
(Atwill & Co.) $242,000
Rochester Telephone Corp. — Common
(Offering to stockholders—underwritten by The First Boston Corp.) 156,250 shares

November 23 (Monday)
Commercial State Bank & Trust Co. of N. Y. — Com.
(Offering to stockholders) $495,000
Gulf States Utilities Co. — Bonds
(Bids 11 a.m. EST) $10,000,000
Illinois Power Corp. — Bonds
(Bids 11 a.m. CST) $20,000,000
Indusco, Inc. — Preferred and Common
(Prudential Securities Corp.) $280,500
Ludman Corp. — Debentures
(Courts & Co.) $750,000

November 24 (Tuesday)
American Fidelity & Casualty Co. — Preferred
(Geyer & Co.) $750,000
Arizona Public Service Co. — Common
(The First Boston Corp. and Blyth & Co., Inc.) 240,000 shares
Florida Western Oil Co. — Common
(Floyd D. Cerf, Jr., Co., Inc.) $250,000
Government Employees Corp. — Debentures
(Offering to stockholders—underwritten by Johnston, Lemon & Co. and E. R. Jones & Co.) $500,000
Iowa Power & Light Co. — Preferred
(Smith, Barney & Co.) $5,000,000
Lewiston, Greene & Monmouth Telephone Co. — Common
(F. S. Moseley & Co.) $121,360
Maine Public Service Co. — Common
(Offering to stockholders — underwritten by Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.) 35,000 shares
Newport Electric Corp. — Common
(Offering to stockholders—underwritten by Stone & Webster Securities Corp.) $205,448
Skyway Broadcasting Co. — Common
(McCarley & Co.) $100,000
Southwestern Investment Co. — Debentures
(The First Trust Co. of Lincoln, Neb.) $700,000

November 25 (Wednesday)
Delaware Power & Light Co. — Common
(Bids 11:30 a.m. EST) 232,520 shares

November 27 (Friday)
Cincinnati & Suburban Bell Telephone Co. — Com.
(Offering to stockholders—no underwriting) $15,640,600

November 30 (Monday)
Florida Power Corp. — Bonds
(Bids to be invited) $10,000,000
Louisville & Nashville RR. — Equip. Trust Ctfs.
(Bids noon EST) $6,765,000
Matheson Co., Inc. — Debentures
(Mohawk Valley Investing Co., Inc. and Security and Bond Co.) $200,000

December 1 (Tuesday)
Columbus & Southern Ohio Electric Co. — Bonds
(Bids 11:30 a.m. EST) $10,000,000
Monongahela Power Co. — Bonds
(Bids noon EST) $10,000,000
Tennessee Gas Transmission Co. — Bonds
(Bids 11 a.m. EST) $25,000,000
Virginia Electric & Power Co. — Common
(Bids 11 a.m. EST) 558,946 shares

December 2 (Wednesday)
Iowa Power & Light Co. — Bonds
(Bids 11 a.m. EST) $8,500,000
Quebec Hydro-Electric Commission — Debentures
(The First Boston Corp., A. E. Ames & Co., Inc., etal) $50,000,000

December 3 (Thursday)
Southern Pacific Co. — Equip. Trust Ctfs.
(Bids noon EST) $5,925,000
United Rayon Manufacturing Corp. — American Depositary Receipts
(Lazard Freres & Co.) 180,000 American shares

December 7 (Monday)
Ritter Finance Co., Inc. — Debentures
(Stroud & Co., Inc.) $1,000,000

December 8 (Tuesday)
Atomic Development Mutual Fund, Inc. — Common
(Atomic Development Securities Co.) 90,000 shares
St. Louis-San Francisco Ry. — Equip. Trust Ctfs.
(Bids to be invited) $7,500,000

December 9 (Wednesday)
General Motors Corp. — Debentures
(Morgan Stanley & Co.) $300,000,000
New York, New Haven & Hartford RR. — Equip. Trust Ctfs.
(Bids to be invited) $6,600,000
Philadelphia Electric Co. — Bonds
(Bids to be invited) $20,000,000

December 10 (Thursday)
Erie RR. — Equip. Trust Ctfs.
(Bids noon EST) $5,400,000

December 15 (Tuesday)
Texas Natural Gasoline Co. — Common
(Carl M. Loeb, Rhoades & Co. and Dallas Rupe & Son) 200,000 shares

December 16 (Wednesday)
Narragansett Electric Co. — Preferred
(Bids noon EST) $7,500,000

January 6 (Wednesday)
Consumers Power Co. — Common
(Offering to stockholders—bids to be invited) 679,436 shares

January 11 (Monday)
Appalachian Electric Power Co. — Bonds
(Bids 11 a.m. EST) $20,000,000

January 12 (Tuesday)
Consolidated Edison Co. of New York, Inc. — Bonds
(Bids to be invited) $35,000,000
Public Service Co. of Indiana, Inc. — Bonds
(Bids to be invited) $25,000,000

January 13 (Wednesday)
Ohio Edison Co. — Common
(Offering to stockholders—bids to be invited) 527,830 shs.

January 18 (Monday)
Fire Association of Philadelphia — Common
(Offering to stockholders—The First Boston Corp. will act as advisors) $7,650,000

January 19 (Tuesday)
Ohio Edison Co. — Bonds
(Bids to be invited) $30,000,000

share. **Proceeds**—For advertising and research. **Office**—30 Church Street, New York, N. Y. **Underwriter**—Miller Securities Co., New York.

Cable Link Corp., Detroit, Mich.
Nov. 4 (letter of notification) 100,000 shares of class A stock (par $1). **Price** — $3 per share. **Proceeds** — For working capital. **Office** — 19413 Derby Ave., Detroit, Mich. **Underwriter**—Gearhart & Otis, Inc., New York.

California Central Airlines, Inc.
Nov. 5 filed $600,000 of 7% convertible equipment trust certificates, series A, and 890,000 shares of common stock (par 50 cents), of which the certificates and 400,000 shares of the stock are to be offered publicly; 300,000 shares are to be sold to the underwriter (including 50,000 shares to one James Wooten), 70,000 shares to Sig Shore, 70,000 shares to Fred Miller and 50,000 shares to James Wooten. **Price**—To public—100% for certificates and 75 cents per share for the stock. **Proceeds**—To finance the acquisition of four Martinliners and one Douglas DC-3 aircraft from Airline Transport Carriers, Inc. **Underwriter**—Gearhart & Otis, Inc., New York.

Capital Uranium Co., Farmington, N. M.
Oct. 28 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price** — 10 cents per share. **Proceeds**—For exploration, drilling and development of mining claims. **Underwriter** — Forbes & Co., Denver, Colo.

Carolina Telephone & Telegraph Co.
Aug. 17 filed 33,320 shares of capital stock to be offered for subscription by stockholders in the ratio of one new share for each five shares held. **Price**—At par ($100 per share). **Proceeds**—To reduce short-term notes. **Underwriter**—None. **Offering**—Temporarily postponed.

● **Central Illinois Electric & Gas Co. (11/20)**
Oct. 30 filed 70,400 shares of common stock (par $15) to be offered for subscription by common stockholders at rate of one new share for each 10 shares held on Nov. 20; rights to exprie Dec. 7. **Price**—To be supplied by amendment. **Proceeds**—From sale of common stock and from proposed sale later in year of 15,000 shares of $100 par cumulative preferred stock to be used to repay bank loans and to pay for new construction. **Dealer-Managers**—Stone & Webster Securities Corp., and Allen & Co., both of New York.

Century Acceptance Corp.
Oct. 16 (letter of notification) 10,000 shares of class A common stock (par $1) and 5,000 shares of class B stock (par $1). **Price**—Of class A, $2.50 per share; of class B, $1.90 per share. **Proceeds**—To Robert F. Brozman, the selling stockholder. **Office**—1334 Oak St., Kansas City, Mo. **Underwriter**—Wahler, White & Co., Kansas City, Mo.

● **Cincinnati & Suburban Bell Telephone Co. (11/27)**
Nov. 6 filed 312,812 shares of common stock to be offered for subscription by common stockholders of record Nov. 27 on a 1-for-3 basis. **Price**—At par ($50 per share). **Proceeds**—To reimburse treasury for expenditures made for extensions, additions and improvements to plant. **Underwriter**—None.

Columbus & Southern Ohio Electric Co. (12/1)
Oct. 27 filed $10,000,000 of first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Salomon Bros. & Hutzler; Dillon, Read & Co.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Lehman Brothers; Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EST) on Dec. 1.

Cosmo Oil Co., Denver, Colo.
Oct. 7 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For drilling expenses and working capital. **Office** — 922 Equitable Bldg., Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Cuban American Minerals Corp., Washington, D.C.
Oct. 6 (letter of notification) 6,000 certificates of participation. **Price**—At par (in units of $50 each). **Proceeds** — For general corporate purposes. **Office** — 439 Wyatt Bldg., Washington, D. C. **Underwriter**—James T. De Witt & Co., Inc., Washington, D. C.

Delaware Power & Light Co. (11/25)
Oct. 28 filed 232,520 shares of common stock (par $13.50) to be offered for subscription by common stockholders of record Nov. 25 on the basis of one new share for each seven shares held; rights to expire on Dec. 15. Employees will receive rights to subscribe for up to 150 shares each. **Price**—To be named by company on Nov. 23. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and Union Securities Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; Harriman Ripley & Co. Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Price**—May be set by directors, with bidders to name their underwriting compensation. **Bids**—To be received on Nov. 25 up to 11:30 a.m. (EST) at 600 Market St., Wilmington 99, Del.

● **Dixie Cup Co., Easton, Pa.**
Oct. 23 filed 152,465 shares of 5% cumulative convertible preferred stock, series A (par $50) being offered for subscription by common stockholders at rate of one preferred share for each five common shares held on Nov. 13; rights to expire on Nov. 30. **Price**—$50 per share. **Proceeds**—For expansion program. **Underwriters**—Glore, Forgan & Co. and Hornblower & Weeks, both of New York.

Duquesne Light Co.
Aug. 19 filed 100,000 shares of preferred stock (par $50). **Proceeds**—To reduce bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers. **Bids**—Originally scheduled to be received up to 11 a.m. (EDT) on Sept. 17, but on Sept. 16 the company announced bids will be received within 30 days from that date, bidders to be advised at least three days in advance of new date. No decision reached to date.

● **Farm & Home Loan & Discount Co., Phoenix, Ariz.**
Nov. 9 filed 863,230 shares of class A common stock, 858,186 shares of class B common stock and 1,000,000 shares of class C common stock. **Price**—25 cents, 35 cents and 50 cents, respectively. **Proceeds**—For working capital. **Underwriter**—None.

★ **Firth Sterling, Inc., Pittsburgh, Pa.**
Nov. 12 filed $1,600,000 of 6% convertible sinking fund subordinated debentures due Dec. 1, 1968. **Price**—To be supplied by amendment. **Proceeds**—To retire present indebtedness. **Underwriter** — McCormick & Co., Chicago, Ill. **Offering**—Expected about mid-December.

Fisher & Porter Co., Hatboro, Pa.
Oct. 26 (letter of notification) 17,920 participating preference shares and common shares (par $1). **Price**—$12.48 per share (plus in case of preference shares, accrued dividends at rate of 50 cents per share per year). **Proceeds**—For additions to plant and equipment and for working capital. **Underwriter**—None.

● **Florida Power Corp. (11/30)**
Nov. 5 filed $10,000,000 of first mortgage bonds due 1983. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **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; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); The First Boston Corp. **Bids**—Tentatively expected to be received on Nov. 30.

● **Florida Western Oil Co. (11/24)**
Nov. 6 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For drilling test well. **Office**—803 N. Calhoun St., Tallahassee, Fla. **Underwriter** — Floyd D. Cerf, Jr., Co., Inc., Miami, Fla.

★ **General Acceptance Corp.**
Nov. 10 (letter of notification) 12,000 shares of $1.50 series preferred stock (no par) to be offered in exchange for 30,000 shares of $10 par 6% cumulative sinking fund preferred stock of Universal Finance Corp., Omaha, Neb., on the basis of one General Acceptance share for each 2½ Universal shares. This offer will expire on Dec. 21. **Office**—949 Hamilton St., Allentown, Pa. **Underwriter**—None.

General Hydrocarbons Corp.
Aug. 12 filed $1,010,800 of 20-year debentures and 66,424 shares of common stock (par $1) to be offered in units of $350 principal amount of debentures and 23 shares of stock. **Price**—$359 per unit ($336 for the debentures and $1 per share for the stock). **Proceeds**—For general corporate purposes. **Business** — Oil and gas development. **Underwriter**—None. **Office**—Oklahoma City, Okla.

★ **General Motors Corp. (12/9)**
Nov. 17 filed $300,000,000 of 25-year debentures due 1979. **Price**—To be supplied by amendment. **Proceeds**—To finance capital expenditures and for working capital. **Underwriter**—Morgan Stanley & Co., New York.

● **General Precision Equipment Corp.**
Oct. 16 filed 108,167 shares of $2.90 cumul. convertible preferred stock (no par—stated value $50 per share), being offered for subscription to common stockholders on the basis of one new preferred stock share for each six common shares held on Nov. 6; rights to expire on Nov. 23. **Price** — $50 per share. **Proceeds**—To repay $3,925,000 bank loans and to increase general corporate funds. **Underwriters**—The First Boston Corp. and Tucker, Anthony & Co., both of New York.

● **General Shoe Corp., Nashville, Tenn.**
Oct. 2 filed 19,465 shares of $5 cumulative preference stock, series B (stated value $100 per share) and 139,742 shares of common stock (par $1) being offered in exchange for shares of stock of Berland Shoe Stores, Inc. on the following basis: For each Berland common share 0.54253 shares of General Shoe common; and for each 4 6/11th shares of Berland preferred stock one share of series B preferred of General Shoe or for each 2.0227 shares of Berland prefered one share of General Shoe common stock. Offer, which will terminate on Dec. 7, is subject to acceptance of 80% of each class of stock.

● **Giffen Industries, Inc. (11/20)**
Nov. 4 (letter of notification) 62,500 shares of common stock (par $2.50), of which 2,000 shares are to be offered to employees at $3.40 per share. **Price**—To public $4 per share. **Proceeds**—For general corporate purposes. **Office**—4112 Aurora St., Coral Gables, Fla. **Underwriter**—Atwill & Co., Miami Beach, Fla.

Government Employees Corp. (11/24)
Oct. 23 filed $500,000 10-year 4½% convertible junior subordinated debentures due Dec. 1, 1963 (convertible into common stock at the rate of $20 per share), to be offered for subscription by common stockholders of record Nov. 17 at the rate of $100 of debentures for each 15 shares held; rights to expire on Dec. 9. It is expected that subscription warrants will be mailed on or about Nov. 24. **Price**—At par. **Proceeds**—For working capital and to prepay $100,000 of junior subordinated notes. **Office**—Government Employees Insurance Bldg., Washington 5, D. C. **Underwriters**—Johnston, Lemon & Co., Washington, D. C.; and E. R. Jones & Co., Baltimore, Md.

★ **Greenwich Gas Co., Greenwich, Conn.**
Nov. 12 filed 75,468 shares of common stock (no par) to be first offered for subscription by the holders of the 89,333 shares presently outstanding; then to public. **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with proceeds from private sale of $200,000 of series A bonds, to be used to repay bank loans and for construction program. **Underwriter**—F. L. Putnam & Co., Inc., Hartford, Conn.

Greyhound Parks of Alabama, Inc., Phoenix, Ariz.
Oct. 21 filed $400,500 of 6% 10-year cumulative income debentures, due Oct. 1, 1962, and 40,050 shares of common stock (no par) to be offered in units of four debentures of $250 principal amount each and 100 shares of stock. **Price**—$1,100 per unit. **Proceeds**—To rehabilitate and construct racing plant in Tucson, Ariz. **Business**—Dog racing with pari-mutuel betting privileges. **Underwriter**—None.

Guardian Chemical Corp.
Oct. 26 (letter of notification) 42,000 shares of common stock (par 10 cents). **Price**—$2.37½ per share. **Proceeds**—For working capital. **Office**—10-15 43rd Ave., Long Island City, N. Y. **Underwriter**—Batkin & Co., New York.

Gulf States Utilities Co. (11/23)
Oct. 22 filed $10,000,000 of first mortgage bonds due Dec. 1, 1983. **Proceeds** — To repay bank loans and for new construction. **Underwriters** — To be determined by Competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Nov. 23 at office of The Hanover Bank, 70 Broadway, New York 15, N. Y.

Gulf Sulphur Corp., North Kansas City, Mo.
Oct. 27 filed 700,000 shares of convertible preferred and participating stock (par 10 cents). **Price**—$10 per share. **Proceeds**—To develop company concessions. **Underwriter**—Peter Morgan & Co., New York.

★ **Hardware Wholesalers, Inc., Fort Wayne, Ind.**
Nov. 10 (letter of notification) 1,000 shares of common stock (par $50) to be offered in units of 20 shares each. **Price**—$1,000 per unit. **Proceeds**—For working capital. **Office**—Nelson Road, Fort Wayne, Ind. **Underwriter**—None.

Hawaiian Electric Co., Ltd.
Sept. 25 filed 100,000 shares of common stock being offered for subscription by common stockholders of record Oct. 5 in ratio of one new share for each 5½ shares held. Rights will expire on Nov. 20. **Price**—At par ($20 per share). **Proceeds**—For plant expansion. **Underwriter**—None.

Heiland Research Corp., Denver, Colo.
Oct. 28 (letter of notification) 2,307 shares of 5½% cumulative preferred stock (par $100) and 23,070 shares of common stock (par $1). **Price**—The preferred, at par; and the common at $3 per share. **Proceeds** — To repay bank loans and for working capital. **Office**—130 East 5th Ave., Denver, Colo. **Underwriter**—Not named.

● **Hickey (Jess) Oil Corp., Ft. Worth, Tex.**
Nov. 6 (letter of notification) 4,000,000 shares of common stock, of which 3,000,000 shares are to be publicly offered, with 1,000,000 shares to be issued as bonus to buyers of first 1,000,000 on a share-for-share basis as a bonus. **Price**—At par (10 cents per share). **Proceeds**—For acquisition of oil properties and drilling. **Office**—1301-02 W. T. Waggoner Bldg., Ft. Worth, Tex. **Underwriter**—None.

★ **Hill-Lanham, Inc., Mt. Ranier, Md.**
Nov. 9 (letter of notification) 1,000 shares of 4% cumulative preferred stock (par $100) and 1,000 shares of common stock (no par) to be offered in units of one share of each class of stock. **Office**—3620 Wells Avenue, Mt. Ranier, Md. **Underwriter**—None.

Hydrocap Eastern, Inc., Philadelphia, Pa.
Oct. 30 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay debt and for working capital, etc. **Underwriter**—Barham & Co., Coral Gables, Fla.

● **Illinois Power Co. (11/23)**
Oct. 28 filed $20,000,000 first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co. Inc. and Glore, Forgan & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp. **Bids**—To be received up to 11 a.m. (CST) on Nov. 23 at Room 1567, No. 231 So. La Salle St., Chicago 4, Ill.

● **Indusco, Inc. (Del.) (11/23-25)**
Nov. 5 (letter of notification) 550,000 shares of 5% cumulative preferred stock (par 50 cents) and 550,000 shares of common stock (par one cent) to be issued in units of one share of each class of stock. **Price**—51 cents per unit. **Proceeds** — For development and promotion, acquisition of raw materials and working capital, etc. **Office** — 82 Beaver St., New York, N. Y. **Underwriter** — Prudential Securities Corp., New York.

Ionics, Inc., Cambridge, Mass.
June 30 filed 131,784 shares of common stock (par $1). **Price**—To be supplied by amendment (between $8 and $9 per share). **Proceeds**—To pay mortgage debt and for equipment. **Business** — Research and development and

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subsequent commercial exploitation in the field of ion exchange chemistry. **Underwriter**—Lee Higginson Corp., New York and Boston (Mass.). **Offering**—Date indefinite.

Iowa Power & Light Co. (11/24)
Nov. 3 filed 50,000 shares of cumulative preferred stock (par $100). **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Smith, Barney & Co., New York.

● Iowa Power & Light Co. (12/2)
Nov. 3 filed $8,500,000 of first mortgage bonds due Dec. 1, 1983. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; W. C. Langley & Co., Union Securities Corp. and Glore, Forgan & Co. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co., Wood Struthers & Co. and American Securities Corp. (jointly); The First Boston Corp; Blyth & Co., Inc.; Harriman Ripley & Co. Inc.; White, Weld & Co. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EST) on Dec. 2.

Israel Enterprises, Inc., New York
Oct. 1 filed 18,800 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For investment in existing industrial enterprises in Israel. **Underwriter**—None.

Jasper Oil Corp., Montreal, Quebec, Canada
Oct. 28 filed 550,000 shares of common stock (par $1—Canadian). **Price**—$3 per share. **Proceeds**—For expansion and exploration and development expenses. **Underwriter**—Globe Securities Corp., Ltd., Montreal, Canada.

★ Karlson Associates, Inc. (N. Y.)
Nov. 9 (letter of notification) 2,500 shares of preferred participating stock. **Price**—At par ($20 per share). **Proceeds**—For acquisition of inventory and for working capital. **Business**—To manufacture and sell the Karlson loudspeaker enclosure. **Office**—1379 East 15th St., Brooklyn 30, N. Y. **Underwriter**—None.

Kay Jewelry Stores, Inc., Washington, D. C.
Sept. 28 filed 672,746 shares of capital stock (par $1) to be offered in exchange for preferred and common stocks of 71 store corporations which operate 83 retail credit jewelry stores. **Underwriter**—None.

★ Keene & Co., Inc. (N. Y.)
Nov. 10 (letter of notification) 10,000 shares of 6% cumulative preferred stock (par $10) and 5,000 shares of common stock (par 10 cents) to be offered in units of two shares of preferred and one share of common stock. **Price**—$21 per share. **Proceeds**—For working capital. **Business**—To deal in listed and over-the-counter securities. **Office**—80 Wall St., New York, N. Y. **Underwriter**—None.

● Lewiston, Greene & Monmouth Telephone Co., Winthrop, Me. (11/24)
Nov. 6 (letter of notification) 12,136 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To pay indebtedness. **Underwriter**—F. S. Moseley & Co., Boston, Mass.

Ludman Corp., North Miami, Fla. (11/23)
Oct. 26 filed $750,000 of 6% sinking fund convertible debentures due Nov. 1, 1968. **Price**—At par (in units of $100 each) and accrued interest. **Proceeds** — to repay bank loans, and for new equipment and general corporate purposes. **Underwriter**—Courts & Co., Atlanta, Ga.

Maine Public Service Co. (11/24)
Nov. 2 filed 35,000 shares of common stock (par $10) to be offered for subscription by common stockholders of record Nov. 24 at rate of one new share for each six shares held (with oversubscription privilege). Rights will expire on Dec. 8. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., both of New York.

Manheim (Pa.) Water Co.
Oct. 28 (letter of notification) $125,000 of 4¾% first mortgage bonds, series A, dated Oct. 31, 1953, and due Oct. 31, 1978, to be offered to residents of Pennsylvania. **Price**—100% and accrued interest. **Proceeds**—For part payment of installation of a new water filtration plant. **Underwriter**—None.

★ Matheson Co., Inc. (N. J.) (11/30)
Nov. 13 (letter of notification) $200,000 of 15-year 6% convertible debentures due Jan. 1, 1969. **Price**—100% and accrued interest. **Proceeds**—To construct plant in Norwood, Ohio, and for working capital. **Business**—Sale of compressed chemical gases. **Office**—932 Paterson Plank Road. East Rutherford, N. J. **Underwriters**—Mohawk Valley Investing Co., Inc., Utica, N. Y., and Security and Bond Co., Lexington, Ky.

● Monongahela Power Co. (12/1)
Oct. 30 filed $10,000,000 first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Glore, Forgan & Co.; Lehman Brothers, Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc. **Bids**—To be received up to noon (EST) on Dec. 1.

★ Narragansett Electric Co. (12/16)
Nov. 12 filed 150,000 shares of cumulative preferred stock (par $50). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Harriman Ripley & Co. Inc. (jointly); White, Weld & Co.; Lehman Brothers and Goldman, Sachs & Co. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly). **Bids**—Tentatively expected to be received at noon (EST) on Dec. 16.

Nevada Tungsten Corp., Mina, Nev.
Oct. 22 (letter of notification) 1,000,000 shares of common stock to be offered to stockholders. **Price**—Five cents per share. **Proceeds**—For working capital. **Underwriter**—None.

● Newport Electric Corp., Newport, R. I. (11/24)
Nov. 6 (letter of notification) 5,955 shares of common stock (par $20) to be offered to common stockholders on basis of one new share for each ten shares held on Nov. 24. **Price**—At market (about $34.50 per share). **Proceeds**—To finance construction. **Office**—159 Thames St., Newport, R. I. **Underwriter**—Stone & Webster Securities Corp., Providence, R. I.

North Star Oil & Uranium Corp.
Oct. 23 (letter of notification) 600,000 shares of common stock (par five cents). **Price**—50 cents per share. **Proceeds**—To acquire certain mining claims, etc. and for exploration, development, drilling and working capital **Office** — 129 So. State St., Dover, Del. **Underwriter** — Lincoln Securities Corp., New York.

Nylok Corp., New York
Oct. 30 (letter of notification) $125,000 of 6% convertible serial notes due Jan. 1, 1964, being offered for subscription by common stockholders at rate of $125 of notes for each four shares of stock held as of Nov. 16; rights to expire on Dec. 16. **Price**—100% and accrued interest from Jan. 1, 1954. **Proceeds**—To reduce bank loans, purchase equipment, to explore foreign patents and for working capital. **Business**—Manufactures and sells fastening devices. **Office**—475 Fifth Ave., New York 17, N. Y. **Underwriter**—None.

Orange Community Hotel Co., Orange, Texas
Sept. 14 filed 8,333 shares of capital stock (par $20) and 8,333 registered 4% debentures due Jan. 1, 1984 of $100 each to be offered in units of one share of stock and one $100 debenture. **Price**—$120 per unit. **Proceeds**—To construct and equip hotel building. **Underwriter** — None. (Subscriptions to 4,949 shares of stock and 4,949 debentures are held by a group of citizens of Orange formed under the auspices of the Orange Chamber of Commerce.)

★ Osborn Manufacturing Co., Cleveland, Ohio
Nov. 9 (letter of notification) 22,415 shares of common stock (par $5). **Price**—$13.25 per share. **Proceeds**—For working capital. **Office**—5401 Hamilton Avenue, Cleveland 14, Ohio. **Underwriter** — Prescott, Shepard & Co., Inc., Cleveland, Ohio.

Petroleum Service, Inc., Dallas, Tex.
Oct. 30 (letter of notification) $300,000 of 6% convertible debentures due 1963. **Price** — At par. **Proceeds** — For working capital. **Underwriter**—Garrett & Co., Dallas, Tex.

★ Philadelphia Electric Co. (12/9)
Nov. 13 filed $20,000,000 of first and refunding mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co.; White, Weld & Co. **Bids**—Tentatively expected to be received on Dec. 9.

Plantation Farms, Inc. (N. J.)
Oct. 26 (letter of notification) 900 shares of common stock (no par). **Price**—$100 per share. **Proceeds**—To lease land, purchase equipment and for working capital. **Office**—42 North Main St., Pleasantville, N. J. **Underwriter**—None.

Porter-Cable Machine Co., Syracuse, N. Y.
Nov. 9 (letter of notification) 4,600 shares of common stock (no par). **Price**—$21.50 per share. **Proceeds**—To Geraldine R. Denison, the selling stockholder. **Underwriter**—William N. Pope, Inc., Syracuse, N. Y.

★ Procter & Gamble Co.
Nov. 16 filed 1,200 participations in the Procter & Gamble Profit Sharing Dividend Plan, 900 participations in the Procter & Gamble Stock Purchase Plan and 35,000 shares of common stock of Procter & Gamble Co. **Underwriter**—None.

★ Quebec Hydro-Electric Commission (12/2)
Nov. 13 filed $50,000,000 of debentures, series K, dated Dec. 1, 1953 and due to mature Dec. 1, 1978 (to be unconditionally guaranteed as to principal and interest by the Province of Quebec). **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—The First Boston Corp.; A. E. Ames & Co., Inc.; Harriman Ripley & Co., Inc.; Smith, Barney & Co.; Wood, Gundy & Co.; Inc.; The Dominion Securities Corp.; and McLeod, Young, Weir, Inc.; all of New York.

Rochester Telephone Corp. 11/20)
Oct. 30 filed 156,250 shares of common stock (par $10) to be offered for subscription by common stockholders of record Nov. 19 at rate of one new share for each four shares held; rights to expire on Dec. 7. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — The First Boston Corp., New York.

Saint Anne's Oil Production Co.
April 23 filed 165,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — To acquire stock of Neb-Tex Oil Co., to pay loans and for working capital. **Office**—Northwood, Iowa. **Underwriter**—Sills, Fairman & Harris of Chicago, Ill. Registration statement may be revised.

Silver Dollar Exploration & Development Co.
Aug. 20 (letter of notification) 1,000,000 shares of common stock. **Price** — 30 cents per share. **Proceeds**—For exploration. **Office**—West 909 Sprague Ave., Spokane, Wash. **Underwriter** — Mines Financing, Inc., Spokane, Wash.

● Skyway Broadcasting Co. (11/24)
Nov. 6 (letter of notification) subscription agreements for 2,000 shares of common stock. **Price**—At par ($50 per share). **Proceeds**—For studio remodeling. **Address**—Radio Station WLOS, Battery Park Hotel, Ashville, N. C. **Underwriter**—McCarley & Co., Inc., Ashville, N. C.

Snoose Mining Co., Hailey, Idaho
Oct. 30 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For machinery and equipment. **Underwriter**—E. W. McRoberts & Co., Twin Falls, Idaho.

Southwestern Investment Co. (11/24)
Nov. 4 filed $700,000 of 5½% capital debentures, series B. due Dec. 1, 1963. **Price**—92½% and accrued interest. **Proceeds**—For working capital. **Office**—Amarillo, Tex. **Underwriter**—The First Trust Co. of Lincoln, Neb.

Southwestern Investment Co., Amarillo, Tex.
Nov. 4 filed 10,000 shares of common stock (par $5), to be offered for subscription by employees of the company and its subsidiaries under the company's Employee Purchase Plan. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—None.

Sta-Tex Oil Co.
Oct. 2 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For drilling costs. **Underwriter**—Arthur R. Gilman, 20 Broad Street, New York City.

Strategic Materials Corp., Buffalo, N. Y.
Aug. 31 filed 198,500 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and other indebtedness, for further exploration of properties and for additional working capital. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y., and Allen & Co., New York, W. C. Pitfield & Co., Ltd., of Montreal, Canada, has agreed to purchase 50,000 shares from the underwriters for distribution in Canada.

Tennessee Gas Transmission Co. (12/1)
Oct. 30 filed $25,000,000 of first mortgage pipe line bonds due Nov. 1, 1973. **Purpose**—To repay bank loans and for expansion program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Bids** — To be received up to 11 a.m. (EST) on Dec. 1 at office of Messrs. Cahill, Gordon, Zachry & Reindel, 63 Wall St., New York 5, N. Y.

★ Thermoid Co., Trenton, N. J.
Nov. 16 filed 1,400 memberships in the Employees' Thrift Bonus Plan together with 82,000 shares of common stock and 16,000 shares of $2.50 cumulative convertible preferred stock which may be purchased under the terms of the plan.

● Trabella Uranium Mines, Inc., Colorado Springs, Colo.
Nov. 6 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For drilling and new equipment. **Office**—126 South Tejon St., Colorado Springs, Colo. **Underwriter**—None.

Tri Dent Corp. (N. J.)
Nov. 6 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and for general corporate purposes. **Office**—128 Linden Ave., Jersey City, N. J. **Business**—To manufacture a new toothbrush. **Underwriter**—Charles J. Maggio, Inc., New York.

United Merchants & Manufacturers, Inc.
Oct. 7 filed 574,321 shares of common stock (par $1). **Price**—At the market (either on the New York Stock Exchange or through secondary distributions). **Proceeds**—To a group of selling stockholders who will receive the said shares in exchange for outstanding preferred and common stock of A. D. Juilliard & Co., Inc., on the basis of 6½ shares of United Merchants stock for each Juilliard common or preferred share. **Underwriter**—None. Statement effective Oct. 26.

● United Rayon Mfg. Corp. (Netherlands) (12/3)
Oct. 9 filed "A.K.U." American depositary receipts for 180,000 American shares representing 10,000 ordinary shares of A.K.U. at the rate of 20 American shares for each ordinary share of Hfl. 1,000 par value. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders, who purchased the ordinary shares from the company, the proceeds to be used by it for capital additions to plants and facilities. **Underwriter** — Lazard Freres & Co., New York.

★ Uranium, Inc. Salt Lake City, Utah
Nov. 10 (letter of notification) 833,333 shares of common stock (par one cent). **Price**—Six cents per share. **Proceeds**—To equip and survey properties and for working capital. **Office**—702 Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Cayias Brokerage Co., Salt Lake City, Utah.

Ute Uranium, Inc., Denver, Colo.
Oct. 19 (letter of notification) 22,500,000 shares of common stock. **Price**—At par (1 cent per share). **Proceeds**—For mining and drilling. **Office** — 602 First National Bank Bldg., Denver 2, Colo. **Underwriter**—Kamp & Co., Inc., and Fred W. Miller & Co., both of Denver, Colo.

Virginia Electric & Power Co. (12/1)
Oct. 28 filed 558,946 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane, and Kidder, Peabody & Co. **Bids**—To be received up to 11 a.m. (EST) on Dec. 1 at Room 735, 11 Broad St., New York, N. Y.

● Warren Telephone Co., Warren, Ohio
Oct. 27 (letter of notification) 3,000 shares of $5 dividend preferred stock (no par) being offered for subscription by preferred stockholders of record Nov. 10 on the basis of 0.178147 of one new share for each share held; rights expire on Nov. 28. **Price**—$100 per share and accrued dividends. **Proceeds**—To discharge short-term indebtedness and for improvements and expansions to plant. **Office**—220 South Park Ave., Warren, Ohio. **Underwriter**—None.

Washington Water Power Co.
May 7 filed 1,088,940 shares of $1.28 cumulative convertible preferred stock (par $25) and 1,088,939 shares of common stock (no par) to be issued in connection with the proposed merger into company of Puget Sound Power & Light Co. on the basis of one-half share of preferred and one-half share of common for each Puget Sound common share to holders who do not elect to receive cash at the rate of $27 per share. **Underwriter**—None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. Price — To be supplied by amendment. Proceeds—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. Underwriters—White, Weld & Co. and Union Securities Corp., both of New York. Offering—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). Price—To be supplied by amendment. Proceeds—Together with other funds, to be used to build pipeline. Underwriters — White, Weld & Co. and Union Securities Corp., both of New York. Offering—Postponed indefinitely.

Western Empire Petroleum Co., Ogden, Utah
Oct. 22 (letter of notification) 3,000,000 shares of common stock (par 10 cents). **Price**—5 cents per share. **Proceeds** — For additional working capital, to acquire leases, drill well, etc. **Office**—812 Eccles Bldg., Ogden, Utah. **Underwriter** — Samuel B. Franklin & Co., Los Angeles, Calif.

★ Western Ventures, Inc., Spokane, Wash.
Nov. 9 (letter of notification) 400,000 shares of common stock. **Proceeds**—To purchase and install plant. **Price**—30 cents per share. **Office**—3414 West Euclid, Spokane, Wash. **Underwriter**—None.

● Worcester County Electric Co.
Oct. 12 filed 75,000 shares of $4.44 cumulative preferred stock (par $100). **Price**—$102.068 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Lehman Brothers, who was awarded the issue on Nov. 18.

Wyoming Oil Co., Denver, Colo.
Nov. 3 (letter of notification) 5,000,000 shares of common stock (par five cents). **Price**—5½ cents per share. **Proceeds** — For drilling expenses. **Office** — 301 Kittredge Bldg., Denver, Colo. **Underwriter** — Robert W. Wilson, Denver, Colo.

Prospective Offerings

American Louisiana Pipe Line Co.
Nov. 10 company, a subsidiary of American Natural Gas Co., asked Federal Power Commission to authorize construction of a $130,000,000 pipe line, to be financed through the issuance of $97,500,000 of first mortgage bonds, $12,000,000 of interim notes convertible to preferred stock at option of company, and $20,500,000 of common stock (par $100), the latter to be sold to parent.

● Appalachian Electric Power Co. (1/11)
Nov. 10 it was announced company plans to issue and sell $20,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EST) on Jan. 11. **Registration**—Planned for Dec. 9.

Atlantic City Electric Co.
Oct. 5 B. L. England, President, announced that the company plans to issue and sell early next year about $4,000,000 of new bonds and make an offering to stockholders on a 1-for-10 basis of sufficient common stock to raise an additional estimated $3,000,000. **Proceeds**—For construction program. **Underwriters**—For common stock may be Union Securities Corp. and Smith, Barney & Co. Previous bond issue was placed privately.

Bagdad Copper Corp.
Oct. 26 it was reported company has advised stockholders it had revised downward from $14,000,000 to between $7,000,000 and $8,000,000 its needs for new financing.

● Baltimore & Ohio RR.
Nov. 9 it was reported company is planning to issue $60,000,000 of new collateral trust 4% bonds to mature in 1-to-16 years in exchange for a like amount of collateral trust bonds due Jan. 1, 1965 now held by the Reconstruction Finance Corporation. The latter in turn plans to offer the new bonds to a group of investment houses including Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Alex. Brown & Sons; and others. The bankers would then offer the bonds to the public.

Central Illinois Electric & Gas Co.
Oct. 30 it was announced company intends to offer and sell (in addition to 70,400 shares of common stock to stockholders) an issue of 15,000 shares of cumulative preferred stock, par $100, later this year and $4,000,000 of first mortgage bonds about the middle of 1954. **Proceeds** — To repay bank loans and for new construction. **Underwriters** — (1) For preferred stock—Stone & Webster Securities Corp., New York. (2) For bonds—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Central Maine Power Co.
Oct. 7 it was reported company plans sale during the first quarter of 1954 of $10,000,000 common stock after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

Central National Bank of Cleveland
Nov. 2 offering to stockholders of 140,625 shares of capital stock (par $16) was made on basis of one new share for each four shares held as of Oct. 27; rights expire on Nov. 24. **Price**—$28 per share. **Proceeds**—To increase capital and surplus. **Underwriter** — McDonald & Co., Cleveland, Ohio.

★ Colorado Oil & Gas Co.
Nov. 12 it was reported company, a subsidiary of Colorado Interstate Gas Co., plans issuance and sale of about $20,000,000 of common stock. **Proceeds**—For exploration and development. **Underwriter**—Union Securities Corp., New York. **Offering**—Expected in February.

Commercial State Bank & Trust Co. of New York (11/23)
Nov. 6 it was announced company plans to offer to its stockholders 11,000 additional shares of capital stock (par $25) on a 1-for-5 basis held on Nov. 23; with rights to expire on Dec. 10. **Price**—$45 per share. **Proceeds**—To increase capital and surplus.

Commonwealth Edison Co.
Oct. 19 Willis Gale, Chairman, announced that if the separation of the gas and electric properties is carried out, a substantial block, perhaps $60,000,000, of mortgage bonds constituting a lien on the gas properties would be sold to public investors by Edison as the next step in financing its $1,100,000,000 postwar construction program. Upon transfer of the properties, Northern Illinois Gas Co., the new gas company to be formed would assume the sale obligation of the bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp.; Kuhn, Loeb & Co., Lehman Brothers and American Securities Corp. (jointly).

Consolidated Edison Co. of New York, Inc. (1/12)
Nov. 10 it was reported the company is planning to apply to the New York P. S. Commission for authority to issue and sell $35,000,000 of 30-year first and refunding mortgage bonds, series J, due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received Jan. 12.

Consumers Power Co. (1/6)
Oct. 30 company filed an application with Michigan P. S. Commission for authority to offer 679,436 additional shares of common stock to shareholders for subscription on basis of one share for each 10 shares held as of Jan. 7, 1954; rights to expire on Jan. 22, 1954. Unsubscribed shares will be offered first to employees. **Price**—To be determined by company and announced on Jan. 4, 1954. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan, Stanley & Co.; Harriman Ripley & Co. and The First Boston Corp. (jointly); Lehman Brothers. **Bids**—To be received on Jan. 6.

Delaware Power & Light Co.
Oct. 5 it was announced company plans to issue and sell in 1954 about $10,000,000 of first mortgage and collateral trust bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Union Securities Corp.; Lehman Brothers; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); W. C. Langley & Co.

● Erie RR. (12/10)
Bids will be received by the company up to noon (EST) on Dec. 10 for the purchase from it of $5,400,000 equipment trust certificates to be dated Jan. 15, 1954 and due annually 1955-1969, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Essex County Electric Co.
Sept. 21 it was reported company plans issuance and sale of $4,000,000 30-year first mortgage bonds. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

★ Fire Association of Philadelphia (1/18)
Nov. 16 it was announced company plans to offer to its stockholders Jan. 18, 1954, the right to subscribe on or before Feb. 17 for 340,000 additional shares of capital stock (par $10) on the basis of one new share for each share held. **Price**—Expected to be $22.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None, but The First Boston Corp., New York, will act as advisors to the company. **Meeting** — Stockholders will vote Jan. 14 on increasing authorized number of shares from 360,000 (340,000 outstanding) to 800,000.

Fruehauf Trailer Co.
Nov. 5 it was reported early registration is planned of $10,000,000 convertible subordinated debentures due 1973. **Underwriter**—Lehman Brothers, New York.

General Tire & Rubber Co.
Oct. 23 it was announced stockholders on Dec. 3 will vote on approving a proposal to authorize 350,000 shares of $100 par preferred stock. There are said to be no present plans for issuing any of these shares when authorized.

Houston Lighting & Power Co.
Sept. 25 it was reported company plans some new financing to provide funds for its construction program. Bidders for about $25,000,000 of bonds may include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Union Securities Corp.;; Lehman Brothers; Smith, Barney & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.

Idaho Power Co.
Aug. 6, officials of Blyth & Co., Inc. and Bankers Trust Co., New York, testified before the Federal Power Commission that this company plans to raise $184,550,000 to finance construction of three hydro-electric projects on Snake River, Idaho. If approved, the financing will consist of $105,000,000 of bonds through 1962; $27,400,000 of preferred stock; and $52,150,000 of common stock. Throughout the financing period, the company would borrow and repay $29,000,000 of short-term loans. Final financing details would depend on market conditions.

★ Iowa-Illinois Gas & Electric Co.
Nov. 10 it was reported company plans issuance and sale of 40,000 shares of preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—If by competitive bidding, they may include: The First Boston Corp.; Lehman Brothers; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler. **Offering**—Expected in January.

Long Island Lighting Co.
Nov. 9 it was announced that to complete the construction program through 1955, it is estimated that the company will require approximately $55,000,000 in addition to proceeds from the common stock offerings in October and from the sale of $25,000,000 of bonds this week, and from funds expected to be provided by depreciation accruals and retained earnings. The nature, amounts and timing of such additional financing will depend in part on construction progress and market conditions existing from time to time.

★ Louisville & Nashville RR. (11/30)
Bids are expected to be received by the company up to noon (EST) on Nov. 30 for the purchase from it of $6,765,000 equipment trust certificates, series N, to be dated Dec. 15, 1953, and to mature in annual instalments to and including Dec. 15, 1968. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

★ Louisville & Nashville RR.
Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

Maier Brewing Co., Los Angeles, Calif.
April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. **Price**—$5 per share. **Proceeds** — To help finance a new bottling plant. **Underwriter**—None.

McBride Oil & Gas Corp., Houston, Tex.
Nov. 8 it was announced that early registration is expected of approximately $5,000,000 of common stock. **Price**—Expected to be about $2 per share. **Proceeds**—For expansion program. **Underwriter** — Bryan & Co., Houston, Tex.

Milwaukee Gas Light Co.
July 7 company sought SEC approval of a bank loan of $9,000,000 the mature Aug. 1, 1954. These borrowings, plus retained earnings, are designed to finance expansion pending formulation of permanent financing prior to maturity of notes. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Lehman Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co. Inc.

Montreal (City of)
Nov. 5 it was reported that early registration is expected of $22,844,00 bonds due in 1 to 19 years. **Underwriters**—Probably Shields & Co., Savard & Hart and Halsey, Stuart & Co., Inc.

Montreal Transportation Commission
Nov. 5 it was reported that an issue of $15,000,000 bonds will be offered following financing City of Montreal. **Underwriter**—Probably Shields & Co., New York.

★ New England Electric System
Nov. 13 it was announced Bartholomew A. Brickley, trustee for International Hydro-Electric System, has filed a petition with the U. S. District Court to sell 125,000 shares of NEES common stock before Jan. 1, 1954 in order to establish a tax loss. A hearing will be held or

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Nov. 30. **Underwriters**—To be determined by competitive bidding.. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly).

•New York, New Haven & Hartford RR. (12/9)
Nov. 10 it was reported company is planning issuance and sale of $6,600,000 equipment trust certificates about Dec. 9. An additional $6,600,000 certificates will be offered later. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

North American Acceptance Corp.
Oct. 15 it was reported company plans to issue and sell in January all or part of 300,000 authorized shares of preferred stock (par $10), subject to approval of stockholders on Dec. 17. **Underwriter**—J. G. White & Co., New York.

Northern Illinois Gas Co.
See Commonwealth Edison Co. above.

Ohio Edison Co. (1/13)
Oct. 22 it was reported company plans to offer for subscription by its common stockholders of record Jan. 13, on a 1-for-10 basis, 527,830 additional shares of common stock (with an oversubscription privilege). **Price**—Expected to be named on Jan. 11. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp,; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received on Jan. 13.

Ohio Edison Co. (1/19)
Oct. 22 it was reported company tentatively plans to issue and sell an issue of $30,000,000 first mortgage bonds due 1984. **Proceeds** — For repayment of bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Union Securities Corp. (jointly). **Bids**—Expected to be received on or about Jan. 19.

Pacific National Bank of San Francisco (Calif.)
Oct. 28 it was announced that company is offering stockholders of record Oct. 26 the right to subscribe for 37,400 shares of common stock (par $20) on the basis of two new shares for each three shares held; rights to expire on Nov. 25. **Price**—$25 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Elworthy & Co. and Shuman, Agnew & Co., both of San Francisco, Calif.

Pacific Northwest Pipeline Corp.
Jan 29 company received FPC permission to file a third substitute application proposing to construct a 1,466-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $186,000,000, including $2,000,000 for working capital. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co.
July 2 it was announced company plans to issue and sell to its stockholders 1,004,603 additional shares of capital stock on a 1-for-7 basis. **Price**—At par (100 per share. **Proceeds**—To repay bank loans. **Underwriter**—None. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific's outstanding stock. **Offering**—Not expected until the early part of 1954.

Public Service Co. of Colorado
Oct. 13 it was reported company is planning to float an issue of $15,000,000 first mortgage bonds, due 1984, early next year. **Proceeds**—For financing, in part, a $17,000,000 electric generating plant to be constructed in Denver, Colo. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

Public Service Co. of Indiana, Inc. (1/12)
Nov. 10 it was reported the company is planning to issue and sell $25,000,000 first mortgage bonds, series K, due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received on Jan. 12. **Registration**—Expected about mid-December.

Riddle Airlines, Inc., New York
Aug. 11 it was announced company plans future public financing to secure cargo transport aircraft.

Ritter Finance Co., Inc., Jenkintown, Pa. (12/7-10)
Nov. 5 it was reported company plans to offer $1,000,000 5½% 12-year subordinated debentures. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa. **Offering**—Expected about mid-December. **Registration**—Planned for between Nov. 16-20.

★ St. Louis-San Francicso Ry (12/8)
Bids are expected to be received by the company on Dec. 8 for the purchase from it of $7,500,000 equipment trust certificates, series M, to be dated Jan. 1, 1954 and to mature annually to and including Jan. 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co., Inc.

Southern Pacific Co. (12/3)
Bids will be received up to noon (EST) on Dec. 3 for the purchase from the company of $5,925,000 equipment trust certificates due annually on Nov. 1 from 1954 to 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co., Inc.

Southwestern Development Co.
See Westpan Hydrocarbon Co. below.

Southwestern Public Service Co.
Aug. 6 it was announced company plans to issue and sell about $20,000,000 of securities (to consist of around $12,000,000 bonds; from $2,000,000 to $3,000,000 of preferred stock; and the remainder in common stock, the latter to be offered first to stockholders on a 1-for-13 basis). **Underwriter**—Dillon, Read & Co., New York. **Offering**—Expected in January or February 1954.

★ Texas Natural Gasoline Co. (12/15)
Nov. 10 it was reported early registration is expected of 200,000 shares of common stock, of which 150,000 shares are to be for account of selling stockholders. **Underwriters**—Carl M. Loeb, Rhoades & Co., New York, and Dallas Rupe & Son, Dallas, Tex.

★ Welch Manufacturing Co., Inc. (11/19)
Bids will be received at the office of the company in Milford, Del., up to 2:15 p.m. (EST) on Nov. 19 for the purchase from the Farmers Bank of the State of Delaware of 1,901 shares of common stock and 389 shares of preferred stock of the Welch Manufacturing Co., Inc. (formerly John H. Mulholland Co.) which were held as collateral for promissory notes of Clarence M. and Hilda M. Welch, which are in default. The Bank reserves the right to reject any and all bids.

West Coast Transmission Co.
Oct. 14 it was announced that company now plans to issue $29,000,000 in 1-to-5½-year serial notes; $71,000,000 in 20-year, first mortgage bonds; and $24,440,000 in subordinated long-term debentures and 4,100,000 shares of common stock to be sold to the public. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York.

Westpan Hydrocarbon Co.
July 1 SEC granted Sinclair Oil Corp. an extension of six months from June 21, 1953, in which to dispose of its holdings of common stock in Westpan and the Southwestern Development Co. Sinclair owns 384,860 shares (52.85%) of the stock of each of the other two companies. **Underwriter**—May be Union Securities Corp., New York.

Our Reporter's Report

The program set up by the Treasury for the refinancing of its impending $10 billion note maturity appeared to strike a satisfactory note with banking interests.

What would be done with the Dec. 1 maturity had been one of the things hanging over the market. There was some doubt that any attempt would be made to stretch-out the debt at this time.

But the dual offering of 12½-month 1⅞s and a 2½% note to run for little short of five years proved pleasantly surprising judging by comment in government bond circles.

In fact it was the consensus that the maturities offered would have a stimulating effect on the government market. And the majority expressed the belief that the longer issue would prove popular with a substantial number of holders of the maturing issue outside the Federal Reserve.

The latter, of course, holds some seven billions of the maturing total and it can be assumed will take down the short-term 1⅞s in the exchange. The Treasury, it was noted, stands to benefit from a reduction in its carrying costs through the current operation.

The government market was immediately responsive to the announcement with the long-end of the list, which had been bogged down until the news came out, developing evidence of brisk demand.

GM's Road Block

As far as the new issue market is concerned, the General Motors Corp.'s financing plans, announced late last week, are looked upon as in the nature of a "road-block" for the corporate section.

With this huge new block of debt securities, 300 millions of debentures, 25-year, due out early next month it can be expected that other prospective borrowers will have difficulty in arousing buyer interest in the interval.

Expected to be rated Triple A, and representing GM's only outstanding debt, there are many portfolio into this one will fit readily. It's a large order, biggest industrial issue ever, but the quality is expected to make it attractive if the price is right. Street gossip ranges all the way from a 3.25% to a 3.40% basis. But these details will be set when the offering date rolls closer.

Issues Slated For Bids

Among the more important new offerings which are scheduled for competitive bidding on Dec. 1 next, are Columbus & Southern Ohio Electric's $10,000,000 of bonds; Florida Power Corp.'s $10,000,000 and a similar issue for Monongahela Power Co.

On the same day bids will be opened for $25,000,000 first mortgage, 25-year bonds of Tennessee Gas Transmission Corp. and for 558,946 shares of common stock of Virginia Electric & Power Co.

The following day brings $50,000,000 of Quebec Hydro-Electric Commission debentures due in 25-years and an Iowa Power & Light Co. issue of $8,500,000 first mortgage bonds.

In most of these instances, it will be remembered, preliminary meetings with corporate officials are a must for final details before bids are submitted.

Toronto Debentures Publicly Offered

Harriman Ripley & Co., Incorporated and The Dominion Securities Corporation head a group which is offering $18,600,000 Corporation of the City of Toronto (Province of Ontario, Canada) consolidated loan debentures bearing interest at rates from 3% to 3½% due in various amounts from Dec. 1, 1954 to 1983, inclusive. The debentures are offered at prices yielding 2.75% to 3.50% according to rate and maturity, plus accrued interest in each case.

In the opinion of counsel, income tax presently imposed by the Canadian Government will not be payable, in respect of the debentures or interest thereon, by owners who are non-residents of Canada and succession duty presently imposed by Canada or the Province of Ontario will not be payable in respect of the debentures or interest thereon, if owners of the debentures are not residents of Canada and the debentures are not registered on a register within Canada.

Other members of the offering group are: The First Boston Corporation; Smith, Barney & Co.; Wood, Gundy & Co., Inc.; A. E. Ames & Co. Incorporated; and McLeod, Young, Weir, Incorporated.

Continued from page 8

Dealer-Broker Investment Recommendations & Literature

Scruggs-Vandervoort-Barney, Inc.—Analysis—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

Standard Gas & Electric Co.—Reappraisal—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a reappraisal of **Standard Power & Light Corp.**

Sterling Engine Company—Bulletin—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Nov. 12, 1953 is as follows:

Team:	Points
Bean (Capt.), Bass, Valentine, McGovern, Bradley	34½
Klein (Capt.), Fredericks, Murphy, Weseman, Huff	30
Leone (Capt.), Nieman, Gannon, Tisch, Greenberg	30
Krisam (Capt.), Pollack, Cohen, Smith, Strauss	26
Serlen (Capt.), Rogers, Gold, Krumholz, Gersten	25
Meyer (Capt.), M. Meyer, Frankel, Wechsler, King	21
Hunter (Capt.), Brown, Reid, Farrell, Barker	20½
Burian (Capt.), Gavin, Clemence, Montanye, Whiting	20½
Kaiser (Capt.), Hunt, Werkmeister, Swenson, Ghegan	18
Growney (Capt.), Boggs, Siegel, Voccolli, Lienhardt	17½
Donadio (Capt.), Craig, Gronick, Bies, Demaye	16
Manson (Capt.), Jacobs, Topol, Weissman, H. Frankel	11

200 Point Club
B. Huff 203

5 Point Club
Julie Bean

N. J. Highway Authority Awards $135,000,000 Bonds to Nationwide Banking Group

Garden State Parkway obligations, guaranteed by the State of New Jersey, reoffered to public at prices scaled to yield from 1.50% to 2.875%. Financing represents second and final issue under original $285,000,000 authorization.

A nationwide banking group comprising 325 members and managed by The National City Bank of New York, Lehman Brothers, The Chase National Bank, Bankers Trust Company, First National Bank of New York, J. P. Morgan & Co. Incorporated and The First National Bank of Chicago was awarded on Nov. 18, an issue of $135,000,000 New Jersey Highway Authority State-guaranteed Parkway bonds. The award marked the second large scale financing operation for the Garden State Parkway, 165-mile superhighway now under construction. The group bid 100.05 for $13,400,000 bonds due 1960 to 1968 bearing an interest rate of 3%; $50,650,000 bonds due 1969 to 1971 and 1978 to 1983 carrying a 2¾% coupon; $28,750,000 bonds due 1972 to 1977 carrying a 2½% coupon; and $42,200,000 bonds due 1984 to 1988 carrying a 2⅞% coupon, a net interest cost to the borrower of 2.7652%. The underwriting group is reoffering the bonds to the public at prices scaled to yield from 1.50% for the 1960 maturity to 2.875% for bonds due in 1988.

Proceeds from the current sale of series B bonds are expected to be sufficient to complete the major construction of the Parkway. In July of this year the Authority sold $150,000,000 series A State-guaranteed bonds to a banking group under substantially the same management as that of the present group.

A considerable part of the Parkway, which will extend from Paramus and Paterson (in Bergen and Passaic Counties) to Cape May (at the southern tip of New Jersey's shore line) is under construction.

It is expected that the entire Parkway will be open to traffic in 1954 and that major sections will be opened by Memorial Day in 1954.

Series A and B bonds issued by the Authority carry the unconditional guaranty of the State of New Jersey as to principal and interest.

Bonds due between Jan. 1, 1964 and Jan. 1, 1986 are subject to redemption beginning July 1, 1963 at a premium of 4% to Jan. 1, 1968 and thereafter at decreasing premiums. Bonds due in 1987 and 1988 are redeemable beginning July 1, 1958 at a premium of 4% to Jan. 1, 1968 and thereafter at prices decreasing to the principal amount.

Other principal underwriters include:

Guaranty Trust Company of New York
Chemical Bank & Trust Company
Halsey, Stuart & Co. Inc.
Harriman Ripley & Co. Incorporated
Smith, Barney & Co.
The First Boston Corporation
Blyth & Co., Inc.
Harris Trust and Savings Bank
The Northern Trust Company
Continental Illinois National Bank & Trust Company of Chicago
C. J. Devine & Co.
Drexel & Co.
Goldman, Sachs & Co.
Kidder, Peabody & Co.
Phelps, Fenn & Co.
The Philadelphia National Bank
Salomon Bros. & Hutzler
Union Securities Corporation
B. J. Van Ingen & Co. Inc.
Bear, Stearns & Co.
Blair, Rollins & Co. Incorporated
Eastman, Dillon & Co.
Equitable Securities Corporation
Glore, Forgan & Co.
Ladenburg, Thalmann & Co.
Merrill Lynch, Pierce, Fenner & Beane
National State Bank, Newark
R. W. Pressprich & Co.
Shields & Company
Stone & Webster Securities Corporation
White, Weld & Co.
Barr Brothers & Co.
A. C. Allyn and Company Incorporated
The First National Bank of Portland, Oregon
Ira Haupt & Co.
Kean, Taylor & Co.
The Marine Trust Company of Western New York
Mercantile Trust Company, St. Louis
F. S. Moseley & Co.
Paine, Webber, Jackson & Curtis
Van Alstyne, Noel & Co.
American Trust Company, San Francisco
Bacon, Stevenson & Co.
Alex. Brown & Sons
Estabrook & Co.
Hemphill, Noyes & Co.
Hornblower & Weeks
Reynolds & Co.
Seattle-First National Bank
Wood, Struthers & Co.
American Securities Corporation
Bache & Co.
The Boatmen's National Bank of St. Louis
Braun, Bosworth & Co. Incorporated
Dick & Merle-Smith
Dominick & Dominick
Eldredge & Co., Inc.
First of Michigan Corporation
Geo. B. Gibbons & Company Incorporated
Hallgarten & Co.
Hayden, Stone & Co.
A. M. Kidder & Co.
Laidlaw & Co.
Aubrey G. Lanston & Co. Incorporated
Lee Higginson Corporation
Carl M. Loeb, Rhoades & Co.
W. H. Morton & Co. Incorporated
R. H. Moulton & Company
Roosevelt & Cross Incorporated
L. F. Rothschild & Co.
Schoellkopf, Hutton & Pomeroy, Inc.
F. S. Smithers & Co.
Weeden & Co. Incorporated
Wertheim & Co.
Robert Winthrop & Co.
Dean Witter & Co.
Adams, McEntee & Co., Inc.
Andrews & Wells, Inc.
A. G. Becker & Co. Incorporated
William Blair & Company
Boland, Saffin & Co.
J. C. Bradford & Co.
Brown Brothers Harriman & Co.
Central Republic Company (Incorporated)
Clark, Dodge & Co.
Coffin & Burr Incorporated
R. S. Dickson & Company Incorporated
Francis I. du Pont & Co.
J. B. Hanauer & Co.
Hannahs, Ballin & Lee
Hirsch & Co.
W. E. Hutton & Co.
The Illinois Company
King, Quirk & Co. Incorporated
Laurence M. Marks & Co.
Wm. E. Pollock & Co., Inc.
Julius A. Rippel, Inc.
Schaffer, Necker & Co.
Shearson, Hammill & Co.
Stroud & Company Incorporated
Trust Company of Georgia
Van Deventer Brothers, Inc.
G. H. Walker & Co.
Chas. E. Weigold & Co., Inc.
Butcher & Sherrerd
California Bank, Los Angeles
Camden Trust Company
The First-Mechanics National Bank of Trenton
Schmidt, Poole, Roberts & Parke
Trenton Trust Company

Midwest Exch. Member

CHICAGO, Ill.—The Board of Governors of the Midwest Stock Exchange have elected to membership John L. Porter, Jr., of Chicago.

With Oscar Dooly

MIAMI, Fla.—Raymund F. McAdams has joined the staff of Oscar E. Dooly & Co., Ingraham Building.

LEGAL NOTICE

ABERDEEN AND ROCKFISH RAILROAD COMPANY
Incorporated
First Mortgage Three and One-Quarter Per Cent Bonds due July 1, 1960

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Deed of Trust dated as of July 1, 1945 between the undersigned and the Security National Bank of Greensboro, Raleigh, North Carolina, Trustee, there have been drawn by lot for redemption and it is the intention of the undersigned to pay and redeem on January 1, 1954, $3,000.00 principal amount of the above described bonds, bearing Nos.

5 — 19 — 75

The bonds so designated for redemption will become due and payable on said redemption date and will be redeemed on or after that date at the office of the Trustee, the SECURITY NATIONAL BANK, Raleigh, North Carolina, at par and accrued interest to redemption date. All such bonds are required to be presented for payment and redemption at said office of the Trustee on January 1, 1954 on which date interest shall cease to accrue thereon.

ABERDEEN AND ROCKFISH RAILROAD COMPANY INCORPORATED
By: J. A. Bryant, Treasurer
Dated: October 26, 1953

First Boston Group Offer Utility Stock

The First Boston Corp. and associates publicly offered yesterday (Nov. 18) a new issue of 100,000 shares of Iowa Southern Utilities Co. $15 par value common stock at a price of $20.12½ per share. The Utility, which supplies electric and gas service in southern and southeastern Iowa, will apply the proceeds of the financing to the cost of its construction program.

Dividends on the common stock have been paid quarterly at the annual rate of $1.20 per share. At the conclusion of the present sale, the company will have outstanding 728,597 shares of common stock; 93,967 shares of preferred stock (par value $30 per share) and $21,190,000 in long-term debt.

Operating revenues of the company for the 12 months ended Aug. 31, 1953, totaled $10,982,912 and net income for the period amounted to $1,209,435, equal after preferred dividends, to $1.93 per common share. The company is completing construction of the second and final unit at its new Bridgeport station which will more than double the system's generating capacity with a resultant decrease in purchases of power requirements from over 50% to less than 31%.

Washington . . . And You

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

WASHINGTON, D. C.—One cannot guess what finally will come out of the planning machine, but Al Cole is working hard to shape up a new Administration housing program that would change considerably the climate of governmental aids and subsidies to the housing industry.

Cole, the able former Kansas Congressman, is Administrator of the Housing and Home Finance Agency. The first job he was assigned as the top housing official of the Eisenhower Administration was to frame a recommended new program of housing legislation, including a re-shuffle of the Federal agencies handling this business.

Own his own and in consultation with industry and key Congressional figures, Mr. Cole probably could have come up with some pretty interesting answers. However, the White House has a predilection for expert commissions, so-called, and it was ordained and decreed that a housing program should come from an especially created "President's Advisory Committee On Government Housing Policies and Programs."

This outfit was named formally by Executive order in September, but actually got going informally last spring. It is composed of representatives of all segments of the home building and financing industry, and "public interest" groups. The "public interest" groups include, roughly the lobbyists for public housing, for better housing for minority groups, and labor organizations—in other words, of persons whose "public interest" consists in a vested interest in the public Treasury.

Diverse Groups Disagree

As was reported in this column months ago, the diverse groups naturally remained diverse. The housing construction industry, having become used to government-guaranteed mortgage loans with low rates of interest, small down payments, and extraordinarily long-terms, wanted more of the same. They also wanted more direct Federal money for housing mortgages, whenever the flow of mortgage money dropped below a torrent. The lending institutions in general were opposed to this concept, particularly to more Federal credit. The "public interest" groups were naturally horrified at any thought that good old Uncle Sam should diminish the "Federal contribution" for public housing—a contribution, incidentally, amounting to 90% of the cost of these projects.

Hence the great President's Advisory committee was able to advise nothing but more and better subsidies. This left Al Cole right back where he started from, even if the futility of the commission study idea does help to give the new occupants of the White House some lessons in their elementary course in government and politics, for which they are enrolled in a study period of from Jan. 20, 1952 to Jan. 20, 1956.

Emphasize Rebuilding Of Old Homes

One of the key ideas being studied by Mr. Cole, it is reported, is a broad program for assisting the home-building industry to go heavily into the reconstruction of older houses.

Under Title I of FHA the government insures 10% of a lending institution's total line of credit extended for "home modernization and improvement loans." This finances such things as a new furnace, possibly one new room, a new interior or exterior decoration job, and so on. This will be retained.

However, present government-sponsored aids are said to be insufficient to permit a thorough-going face-lifting job on the estimated 30 million housing units in the United States 10 years or more older.

What is needed is special-mortgage provisions under which a house may not merely be expanded as the family grows, but its contours or facade, if need be, can be changed to re-build it into the current fashion in housing.

In the pell-mell rush to encourage construction of new housing, first in the '30s as a depression antidote, and in the post War II period as a preventative of the so-called post-war readjustment, existing houses were neglected. The old house renovation business is said to offer wonderful possibilities, particularly if the housing market should stay competitive for a little while. It also is said to offer a fruitful outlet for national economic activity to be given stimulus, should there be a business set-back.

To accomplish this objective will probably necessitate setting up a new FHA deal on mortgages on existing housing. It probably also will require the adoption of the "open end" mortgage advocated by builders, whereby a mortgage in process of curtailment can be added to, to finance home renovation.

Seek Better Deal on Public Housing

Another phase of the new program is said to involve a change in the present arrangements on slum clearance and public housing. One of the more interesting changes mentioned is the enforcement of a provision that NO municipality shall be entitled to Federal subsidies until and unless it enforces strictly its local ordinances against substandard housing, for reasons of public health and safety.

Some thought is being given to the idea of junking the present rigid proportions of Federal subsidy, and of lowering them. Then the amount of the Federal subsidy would be regulated, case by case, according to the needs of each project, but in hardly any case would the Federal government contribute nearly the whole sum (in disguise) as at present.

Get Out of Mortgage Support Business

Finally, another idea being given study is said to be that of eliminating the present secondary market for guaranteed and insured funds, which is now financed entirely by Federal funds.

Some thought is being given to creating a big Mortgage Discount Corporation (not necessarily its exact name), to be operated under the supervision of the Federal Home Loan Bank Board. At the same time this Board would be broadened in its constitution to represent not merely the cooperative building associations, but also representatives of the housing construction, and other housing finance industries.

Congress Will Be Cool

Should any such program be offered to Congress in 1954, it is a pretty safe bet it would adopt almost anything adding to direct or indirect Federal subsidies, as for older housing. On the other hand, it as a dubious prospect that in an election year Congress would have the temerity to curtail the proportion of Federal subsidies for public housing and slum clearance, thereby risking the ire of the big city political machines.

Ives Can Be T-H Subcommittee Chairman

If he wants to, Senator Irving M. Ives, Jr., of New York, can probably be Chairman of the Senate Labor subcommittee dealing with Taft-Hartley legislation, succeeding the late Senator Taft. Senator Ives is Chairman of the Civil Rights subcommittee and at present only acting Chairman of the T-H subgroup. No member of the committee can be chairman of more than one subcommittee, so Ives will have to elect which group he desires.

Senator Ives is sponsor of a proposition for transferring the management and wage and production planning policies of American industry and agriculture to a great national council, to be called a "National Production Council."

It is somewhat reminiscent of syndicalism.

The New York Senator was one of the original directors of the Industry Council Association, Inc., established in 1950 to promote the establishement of such a "National Production Council." This national council would also be assisted by industrial councils in the basic industries, such as farming, logging, fishing, retailing, etc. The councils would represent workers through labor unions, farmers, consumers, management, and the government.

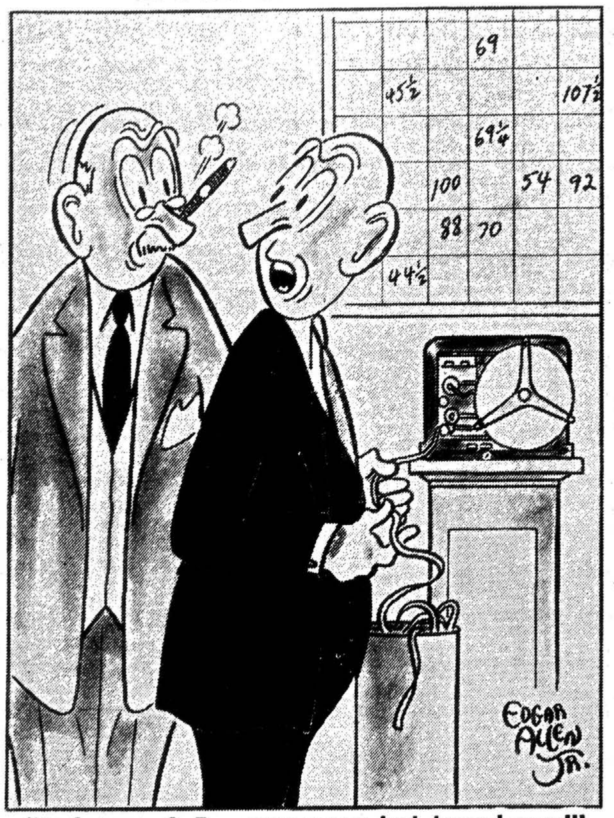
This National Production Council would be responsible for planning industrial and agricultural production, investment, the employment (or non-employment) of new technological advances, and it would determine wages and handle all labor-management relations.

Hence it would become a super-government of the economy, replacing business and industrial management and also in effect, labor unions as well.

On April 22, 1953, Senator Ives introduced Senate Bill 1729 for himself and Senator Paul H. Douglas (D., Ill.) with a view of eventually providing for the establishment of such a National Production Council.

(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



"Bad news, C. B.—your sugar just turned sour!"

Business Man's Bookshelf

Ideas-Techniques-Designs — 1954 edition with data for unitizing electronic equipment — Department HB, Alden Products Co., Brockton, Mass. — Available on request on your letterhead.

Instalment Sales Financing: Its Services to the Dealer—Clyde William Phelps — Commercial Credit Company, Baltimore 2, Md.—Paper.

Layman's Guide to the Consumer Price Index — Popular description of Bureau of Labor Statistics consumer price index—New York Regional Office, 341 Ninth Avenue, New York 1, N. Y.—20c.

My Freedom Depends on Yours—Dean Russell — Foundation for Economic Education Inc., Irvington-on-Hudson, N. Y.—Paper —No charge for single copies; quantity prices on request.