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EDITORIAL

As We See It

The attention of thoughtful students of world economic affairs has been attracted more and more of late to what is now popularly known as Western Germany. Politically, this country — if country it is—has, of course, been the center of a good deal of attention ever since the end of World War II, and inevitably so. It is, however, only during the past few years that purely economic developments there have become extraordinarily impressive.

The rank and file of the people of the United States are beginning to take notice of the increasing extent to which products from Germany are to be found in the shop windows and upon the shelves of retail distributors. Domestic manufacturers with whose products these German articles compete are, naturally, well aware of their presence, as they are also of the entry into our markets of other types of products which are not normally distributed through retail channels.

All this is, of course, part and parcel of a situation which is certain soon to be brought to the attention of the so-called Randall Commission, and later to Congressional committees so largely influential in shaping legislation bearing upon our foreign economic policy.

Natural Consequences

It is natural for the consumer to welcome the opportunity to buy the products of other lands if in his judgment they are better or more reasonably priced than those available to him from our own plants. It is likewise to be expected that the domestic manufacturer who feels the weight of this new competition will go to Washington

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Shape of Economic Things to Come

By MURRAY SHIELDS*
Vice-President and Economist,
Bank of the Manhattan Company

After listing significant and highly favorable developments of past year; such as: (1) the serious weakness behind the Iron Curtain; (2) the efforts of New Administration to carve out a new businesslike economic program; (3) the resurgence of conservatism in many countries; (4) removals of credit and interest controls, and, lastly, the recent exhibition of nation's economic power, Mr. Shields sees no reason that we should experience "another 1929." Stresses fact United States is still a "growing country," but urges business, associations, and government "do a bit of post-boom planning."

In these turbulent times any appraisal of the shape of things to come must make allowance for an unusually wide margin of error. On the one hand, it is not to be denied that technological progress, a resurgence in population growth, the redistribution of income into a huge new middle class market, an assortment of automatic props and the clear determination of the Administration to adopt highly stimulative policies provide a formidable set of influences tending to hold our economy at or near the lofty levels recently attained. On the other hand, business has been so good for so long, the price structure is so "souped up" with inflation, our economy has become so dependent on an assortment of pegs, supports and subsidies, our Defense Program has kept our production at "forced draft" for so long, and both debt and inventories have increased so sharply that we dare not disregard the possibility that a conjuncture of unfavorable developments

Murray Shields

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*An address by Mr. Shields at the Annual Meeting of the Grocery Manufacturers of America, Inc., New York City, Nov. 10, 1953.

Restoring Free Enterprise On the Farm

By RICHARD F. UHLMANN
President, Uhlmann Grain Company
Former President, The Chicago Board of Trade

Prominent grain merchant reviews conditions in grain production from outbreak of World War I up to the present. Gives history of artificial farm price supports from the 1929 act in Hoover Administration and the subsequent "New Deal" and "Fair Deal" legislation. Says farmers of this country have done well during past decade, but points out there is still room for improvement, and with an increasing population, as forecast, farm surplus and farm exports are likely to disappear. Concludes, artificially limiting farm output inevitably makes us poor, and long-run effect is bound to be detrimental.

Before World War I agricultural conditions were normal and just about ideal. On an average, the world produced very nearly its annual requirements. In years when one or two countries had short crops, supplies at the end of the season were largely depleted, and in years of plenty they were moderately increased. Wheat brought a fair price in every country, and yet not high enough to stimulate production to an extraordinary extent. The United States and Russia were the chief exporters of wheat, each competing with the other for predominance. One year the victory belonged to one, another year to the other. A few smaller countries added to the supplies for the importing countries in a more moderate degree, such as the Balkan States, adjacent to the Black Sea, Australia, and Argentina; but none of these were great factors. Canada contributed moderately. With the outbreak of the war and the closing of the Dardanelles, everything changed. Russia was at once removed as an exporter, and this was a very important factor. After a while waste on the battlefields became very great. Consumption by the armies in-

Richard F. Uhlmann

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IBA CONVENTION ISSUE SHORTLY—The "Chronicle" of December 17 will include addresses, committee reports, etc., made during the Annual Convention of the Investment Bankers Association of America currently in progress at Hollywood, Fla.

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.)

LAWRENCE KLYBERT
Manager Statistical Dept., Brooklyn, N. Y., Office of Josephthal & Co.
Members N. Y. Stock Exchange and other leading Exchanges

Rayonier, Incorporated

Of the many reasons why I should like every one of my readers to become a long-term stockholder in **Rayonier**, I enumerate 10, and develop them briefly.

Steady Growth.
Able Management.
Profitable Research.
Huge Expansion Program.
Finances Very Strong
Big Plow-Back of Earnings.
High Profit-Margin.
Low Break-Even Point.
Price-Times-Earnings Ratio
Should Rise Sharply.
Higher Dividend Due in 1954.
Deeply Undervalued Currently.

Growth

Rayonier, a young company, 16 years old, in a young industry, **Starts With a Tree** (owns timberland acreage totaling over 800,000 acres in Washington, Georgia and Florida) and produces (1952) 373,000 tons of Chemical Cellulose, and 40,750 tons of Paper-Making Pulps and Fine Papers. By careful forestry re-growth management, Rayonier provides itself with an inexhaustible supply of basic raw materials, trees.

Lawrence Klybert

Chemical Cellulose, developed originally as a foundation material for manufacture of acetate and rayon yarns, now is also a principal raw material in at least 17 other consumer applications. Sales of cellulose have more than tripled since 1946, just to keep pace with the tremendous increase in world production of rayon from 1,691-million pounds in 1946 to over 4,000 million in 1951. Installed capacity by end of 1954, as estimated by "Textile Organon," will reach 5,623-million pounds. (Cotton consumption is declining rapidly, as total world cotton output is only 250,000 tons.) Thus, today, little more than a third of **Rayonier's** rapidly increasing tonnage goes to Rayon, the balance to new customers and for new uses which were nonexistent a few short years ago.

Export sales, now but 15% of **Rayonier** volume, are due for a big lift. As **Rayonier**-men like to put it, the 160 million U. S. population now consumes over seven pounds per capita per year, with consumption still growing apace. The 2 billion free world population outside the U. S. still consumes less than one pound per capita. An increase of only one pound per capita by them would require a 35% to 50% rise in world output, an exciting potential indeed, which **Rayonier** expects, and is preparing for.

Management and Research

Research, product diversification and plant expansion have brought growth in sales and profits that speaks volumes for President Clyde B. Morgan's leadership and his able management team. **Research**, headed by internationally distinguished specialists in wood cellulose chemistry, has gained for **Rayonier**, a big headstart in the intrigueing new science of Silvichemistry. This is the study of uses for waste materials (lignin acids), heretofore left over after about two-thirds of the original wood is converted into cellulose. **Silvichemistry** may well be a "Horn of Plenty" of valuable new products—several already developed—and prove as profitable to wood-cellulose producers as similar by-products have been to coal and oil.

Meanwhile, through technical collaboration with customers, major users of cellulose chemicals now include manufacturers of **Cellophane; Tire Cord**, also mechanical rubber goods such as factory belting and industrial hoses; Photo film; Plastics; Nitro-cellulose for fast-drying lacquers, and explosives. Also, there is the new CMC, a marvelous soluble, digestible gum used (as binding or suspension agents, or thickeners) in detergents, cosmetics, pharmaceuticals, paints, ceramics, and other products.

Huge Expansion Program Now Nearly Completed

Rayonier's main concern is not with any prospective business dip, but rather "to develop sufficient capacity to fill 100% of our customers' requirements." As world demand will reach **beyond the capacity of present production facilities for several years ahead,** President Morgan in 1951 began a huge modernization-expansion program. Capacity of the four present mills has been increased by 55,000 tons, while the great new $29 million mill at Jesup, Ga., scheduled for completion next spring, will add 87,000 tons more, raising total capacity by 20%, to around 520,000 tons annually. This will represent over half of U. S. output, about a third of North American, and about a fifth of all world output of cellulose.

Finances Very Strong; Earnings Plow-Back Large

At year-end, current assets of $33.4 million covered current liabilities of $4.8 million 6.9 times. **Cash** and U. S. Government bonds alone amounted to $12,284,000, or 2½ times all current liabilities. (At present, cash holdings have risen to close to $17 million.)

By mid-1954, **Rayonier** will have spent for expansion, since the war, about $80 million. Allowing for debt financing, there has been actually plowed back into the business, from earnings, about $40 million, or $20 a share on the 1,987,742 shares outstanding. As the expansion program is now practically completed (with Special Cash fund set up, below the line, for projected costs of completing the program, in the amount of $24 million) it is obvious that, from here on, any amounts set aside for Depreciation Reserves, together with undistributed earnings, will find their way into further additions to Working Capital.

Profit-Margin Very High Break-Even Point Low

Certainly, here is a combination of factors most pleasing to shareholders! Sales volume for 1951-52-53 has been averaging $75 million plus. Current expansion in demand and output indicates that, within a few years, sales will reach around $100 million. Profit-Margin on Sales, since 1947, stacks up as follows:

	Sales (Millions)	Profit-Margin
1947	$50.0	32.6%
1948	63.4	32.6
1949	48.7	26.5
1950	66.4	35.8
1951	83.8	41.9
1952	78.3	37.2

This extraordinary profit-margin not only tops all companies in its own field, but in the last few years has matched or exceeded even the elite of industry in general. You can count on the fingers of one hand the few who can challenge **Rayonier** in this respect. Labor costs, major factor in such margins, are only about 26% of Rayonier's sales.

Naturally, this large profit-margin holds enough appeal to invite competition, and President Morgan's objective in his expansion program is therefore twofold: To maintain absolute leadership in size, resources, output, and know-how; and to keep competition on the secondary level where it now stands.

Astonishingly low is the break-even-point of operations. For example, present capacity is around 37,000 tons a month. Even if production were to fall to only 20,000 tons a month, and if prices were also to fall $10 to $15 a ton (and this simply cannot happen, the management asserts) present dividends would still be covered. At present, full capacity operations are expected to prevail through 1954, but it is obvious that even at only 80% of capacity, dividends would be quite safe. In fact, with the greater efficiency of new plant facilities, and tax alleviation benefits in 1954, along with the very strong financial condition, it is anticipated that dividends will be increased anyhow.

Dividends Due to Rise in 1954

Although President Morgan has opposed any raise in payments until the new Jesup, Ga. plant is in operation next spring, he feels that thereafter, "we should pay more dividends." Thus, by mid-1954, it is almost a certainty that **Rayonier** will be paying $2 annually, for 7½% yield, at price of 26. This rise would seem justified by current operating results, which President Morgan recently termed "very good." As to the economist-predicted dip in industrial output next year, this should not affect **Rayonier**, he said. "A recession has already taken place in the industries served by **Rayonier**, and production of those consumers more likely will increase.

Price-Times-Earnings Ratio: Sharp Rise Warranted

Earnings of 1950-51-52-53 have averaged around $4.80 a share. For two strong reasons, **Rayonier** is deeply underpriced at 26, (NYSE) or only 5½ times these earnings.

(1) Apparently being rated with the volatile industrials, **Rayonier** has more the growth characteristics of chemical company stocks which are generally market-priced at around 15 times earnings or higher.

(2) Although being rated with low and mediocre profit-margin issues. **Rayonier's** margin ranks with topnotchers such as du Pont, Dow, and I. B. M.

Therefore, **Rayonier** ought to be

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This Week's Forum Participants and Their Selections

Future of Color Television

By H. C. BONFIG*

Vice-President and Director of Sales, Zenith Radio Corporation

Mr. Bonfig says color television is definitely on the way, and will come in an orderly manner without detriment to present receivers, but holds that product for mass market is at least two years away. Expresses concern, however, with rising costs of commercial television. Indicates advertisers may not be able to bear the costs, and this may hasten day of subscription TV. Concludes television "needs to set its economic house in order," and reveals 30% of new TV stations will operate in the red during 1954.

I have no crystal ball at hand, nor am I the son of a prophet. But nevertheless, I am going to tell you something about the future of television as I see it.

H. C. Bonfig

This forecast will be based on yardstick measurements with which you are familiar — sales statistics, style trends, reactions of viewers as reflected in the surveys, laboratory developments and the like.

To begin with, I am sure that it must be apparent to you that we have ended one sales era and are in the beginning of another. And I'm not referring to the end of the advertising agency's good friend—the excess profits tax. The pipelines of commerce are filled with merchandise at last and the sellers' market has come to a practical close. Now we must become hard-hitting salesmen once again. For years, during the period of merchandise scarcity, we were little more than order-takers. There was no trouble finding the customer — he came seeking us. And all the salesmen had to learn to say was, "We ain't got no more of these goods." But now—that is all changed, and in order to survive and prosper we must actively merchandise and sell our wares. How well we accept that challenge will be reflected in our profit and loss statements from here on.

What I have said is true of cereal, soap, plow shares, horse shoe nails, or television. And speaking about television, since I have some slight acquaintance with it, our merchandising problem is further compounded by a great, new development in the art. Zenith, along with other leaders, has witnessed the birth of a rainbow in a television tube. Up to now, that birth has been confined to the hospital, so to speak. But, presently, it will be leaving for home. I am, of course, referring to color TV.

As new parents, this is where our problem begins.

If we may take our success in black and white as any guide, then color television will vastly reward those who are in this business. Thus, if we look at it from the standpoint of sheer, selfish, cussed materialism, there is ample reason for urging this development forward speedily.

But I seriously doubt that our ambitions in that direction are apt to be matched by any speed-up in the slow march of time. Right now, the vast headache in the television manufacturing business lies in translating a laboratory child to the techniques of the production line. As a manufacturer, we have a good idea of the fantastic complications that are ahead. The general public, which is not so precisely informed, or which indeed may even lack interest in our problems, is now growing impatient for the quick arrival of a 21-inch color set that sells for something under $600.

Color Television

I am mightily afraid that, for all our good will, it will be a long time before that dream comes true. I can best tell you the status of color television today by telling you what has happened in the month just passed. The first time the Federal Communications Commissioners ever saw compatible color television on the present standards demonstrated by the industry was in the showing that took place five weeks ago, on October 15, at the Waldorf Astoria.

All television manufacturers were invited to show one color television receiver each — only 13 manufacturers were there with their television sets to demonstrate to the FCC. We all know that the heart of a color television set is the color tube. Only 3 of those 13 manufacturers who were to demonstrate color sets to the FCC had in their set their own make of color tube. Those three manufacturers who had their own color tubes were Columbia, RCA and Zenith. The rest of the 13 manufacturers used color tubes of one or another of the three above manufacturers. Every one of the 13 manufacturers who exhibited had the same size tube, namely a tube that gave a picture of under 14 inches. The average black and white television receiver has 20 tubes — the average color television receiver runs from 40 to 45 tubes. The show or demonstration was to last only an hour and a half; yet every one of the 13 manufacturers present, including Zenith, had a competent engineer sitting alongside of his color television receiver to make sure it

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*An address by Mr. Bonfig at a Luncheon Meeting of the St. Louis Advertising Club, St. Louis, Mo. Nov. 24, 1953.

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We Must Have Both Prosperous Economy and National Security

By HON. GEORGE M. HUMPHREY*
Secretary of the Treasury

Secretary Humphrey, asserting security does not mean armies, navies, rockets and jets alone, but also means honest dollars and sound fiscal policies, points out "crippling burdens" inherited from the previous Administration among which is the Public Debt, now practically at its limit, together with $81 billion of left-over C. O. D. orders. Says financial policies of Federal Government have been reshaped to serve "a single, simple purpose to give the American people an honest dollar."

We are living in a time of critical evolution. This is no idle figure of speech. Our age bears witness to some of the most revolutionary changes recorded in history.


George M. Humphrey

We have seen the penetration of the mysteries of nuclear fission and fusion stagger the imagination of the wisest minds — and bring a new age whose marks, whose menaces, whose hopes are beyond the hopes and fears of any man alive today. We have seen the nature of war and the weapons of war completely revolutionized. We have seen the nature of peace and the safeguards of peace become utterly new. We have seen organized revolution engulf nations, swallow hundreds of millions of people, threaten all free nations, and challenge America to what it conceives to be a deadly duel for the world.

Now, in this time of critical change, the people of America have summoned the Republican Party to lead them. Such a summons, in such an age, is no mere conventional electoral mandate.

It is a call to guard and save our very freedom.

It is an echo of a similar call made 100 years ago when this nation of ours was drifting toward civil war, when the institution of slavery in different form was also the fateful issue, and when the people's will brought this party of ours to birth. And history has decreed that we celebrate this centennial of our Party's birth by accepting, meeting, and mastering another summons to save our nation and freedom itself.

What I am saying is not mere partisan rhetoric. It is the cold and somber truth. What matters—for this Party, for America, for all free nations—is the honesty, the fortitude, the wisdom and the faith with which we face this truth.

How do we face this truth?

I think I can most clearly answer that question by speaking to you of three of the words most commonly used in these days — three words that effectively summarize the challenges we face. The first word is peace. The second is security. The third is leadership.

I speak of peace first for the simplest of reasons: Its attainment is the first prayer of all America —and that instantly makes it the supreme purpose of this Administration and this Government of the United States.

This single task summons and directs all our energies. It demands an effort fully as total as total war. Peace cannot be proclaimed—or enacted—or declared —or voted. It must be deserved, pursued, and won. And that in turn demands understanding, patience, sacrifice, wisdom, and the kind of plain American courage and steadfastness that alone can halt and disarm the enemies of freedom.

We know—we hold a number of basic convictions—about this pursuit of peace.

First: We know that willful, armed aggressors can never be turned back by weakness. There is only one thing that the aggressor's strength respects — greater strength. And that strength America must and shall have.

Second: We know that such strength, wisely used to serve peace, does not demand belligerence, loud threats or bombast. We do not have to shout or strut our strength. We need only to have it. And having it, we must and shall remain ever ready to resolve, in peaceful discussion, any or all of the grave issues dividing the world.

Finally: We know that peace—true, lasting peace—not only involves the affairs among nations but also the affairs within our own nation.

It demands economic peace — for no nation could long guard its freedom if all its families lived in need or chronic fear of economic disaster. And it demands, in a certain clear sense, political peace —for, however sharply our two great parties may and should debate numberless issues, both must be pledged to a true and faithful bipartisanship in all that directly concerns the safety of America in a world threatened by fateful conflict.

This, then is our broad vision of the ideal of peace, which rules all our thoughts and actions. Our pursuit of this ideal directly involves the prerequisite of security, national security. I can define this security plainly. It means: A sturdy defense supported by a sound economy.

Security Needs Honest Dollars

This short generalization covers a wealth of specifics. Security does not mean armies, navies, rockets and jets alone. It also means honest dollars and sound fiscal policies.

Security does not depend solely upon military tacticians or the ingenuity of nuclear physicists and weapon designers. It depends also upon the ingenuity of manufacturers, the venturousness of capital, the skill of men along the assembly-line.

The simple truth is that no amount of arms can make a nation secure whose people are not secure. And that means a healthy and vigorous economy.

I must be blunt about one point:

The question is frequently asked today: "Which do you favor, which are you most concerned about—a prosperous economy or an adequate national defense?"

This is a specious question. It is like asking a man whether he prefers to keep his head or his heart. For it is inconceivable that a strong national defense could be supported by anything but a healthy national economy.

For this clear reason, our concern for the nation's economy cannot be measured merely in terms of wages or profits or dividends. We are not, in the ultimate sense, thinking of stock quotations and interest rates. We are not weighing decisions in terms of washing machines or television sets. Our concern for our economy is nothing less than our concern for the first line of defense for every freedom that we cherish.

We have served this purpose faithfully and, I believe effectively. Among the unhappy legacies this Administration inherited from the past was the arbitrary rule of our economy by needless, stifling controls. We lifted these controls in our first few weeks in office—as swiftly as the voices of the critics were shouting that we would not dare to do so. And the aftermath of that action, which has seen employment, pay rolls, and industrial activity rise this year to the highest records ever known and which has seen the cost of living only 1% over the greater part of this year, gave the lie to those who had thus predicted disaster.

There were other crippling burdens inherited from the previous Administration to which this Administration fell heir in the fiscal and economic field.

This inheritance included the huge public debt, the restrictive debt limit, $81 billion in C.O.D. orders extravagance in government, the staggering tax burden, and on top of it all, a war of stalmate in Korea bringing sorrow

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*An address by Secretary Humphrey at a Dinner sponsored by the Republican Committee of Illinois, Chicago, Ill., Nov. 23, 1953.

The State of Trade and Industry

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

A further decline took place in over-all industrial output in the period ended on Wednesday of last week and it continued to be moderately under the high level reached during the first quarter. However, total production held about even with the level of a year ago. Producers of consumer durables, farm equipment and textiles operated at reduced levels.

For the latest period aggregate claims for unemployment insurance benefits remained noticeably above the level of a year ago.

According to a survey by the United States Department of Labor 149 industrial centers early this month showed that "small to moderate employment declines" had taken place in a number of areas since late summer. Among the areas, it noted, were "such key centers as Buffalo, Cleveland, Louisville, Milwaukee, Pittsburgh and San Francisco." In other districts, where employment did not drop, hours of work were reduced, the agency reported.

The department further noted that business continued active in October and early November, though some industries were trimming production. It cited steel and auto manufacturing as lines in which reductions had occurred. The cutbacks, which were made to hold down inventories, contrasted with a firmer tone in some industries, the department declared. All this, it concluded, added up to mixed trends in the economy.

During the past several years, with practically all steel sold on an f.o.b. mill basis, freight rates were largely the worry of consumers; consequently, the task of keeping up-to-date figures on rail, truck and water freight costs on finished steel was neglected. Now that producers are finding it desirable to absorb freight to participate in some markets freight costs are again of prime importance, states "The Iron Age," national metalworking weekly.

Freight absorption, as might be expected, is on the increase. Many large steel buyers have been able to wangle some equalization concessions. The complexities of figuring out how much freight to absorb (on what products to meet what competition where) are more perplexing than ever before. Freight absorption problems, thorny at best, are frequently complicated by company legal department "advice" barring what seems the most logical solution, continues this trade weekly.

Steel sales officials who visit Detroit don't leave with a full order book, but they certainly get their optimism bolstered. The auto-makers are gunning for a big first half in 1954 and steel producers are banking on auto output to pace their market, adds this trade authority.

Automakers insist they'll turn out 5,000,000 or more cars in 1954, compared to about 6,200,000 this year. Moreover, very heavy output is scheduled for first quarter—especially by the Big Three, says this trade publication. Both Ford and Chevrolet have scheduled higher production runs for first quarter than they did for first quarter of this year. Others are matching 1953's near record pace in scheduling for early '54.

If they are too optimistic and sales bog down badly in the first six months, the bright steel outlook will darken quickly, "The Iron Age" predicts.

Despite a spurt of "late" orders for January, some steelmakers are disappointed by the limited volume of business they have been able to book for that month. Hedging by some big customers (including auto producers) is disturbing steel producers about as much as low order volume, this trade weekly points out.

Inventory correction is still the dominant factor in the market. It is taking some plants longer than had been anticipated to work off heavy steel stocks. Big customers hedging on January orders still insist they'll be back in the market, in a big way for February and March. So these months will be crucial, observes "The Iron Age."

Automotive production last week shows Chevrolet, Pontiac and Buick still in the midst of model changeover, but industry output is expected to bounce back a bit after the curtailment the past week due to the Thanksgiving holidays, states "Ward's Automotive Reports."

Output last week skidded to the lowest level of the year, with the companies building only 51,863 cars, or 35% less than the 79,709 in the preceding week, "Ward's" report.

This agency notes that November car production will amount to about 361,000 units, off 32% from the 532,810 in October. Forecasts earlier this month said the drop would be about 27%. The lower production is a result of model changeovers, as well as a desire by the companies to give their dealers a chance to reduce their stocks of 1953 models.

For November, 1952, the industry built 397,000 cars, it further states.

An increase of 23% in auto output in December over November was forecast by "Ward's."

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Observations . . .

By A. WILFRED MAY

Harry Dexter White and Our Trans-Atlantic "Public Relations"

"In this [the consideration of postwar problems on the other side of the water] the central figure was undoubtedly Harry White. In Britain he is often thought of as some dim scribe, some kind of robot, who wrote at the behest of that vaguely conceived entity, the American Treasury, an inferior version of the Keynes plan — mainly to vex the British! Far different was the real man [sic]. He was a very remarkable figure, who should be accorded an honorable place in British annals. . . . White showed a marked capacity for applying economic doctrine to practical problems. He won the confidence of Mr. Morgenthau. His influence with the Treasury was always more important than the post which he held. He did valuable work on the Tripartite Agreement, and was concerned with the operations of the U. S. Stabilization Fund in support of the Brazilian and Chinese currencies. Thus he had practical experience of foreign-exchange problems. During the second war he became the leading figure in the Treasury . . ."


Lord Keynes


Harry D. White

"He had no particular felicity of prose style, but he had considerable fluency, and his earnestness and passion, supporting sound reason, made a strong impression on his auditors. His influence came to extend beyond the Treasury. He made enemies. In his determination to get his way, he adopted methods which might be labeled those of an intriguer. He was distrusted in the banking world, and also by some seasoned public servants. He gained the reputation of being a difficult person to deal with. But he was single-minded in the pursuit of his aims. He was a reformer [sic] of genuine conviction. It is to his credit that he won the devoted loyalty of such subordinates as E. M. Bernstein [sic], F. Coe, and A. F. Luxford. He was also able to count on support from higher officials of the Treasury, such as Mr. Edward Foley and Mr. Herbert Gaston, and he was in good liaison during the war with Mr. Oscar Cox and [sic] Mr. Lauchlin Currie. It is probably true to say that but for White's assiduity and galvanic personality a large scheme of the kind for which Keynes was working in Britain would never have come to birth at Bretton Woods."

"The moral seems to be that a much better scheme [for the solution of the exchange problem] could have been put to the assembled nations at Bretton Woods, if only Keynes and White had been allowed to meet together and given a completely free hand to devise an agreed scheme as soon as the 'consideration' was signed. The native ideas of both men had been sicklied over by departmental discussions long before they ever met."

"The meetings [formulating the International Monetary Fund pre-Bretton Woods], which lasted a week, were deemed to be highly successful, and Harry White's masterly conduct of the Chair greatly enhanced his reputation."

"Before the proceedings [at Bretton Woods] opened, a fact became known which caused great disappointment among the British. It was learned that Harry White would not be the Managing Director of the International Monetary Fund. Keynes had always taken it for granted that he would be, and had come to repose confidence in his outlook and vigor; he felt that under White the Fund would be in safe hands."

* * * * *

The above excerpts "pro"-Harry Dexter White from "The Life of John Maynard Keynes—a Personal Autobiography" by R. F. Harrod, published in 1951, are not cited here as smart-aleck *ex post facto* showing-up of Lord Keynes's judgment on an individual. The indications of the past trust as well as continued high opinion of White by Britain's leading monetary authority and fiscal diplomat of the century seems to us of interest in relation to the attempt in so many quarters here—political and ideological—to douse our heads in shame because of what the British may think of our "McCarthyism." Our anti-McCarthys—from Adlai Stevenson down, or up—are reacting to the Harry Dexter White circumstances showing governmental negligence, by shouting about the "offense" to our foreign friends. And large segments of the populace abroad are indeed complaining over our "hysterical McCarthyism" allegedly exhibited from Hiss to White.

If whole-hearted exposure of Communist sympathizers and governmental negligence, letting the chips fall wherever they may, be termed "McCarthyism," then let the British authorities themselves embrace "McCarthyism" — in lieu of persisting in their faith in their American heroes, as well as coddling their Fuchses at home.

At least, let not our policies here be geared to worry over trans-Atlantic "public relations" founded on "Red Herring-itis" and misinformation!

Economics and the Engineer

By PHILIP M. McKENNA*
President, Kennametal, Inc., Pittsburgh, Pa.
President, The Gold Standard League

In addressing engineers, Mr. McKenna points out economics, like engineering, has definite laws which should be observed. Warns our occupations, our liberties and our very lives are in jeopardy until we correct prevalent monetary fallacies. Says scrapping the profit motive and competition, resorted to in renegotiation of contracts and excess profits taxes, is "cutting the muscles of the horses that do the most effective pulling." Holds more, rather than less credit will be had, when we have the confidence engendered by the gold standard.

I am privileged to speak to you as men who will not be satisfied with shallow thoughts. What I have to say about present-day economics and the engineer, will, I believe, be given the same level-headed treatment by you that we must give to processes and machines to accomplish our daily work. Then as practical men we shall do something about it. Our occupations, our liberties and our very lives are in jeopardy until we correct prevalent fallacies that have operated in this country for more than 20 years in regard to money. The lives of our children will be even more affected with disaster, if we do not eradicate these fallacies and soon.


Philip M. McKenna

Mechanical engineering requires that we agree upon such concepts as mass, force, distance, horsepower, kilowatts, modulus of elasticity and the like and define the standard units in which we measure them. Economics, and more particularly, monetary economics, has definite laws; they have been discovered by painful experience and careful observation over a period of 5,000 years. Lack of knowledge and appreciation of those laws can wreck the machinery of our modern society in the hands of uninformed leaders, just as surely as deliberate violations of these laws have wrecked both ancient and modern civilization. I appeal to you to apply an ancient time-tested empirical science, one that few have the time and patience to study. If people generally do not grasp the elementary facts which monetary science teaches, the results may be as disastrous as if the knowledge of volts and amperes were to be ignored in the daily use of equally complicated and dangerous electrical machinery of modern life.

Anyone who exhibits lack of knowledge of ordinary laws of physics is thrown out of our councils as untrustworthy. If a fellow in our shop talks about increasing the power of a lathe by putting in some gears to increase the horsepower, we recognize that he doesn't know the difference between pounds of force and horsepower. Consequently his chatter is disregarded as that of an ignoramus in that field. But when people, often high in political and even business and academic life, give out opinions on economics, and more particularly on monetary economics, displaying lack of fundamental knowledge or deliberate intellectual dishonesty in those fields, unfortunately they are often listened to gravely without being given a horselaugh or even a skeptical smile. The "money illusion" can play tricks for a while, but is no more sound than a collection of gears to make a perpetual motion machine.

Did you ever ask an inexperienced metal worker to flatten out a sheet of brass in which there was a bulge at one spot? The natural thing to do in an attempt to restore the desired flatness is to put the sheet on an anvil and hit the place that sticks up. But as metal workers know, that only stretches the metal there and by reasons of geometry the thinner metal takes up more area and has to accommodate itself by arching up all the more. The man who knows what he is doing straightens the sheet by gently stretching areas all around the bulge, wisely refraining from hammering the place where the trouble seems to be. Likewise in economic affairs a man who knows what to do to relieve specific trouble doesn't take a blow at the isolated condition but studies how to relieve the whole situation.

*An address, constituting The Towne Lecture, delivered by Mr. McKenna before the 1953 Annual Meeting of the American Society of Mechanical Engineers, New York City, Dec. 1, 1953. Mr. McKenna, on Dec. 2, received the Holley Medal of the Society of Mechanical Engineers, an honor conferred "for a unique act of genius of an engineering nature."

Dislocations Arising From Lack of Sound Exchange Medium

In the past 20 years numerous economic dislocations have appeared as a consequence of ignoring by the public of the necessity for a sound medium of exchange and standard of value, determined by economic forces rather than by pressure group influences. When there were not enough houses in some areas, artificial and arbitrary rent-fixing seemed to be the immediate remedy against rising cost of space but that led to waste of what space there was and paralyzed the financial strength of the very people who had shown by their actions in the past that they could build sufficient houses to meet the economic demand. In our fields of work as engineers and manufacturers, government planners, scrapping the profit motive and competition, resorted to renegotiation and excess profits taxes. The effect was to cut the muscles of the horses that did the more effective pulling. Excess Profits Tax might better stand for Efficiency Penalty Tax! Profit is defined in my dictionary as "Accession of good; useful results; desirable consequences." How can there be an excess of desirable consequences in a competitive society? I have been told that political considerations required that acknowledgedly vicious tax. To govern a people, a tyrannical government must demand sacrifices of the people. You must have emergencies they say. Hitler expressed that idea, saying that the people were like a woman, not to be treated rationally. The English proverb, "a woman, a dog and a walnut tree, the more you beat 'em the better they be," is an expression of that idea. Do business men work better under punitive taxation? What would you think of a man who, when a gasoline engine wouldn't start, took to

Continued on page 40

The Outlook for Capital Expenditures in 1954

By ROBERT P. ULIN*
Department of Economics, McGraw-Hill Publishing Company

Mr. Ulin finds that despite indications of recession, total business investment in new plants and equipment in 1954 may well continue higher than in any year up to 1953 peak. Notes firmest plans have been those of the big industrial leaders.

Plans for capital expenditures in 1954 are higher than most economists had dared to hope for earlier this year. The survey made by McGraw-Hill in October shows that manufacturing industries now plan to spend within 8% of their record 1953 investment, and that for manufacturing, mining and utilities as a group, spending may come within 5% of 1953.

Robert P. Ulin

Thus, total business investment in new plants and equipment may well continue higher than in any year up to 1953, which represented the extraordinary peak of the defense boom.

Surprising Figures

These figures have been a surprise to most economists. But they are actually pretty close to what business firms have been budgeting right along. In the case of firms that make a practice of long-term capital budgeting, returns on the latest McGraw-Hill survey show that present plans for 1954 are generally within 10% of earlier plans for 1954, as reported by these same firms back in February, 1953.

The fact that business is sticking to its investment plans, in this way, after a decline of ten points in the index of industrial production, is a very important factor in the general business outlook. It represents a change in the typical behavior of the industrial firm, since as recently as 1949 manufacturing firms were quick to cut back on investment plans at the first sign of recession. There will, of course, be some changes in the plans of various companies, in line with business developments. But it now seems very unlikely that there will be a drastic decline in investment expenditures as a whole during 1954.

The reason is that so much of the investment now scheduled for 1954 is on a firm basis that has been carefully planned for a definite purpose. In our recent survey, definite capital budgets were much more prevalent than was the case several years ago. The number of haphazard estimates that might be subject to drastic revision was much less. It is a development of highest importance that over 80% of all manufacturing plans now have some capital expenditure plans for more than a year ahead, and that many are planning as much as five years ahead. This type of planning must exercise a stabilizing influence on capital expenditures.

Firmest Plans by Big Companies

Generally speaking, the firmest plans have been those of the big companies, the industry leaders. It is these companies that account for the bulk of capital spending. Only 40% of the manufacturing companies participating in our recent survey plan to maintain or raise capital expenditures in 1954. But these are mostly the larger companies. And some of the very largest are raising expenditures substantially. This is the main support for capital investment.

Now let us look at the capital expenditure programs in more detail. First, why is there a decline in plans overall? Why any decline? In manufacturing, this is mostly related to the completion of defense expansion programs. There is no evidence of widespread cutbacks in anticipation of a business recession. The decline is mostly in plans for new construction and the expansion of capacity. It is chiefly in industries like steel, aluminum and heavy chemicals that have met their defense goals.

Next—what are the reasons for continued high level spending in other industries, particularly in consumer lines? What are the reasons for continued investment at a level that many economists have thought could not be sustained?

New products appear to be the principal reason behind plans for high level capital spending in 1954. This includes completely new products, more capacity for recently developed growth products, and the expansion or diversification of existing product lines. Big companies particularly are planning to diversify their manufacturing facilities, either by bringing out completely new items, or by crossing over into other industrial fields with good growth prospects. The industries which are outstanding in this regard are automobiles, machinery, electrical machinery and food processing.

In brief, we have a situation where — despite some drop in manufacturers' sales and new orders — investment is being well sustained by the rapid development of new products, the desire to enter new fields and, of course, the ever-present drive to cut operating costs. In all these ways, business firms are reacting to the threat of a recession by investing in ways that will improve competitive position—not by cutting back sharply on investment. Whether this trend will continue as the competitive struggle becomes tougher and results in some financial casualties is a question that cannot yet be answered. But, for the immediate outlook, the willingness of business in general to go ahead, with substantial investment plans, is a most encouraging factor.

*Summary of Mr. Ulin's paper at Business Outlook Conference of the University of Michigan, Ann Arbor, Michigan, Nov. 13, 1953.

H. R. O'Neil Jr. With Gross, Rogers Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Hubert R. O'Neil, Jr. has become associated with Gross, Rogers, Barbour, Smith & Co., 559 South Figueroa Street, members of the Los Angeles Stock Exchange. Mr. O'Neil, who has been in the investment business for many years, has recently been with Fairman & Co.

Hubert R. O'Neil, Jr.

Bache to Have Display At N. J. Farm Show

A private telephone network and a Dow-Jones news-ticker projected on a giant screen will be utilized by Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, to tell the public the story of a brokerage house in action, at the New Jersey Mid-Atlantic Farm Show at Convention Hall, Atlantic City, N. J., Dec. 4 to Dec. 9.

Described as the first and possibly biggest of its kind, the Mid-Atlantic Farm Show is officially sponsored by the New Jersey Department of Agriculture in cooperation with State agencies of Delaware and Maryland.

Bache & Co.'s display at the affair will be set up as part of the firm's continuing campaign to explain the operations of Wall Street to the public. The exhibit features commodities as well as securities and staff members of the firm's New York and Atlantic City offices will be on hand to explain to the visiting public just how commodity and securities markets operate and what role they play in the national economy.

Wide Awake Pullman

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

A Pullman-car view of a famous manufacturing company, rolling forward with the economic tides through a century of production and progress.

The impartial viewer of American corporate enterprise is bound to cite Pullman, Inc. as a classic example of progressive production, managerial excellence, and sustained profitability. After four wars, a batch of business cycles and depressions, a hundred railway bankruptcies, and a century-long political trend from right to left, Pullman, Inc. is still the largest manufacturer of railway cars on this planet, still has a balance sheet acceptable to a Scotch banker, and still displays an extraordinary capacity to earn money and pay dividends.

Ira U. Cobleigh

Up until 1945, Pullman had devoted its entire effort to railway car-building and the ownership and operation of Pullman cars. These latter had been progressively functionalized since those halcyon days of the "Pullman Palace Car" with its ginger bread decor, dangling chandeliers, early American plumbing, contorted disrobing, and nocturnal aisleway informalities. Now we have streamlined roomette and bedroom cars, with multiple unit plumbing, radios, adjustable heat, air-conditioning and ice water; but the Pullmans are no longer owned by Pullman, Inc. That section of the business was sold out to a railroad group in 1947.

Company Business Varied

But putting the Pullmans to bed (a railroad bed, that is) did not mean that Pullman, Inc. was to become a contracted, or lesser enterprise. On the contrary, it ushered in a new era, and foreshadowed a more varied and wider horizon. In late 1944 Pullman, Inc. took over **M. W. Kellogg Company**, a leader in design and construction of industrial plants, especially in the oil and chemical field. This division has expanded; it makes catalytic refining plants for oil companies; owns the world right to a process to desulphurize oil products; and, in a new plant in Jersey City, turns out a new plastic material, of great use in chemical and electrical industries, called Kel-F.

Then in June, 1951, Pullman took over **Trailmobile, Inc.**, second largest truck trailer producer. This unit, it paid for in cash out of its own treasury. That's one characteristic of Pullman, Inc.—it has always stressed a strong cash position. Although Trailmobile, Inc. has not been long in the Pullman fold, it has proved a valuable (and highly logical) addition. Trailmobile developed the all-aluminum trailer, and in the spring of this year announced a new specially designed unit for the transport of liquid propane gas.

Trailmobile units are distributed by 51 sales and service branches; and the Canadian subsidiary, Trailmobile Canada, Limited, is expanding its business in a highly satisfactory manner. The company has, in addition to being a big factor in supplying commercial over-the-road haulers, been an important contractor for the government. It has turned out, among other items for the Army, an expansible truck trailer, which while not out-size when rolling along the highway, can, on location, be expanded into a 14 x 20 foot office, living room, or dormitory. This change doesn't require a platoon of guys; just one man operating a crank can make the transformation.

Huge Freight Car Business

Big and expanding as are the operations of M. W. Kellogg and Trailmobile, the building of railway rolling stock by the Pullman Standard Car Manufacturing Co. is still a major line. Even though this section of the business is quite cyclical, and has produced some rather wide swings in earnings, it has been profitably conducted in each of the past 20 years. The railways of America have set a goal of 1,850,000 cars by the end of 1954. At the moment, they are some 70,000 shy of this target; and Pullman Standard is eagerly at work on the building end.

For 1952, Pullman Standard delivered 21,630 freight cars, 44% of all commercially built freight cars (excluding tankers) in the U. S. This serves to illustrate the still commanding position of Pullman in the railway field.

Of interest also is the fact that 1953 is the sixth year of production of the P-S 1 standardized box car. If you've ever watched a freight train roll by and noted the big and little, short and tall, long and short box cars, you can appreciate the value which the now-standardized unit provides in lower cost of purchase, maintenance and operation. All told, over 50,000 P-S 1 box cars are clicking along behind locomotives on 56 roads. 74% of all commercially built box cars in the U. S. in 1952 were P-S 1's.

In other types, Pullman Standard unveiled in June a special flat car to carry truck trailers. The New Haven RR. has developed a substantial over-night trailer haul traffic between New York and Boston; and a number of western roads have taken an interest in this new freight movement. The future of the trailer flat car appears bright as highways get more congested, and the price of trucking labor advances, monotonously. Moreover, this is a nice sort of tie-in with Trailmobile.

Passenger Car Orders

Finally in the rail field Pullman has this year offered its P-S 3 (P-S 2 was a closed hopper) to provide the uniformity in open hopper car, already achieved in boxes. With freight cars being retired at the rate of 5,000 a month, the prospect of sustained car manufacture appears good; and within the last 60 days, the New Haven came into the market for 100 streamlined passenger cars—Pullman built, that is.

Put the three units sketched above together, and you wind up with a fairly balanced enterprise with about 40% of earnings from Kellogg, 40% Pullman Standard, and 20% from Trailmobile. Combined gross for 1953 is estimated by Mr. Champ Carry, President, at the $400 millon level, with a new all time high in earnings before taxes. Net for the common is projected at around $5—this after $1.80 of E. P. T.

A word should be said about the common stock, for it's unique in a number of ways. First of all, this common, together with its predecessor (the old Pullman Company) has paid dividends for 88 years in a row. Pullman has never been on its "uppers."

Secondly, the program of diversified acquisition, begun in 1944, has been financed entirely out of Pullman's liquid assets—(earned surplus plus cash from sale of Pullman Company). This is quite unusual, as most mergers of this sort involve an exchange and increase of shares.

This leads to our third point. Whereas many other major companies find it necessary to offer stocks and bonds to provide expansion capital, Pullman, Inc. has not only done all that internally but has drastically reduced its outstanding stock by buying and retiring same. In the last 15 years, outstanding number of common shares (sole capitalization) has been reduced from 3,820,194 to 2,192,000.

Stock Better Than Ever

Thus a lot of logic might now be advanced to suggest that Pullman, Inc. is a better stock today than it's ever been. The $3 regular dividend seems to be only a 60% payout of earnings. (There's a $1 year end extra payable 12/15-53.) The yield at 42¾ is a comfortable 7%. At Sept. 30, 1953 the net working capital was a cushy $52 a share. Book value at the 1952 year-end was slightly above $70; so it is rather easy to infer that a purchaser of PU (the company should sue this symbol for libel!) in today's market is not made at a gaudily inflated price level. Nearly every industrial company reviewed these days, must give some account of its status in the defense effort. In the case of PU, 1953 government orders amount to around 20% of gross, which is about the same as last year. Some of these contracts are subject to renegotiation; but I believe no excess profits were cited, and no refunds requested, on similar 1951, and 1952, defense contracts.

If corporate durability and nearly a century of Tiffany balance sheets impress you, you'll like Pullman. If you're allergic to dividend lulls, you'll find Pullman therapeutic. Long-term holders of Pullman have ridden first class, financially speaking. While Pullman may not be tagged as exactly a market "sleeper," it appears to provide a quite safe berth for prudent investment money.

With G. H. Walker

(Special to The Financial Chronicle)

BRIDGEPORT, Conn.—William B. Moore is with G. H. Walker & Co., 118 Bank Street. He was previously with Hinck Bros. & Co.

Two With Interstate Secs.

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—Elinore I. Smith and John G. Wheelock have joined the staff of Interstate Securities Corp., Commercial National Bank Building.

Pressure Groups Disrupting Administration's Policies

By WALTER W. McALLISTER*
Chairman, Home Loan Bank Board

New Home Loan Bank executive, after reviewing efforts of Eisenhower Administration to effect reforms in the economy, says some pressure groups have already forced a backdown from proposed policies. Accuses bankers of having forced Administration to drop its "hard money" policy and to return to a "managed market." Cites opposition of farmers against plans for eventual abolition of price supports. Warns New Deal statism may have weakened our moral fiber that "we will pitch personal liberty out the window for a mess of pottage, called security." Reviews situation in Savings and Loan field.

W. W. McAllister

In addressing groups of savings and loan executives prior to November, 1952. I have been frequently chided for injecting politics. So, as a Republican appointee, today should be no exception. None of you has been more disturbed over the expansion of government in our daily lives than have I. No man can be in business and ignore politics, which is the term applied to the science or control of government. Certainly no man can be in the savings and loan business without almost daily contact with government.

It's an old story but let me again point out that our founding fathers established a representative form of government called a Republic. It was not a Democracy. They attempted to set up such a system of controls and delegation of powers limited by the Constitution so that a Democracy, or a government by majority rule, could not be established. Certain rights of the individual were always to remain inviolate.

We managed to keep on an even keel, to bear these objectives in mind until we adopted the Sixteenth Amendment to our Constitution, providing for the collection of income and inheritance taxes. Then to finish off, we adopted the Seventeenth Amendment, providing for the popular election of Senators.

Acceptance of the Marxian principle of control over the individual's income and how he could dispose of his wealth laid the groundwork for a change in our form of government. The concentration of power in government, necessary in World War I, was followed by the same procedure in World War II, only more so. As the result of that and the taxing powers of the Federal government authorized in the Sixteenth Amendment, we have so changed the economy and government of our land that today the Federal government is all supreme for practical purposes.

In January, we had a change in Administration. The new Administration believes the Federal government should have less to do with our daily lives, that the swollen bureaucracy should be shrunk to size, and that taxes should be markedly reduced. How government has grown is evidenced by the number of civil employees —in 1913, 470,000; at the end of World War I, 918,000: June, 1930, the Hoover Administration, 614,000; 1939, before World War II, 926,000; June, 1945, at the peak of World War II, 3,770,000; a low, June, 1950 before Korea, 1,966,000; and last December, 2,563,000.

Now you businessmen, Democrats or Republicans, as the case may be, have largely approved the Republican domestic program. The cost of expanded government and the resultant ruinous taxation that it calls for must be curbed. In recent months many of you have said, "Fine, let the Administration do it. We can return to our respective businesses—all is well on the Potomac," How wrong you may be I will attempt to show.

The Task of the Administration

What a task this Administration faces, how superhuman they must be to accomplish it, I think some are beginning to realize. The Republicans promised tax reduction but accepted the reins of government with commitments which, within the next two or three years at the most, will become due-bills for $81 billion, unless contracts are cancelled. These are the previous Administration's unpaid expenses for which no taxes have been provided, yet they must be met.

After lopping off $14 billion from the Truman budget, for the year ending June, 1954, we will still spend $59 billion. Of the $81 billion, $13 billion is expected to fall due in 1954, so we'll have $72 billion of expenditures. The most we have ever collected in taxes is $65 billion for 1953—$68.3 billion estimated for this year, leaving a deficit of $4 billion. Draw your own conclusions! If we have a tax reduction, and it must be given, our deficit becomes just that much larger — unless lower tax rates produce more taxes! It has happened, but under these conditions I am skeptical that it will recur.

For other Republican accomplishments besides reduction in spending, we have the abolishment of wage and salary controls. Rent control for practical purposes is gone. One hundred fifty thousand have been dropped from the payrolls— that is a bare start. Two million four hundred thousand still remain. I skip the Korean truce—that may be good or bad. Metal controls are eliminated and certainly some damper has been put on talk about socialized medicine and electric power, while public housing for the moment is quieter.

Government Studies in Process

Programs that give promise of the greatest effect on our lives are these studies currently being made:

(1) The government's responsibility in the field of housing.

(2) A study to cover the present division of the fields of taxation.

(3) The elimination of Federal government from the fields of private enterprise.

(4) Further simplification of government bureaus and an attempt to return many Federal functions to the States and municipalities.

(5) An attempt to determine a foreign trade policy.

Though a fine start has been made, always remember the opposition we give to going it alone and to government economy when it is applied to projects we favor.

There is one thing I promise you —I will not become a professional bureaucrat! If I feel myself changing, I'll quit. Let me tell you, though, it is hard to keep from becoming more and more autocratic. In the first place, it is the nature of us humans. All politicians in time become alike. All law-enforcement officers develop the characteristics — it is their relationship to the law.

You, as ordinary citizens, have but one prerogative—to obey the law. Thomas Jefferson was certainly right when he said: "That Government is best which governs least." That is, interferes least with our daily lives. I've often wondered at the ability of business to progress in spite of government.

You are in the field of competition—government is a monopoly and grows not on the basis of service rendered but as its power increases, i.e., as its fields of activity are widened. With a politician, his first consideration should be the economic facts of life, that is the nation's welfare, and his every action should not be on the basis of whether it keeps him or his party in office.

Politicians must be Americans before they are Republicans or Democrats. This is not said critically—I am merely speaking the psychological truth, but being a politician or a law-enforcement officer—and I am now the latter —just naturally produces a difference in an individual in time. It is "authority" or "power" that makes the change. As Senator Dirksen so truthfully said, "Big government is the road to tyranny."

And here is another point. Do you know I have innumerable requests to get a regulation passed to prohibit this, that, or the other thing? We Americans just naturally want to correct the other fellow by passing a law. We would like to squash competition by a regulation.

Maybe after 20 years of looking to the government to see that we are clothed, fed, and housed according to some welfare worker or do-gooder's standards, we have

Continued on page 35

*An address by Mr. McAllister before the 61st Annual Convention of the United States Savings and Loan League, Chicago, Ill., Nov. 24, 1953.

Dealer-Broker Investment Recommendations & Literature

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

Aviation — Analysis — Stanley Heller & Co., 30 Pine Street, New York 5, N. Y. Also available is an analysis of **Finance Companies.**

Canadian Securities—Selected list of companies offering interesting potentialities—in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also is the same issue are suggested "package" **Portfolios.**

Capital Gains Program — Free trial subscription — Homer Fahrner, Corning, Calif.

Commission Rates of the New York Stock Exchange—New rate booklet — Association of Stock Exchange Firms 24, Broad Street, New York 4, N. Y.—single copies 60 cents (quantity prices on request).

Common Stocks—Study in current issue of "The Exchange" magazine—annual subscription, $1—The Exchange Magazine Dept. C, 20 Broad Street, New York 5, N. Y.

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

Kansas City—Discussion of industrial possibilities in area—D. T. McMahon, Kansas City Southern Lines, Kansas City 5, Mo.

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.

Personal Property Tax Free Long Dividend Paying Stocks—Tabulation of 180 issues—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

"Quality" Stocks—Bulletin—Granger & Company, 111 Broadway, New York 6, N. Y.

Tax Saving Possibilities — Bulletin — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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American Broadcasting-Paramount Theatres—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available is an analysis of **White Motor Company.**

American Hospital Supply Corp. — Memorandum — Merrill, Turben & Co., Union Commerce Building, Cleveland 14, Ohio.

Bettinger Corporation — Analysis — Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available is a memorandum on **Mindamar Metals Corp. Ltd.**

Brown & Sharpe Manufacturing Co.—Memorandum—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass. Also available is a memorandum on **Scott & Williams, Inc.**

Circle Wire & Cable Corp.—Bulletin—DeWitt Conklin Organization, 100 Broadway, New York 5, N. Y.

Guaranty Trust Co. of New York—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Hazeltine Corp.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

I. T. E. Circuit Breaker Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Investors Diversified Services, Inc. — Study — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Metal & Thermit Corp.** and the **Municipal Market.**

Iowa Public Service Company — Analysis — The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is an analysis of **Rhinelander Paper Company.**

Kewanee Oil Co.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

National Tea Co.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

National Union Fire Insurance Company—Analysis—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Polaroid Corporation — Special study — Dreyfus and Co., 50 Broadway, New York 4, N. Y.

Puget Sound Power & Light—Review—Ira Haupt & Co., 111 Broadway, New York 4, N. Y.

Puget Sound Power & Light — Memorandum — Josephthal & Co., 120 Broadway, New York 5, N. Y.

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

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

Stromberg-Carlson Co. — Memorandum — Rotan, Mosle & Cooper, 705 Travis Street, Houston 2, Tex.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The Security Traders Association of Los Angeles will hold its annual Christmas Party on Dec. 18 in the Buffalo and New York Rooms of the Hotel Statler (Los Angeles). Cocktails will be served at 5 p.m., followed by a buffet supper at 7:30 p.m. Tariff for members and guests is $15 each. Checks should be made payable to the Security Traders Association of Los Angeles and mailed to Robert M. Green, Pledger & Co.

Members of the committee in charge of the party are Thomas Euper, Akin-Lambert Co., Inc.; Frank Link, Harris, Upham & Co.; and Gordon B. Tuttle, Gross, Rogers, Barbour, Smith & Co.

GEORGIA SECURITY DEALERS ASSOCIATION

At a recent meeting of the Nominating Committee, composed of Lex Jolley, Robinson-Humphrey Co., Chairman; Wayne Martin, Clement A. Evans & Co., Inc.; Hugh D. Carter, Jr., Courts & Co.; J. Robert Neal, Wyatt, Neal & Waggoner; and Julian W. Tindall, J. W. Tindall & Co.; the following were unanimously nominated to be officers of the Association for the year 1954:

President: J. W. Means, Courts & Co.
Vice-President: Roy W. Hancock, Hancock, Blackstock & Co.
Secretary-Treasurer: James B. Dean, J. W. Tindall & Co.


James W. Means


Roy W. Hancock


James B. Dean

The following were nominated to serve on the Executive Committee for the same period:

Harrison Clarke, Johnson, Lane, Space & Co.; James F. Milhous, First National Bank; F. D. Willis, Merrill Lynch, Pierce, Fenner & Beane; John E. McClelland, J. H. Hilsman & Co.

According to the constitution and by-laws of the Association, any other five members of the Association may make nominations for the officers and must announce their nominations to the Secretary-Treasurer not later than one week prior to the annual election, which has been set for Dec. 11 in the Grill Room of the Capital City Club.

The business meeting and election of officers will start at 5 p.m., followed by cocktails and dinner. Reservations should be made not later than Dec. 4 with Justus C. Martin, Jr., Robinson, Humphrey & Company.

Securities Salesman's Corner

By JOHN DUTTON

That Little Extra—

They say it is the little things in life that count and this is another case in point. After you sell a security, **keep your customer posted.** When a dividend is declared, when earnings reports are made public, or if you have received other pertinent information regarding a company's affairs, write or telephone your customers and tell them about it. If you will establish a contact with the president or other responsible officers of companies in which you and your customers have an interest, in most instances you will find that you will receive cooperation and information that you can pass along to your clients that will be official and interesting to them. This will be appreciated because it places you in a position of being close to the situation, and sometimes you can bring good news to your customers before anyone else.

Here Is the Result

Today the world is overflowing with people selling goods and services who only think of today's dollar. After they make the sale they forget all about the customer. What a surprise it is, when once in a while someone from whom you have made a purchase gives you a telephone call and says, "I just want to know if everything is satisfactory; are you pleased, is there anything you would like to have us do, do you need any adjustments on your new stove, or television set?" This happens so rarely these days that I think most people are very pleased when it occurs. This happened to a security salesman—it's a true story—let's see how it worked out.

This securities salesman had sold a number of his accounts a public utility operating stock, and at the time he recommended its purchase he suggested that the company in question was applying for a rate increase and if it were granted it would be a favorable development. Some of his customers bought the stock a bit reluctantly, yet they had confidence in the salesman and followed his suggestion. Each month thereafter he continued to send his clients earnings reports issued by the company. He had his office type these earnings on a postal card and mail them. Occasionally he would telephone a customer and chat about generalities, the market price of some of their holdings, or other related matters. One day the rate increase did become effective. He again sent out postal cards announcing it.

Several days later one of his newer accounts who had been doing business with another firm, and who was also one of the rather reluctant original purchasers of the utility stock, telephoned him and thanked him for the way he had kept her advised on the investment **after she had bought it.** She said that her other broker had never done this and she liked the idea. Then she asked him if he thought she should sell one of her other stocks and buy some more of the utility stock since the outlook was so improved. Instead of making a quick decision this salesman asked some questions about her situation and finally told her that he thought that, although her utility stock was a good investment, the one she was thinking of "switching" was also attractive and he thought she should leave well enough alone, at least for the time being.

As a result she stated that she was even more pleased with such unbiased advice. She then made an appointment to discuss her entire financial situation and a few weeks later turned over her portfolio to this salesman.

The first step in obtaining this account was that a good security was sold originally. Secondly, the salesman kept the customer informed on the company's progress after he sold the investment. Third, when a question was asked that could have led to an investment decision which would have made the salesman an additional commission but in his judgment would not have particularly benefited the customer, he put the customer's welfare ahead of the commission. This procedure will build an asset that no one can take from you — a satisfied and loyal clientele.

Joins Hannaford & Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James J. Morris, Jr. has become connected with Hannaford & Talbot, 519 California Street.

With Norman Dacey

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Mrs. Anita S. Pisarro has been added to the staff of Norman F. Dacey & Associates, 114 State Street.

What the Next Ten Years May Have in Store for Us

By JOHN E. HAINES*

Vice-President, Minneapolis-Honeywell Regulator Company

Mr. Haines, after revealing as background progress of last decade in construction, automatic heating, air conditioning and other fields, makes predictions for coming decade, among which are: (1) use of atomic energy to create electrical power, and to drive ships, airplanes and submarines; (2) commonplace use of air conditioning; (3) replacement of many metals and building materials with plastics; (4) advances in electronics that will make power and signal transmission without use of cables, and (5) replacement of vacuum tubes by transistors.

Before discussing what the next ten years may have in store for us, suppose we take a look at the past ten years. Most of us do not realize the progress that this country is making each year unless we examine many phases of the advancements taking place. And the progress during the past ten years has been tremendous.

John E. Haines

I dislike using statistics, but it appears to be the only manner in which comparisons can be made.

General: For example, during the 10-year period from 1943 to 1953 the gross national product, which includes the sale of all products and services in the United States increased from $293 to $348 billion based upon the value of the dollar in 1951.

Consumer expenditures increased from $150 to $213 billion.

The population of the United States increased from 137 million to 160 million people.

The consumption of electricity increased 115% from 186 million kilowatt hours to 400 million kilowatt hours.

Construction: In the field of construction, school construction increased from $216 million just before the war to more than $2.150 billion in 1953—ten times as much money in ten years.

The same situation exists in hospital construction. Annual spending rose from $88 million to $655 million in 1953.

Individual and two-family homes rose from 390,000 starts to 870,000 in 1953.

Multiple dwellings or apartment houses rose from 68,000 living units started to 130,000 units in 1953.

Very few hotels have been built in the past few years and if you do much traveling yon know of the hotel congestion which exists and the need for new hotels, particularly in the larger cities. However, hotel construction in 1953 is at a rate which is three times that of ten years ago.

The utilities spent less than $1 billion ten years ago and will spend nearly $4½ billion in 1953.

Slightly more than $1 billion per year was being spent for roads and highways during the beginning of the last decade and more than $3 billion will be spent in 1953.

The need for new office buildings has increased the annual spending from a little more than $100 million to more than $500 million in 1953.

Total new construction of all types rose from an average rate of $12 billion at the beginning of the war to $33½ billion in 1953—nearly three times as much.

Automatic Heating and Air Conditioning: The use of automatic heating, ventilating, and air conditioning has expanded tremendously.

For example, the sale of automatic central heating units for homes increased from an average of about a half million units at the beginning of the war to 1⅔ million units sold in 1953. More than three times. And the total number of residential automatic central heating units in use rose from 4,600,000 in 1943 to 14,000,000 in 1953.

Panel heating was developed into an accepted and widely used type of heating system and panel cooling is on its way. The sale of room air conditioning units increased from about 30,000 units ten years ago to an anticipated 700,000 units in 1953.

There are no records available on the sale of central air conditioning units for homes ten years ago, but it was probably less than 5,000. Sales in 1953 are estimated at 70,000 units.

The number of commercial air conditioning units sold increased from an estimated 50,000 units in 1943 to 265,000 in 1953. And the number of industrial air conditioning units sold rose from an estimated 20,000 units in 1943 to 125,000 in 1953.

The air conditioning industry as a whole is expected to reach a retail sales volume of $2 billion in 1953.

Engineering and Research: The war and later the defense program stimulated engineering and research during the past ten years to the extent that the accomplishments would probably have required at least 25 years under other circumstances.

We have seen the development of:

The atomic bomb.
Atomic weapons.
Jet planes that fly faster than the speed of sound.
The broad use of electronics, radar and sonar guided missiles.
Blind landings for aircraft.
Television.
New plastics for new uses.

Crossing the ocean by plane is commonplace and you can now eat breakfast in New York and lunch in Los Angeles.

Man's health, comfort and efficiency have been improved tremendously through the improvement of heating, cooling, ventilation and air conditioning, the elimination of drafts and cold floors, better air distribution, better installation methods, lower costs, less maintenance and broader use of automatic controls.

The Next Ten Years

And now we come to the next 10 years. This is going to be a most interesting period of time with major progress in all phases of our economy.

Although I am not an economist and have no crystal ball, I am going to make some predictions:

General: The Gross National Product will increase another 32% by 1963 to reach a total of $460 billion based upon the value of the dollar in 1951.

Consumer expenditures will increase another 50% for a total of $320 billion.

The population will increase 17% to reach a total of 188 million people in the United States.

The consumption of electricity will increase another 100% to reach a total annual usage of 800 million kilowatt hours.

Construction: Again in the field of construction, school construction, because of the increase in population and the deplorable need for more educational buildings, will reach a peak of $3 billion per year during the next 10 years.

Hospital construction will reach a peak of $1 billion per year during the next 10 years. We need more hospitals and we need them badly.

Individual and two-family homes will increase during the next 10 years to more than 1,100,000 starts in 1963 with a few ups and downs on the way.

Multiple dwellings or apartment house construction, with the demand increasing, is expected to rise to 200,000 unit starts.

We must have new and more modern hotels in all parts of the country and a building boom in hotels is certain to take place during the next 10 years. The motel or motor hotel boom has already started and will continue because of the convenience and popularity of this type of accommodation.

Utilities expect to continue the present rate of spending at more than $4 billion per year for the next 10 years.

This also applies to the present rate of $3 billion per year for roads and highways. We need many new super highways in addition to connecting roads and highways.

The recent construction of new, modern, air conditioned office buildings in many cities is certain to create a demand for many new office buildings in every city of the country and the modernization of existing office buildings which are worth modernizing in the next 10 years.

The construction of many new homes at new locations in the outskirts of cities is creating new communities with demands for local schools, churches, stores and office buildings.

The annual rate of spending for all types of new construction is expected to continue at its present high rate for the next 10 years and increase at least 20% by 1963.

Automatic Heating and Air Conditioning: In our particular field of automatic heating and air conditioning, the sale of automatic central heating units per year for homes will rise to more than two million units by 1963, and the number of automatic units in use will rise to about 25 million.

The sale of room air conditioning units which has experienced such a tremendous increase during the past few years will continue to increase to a peak of more than two million units per year during the next 10 years.

Central air conditioning in homes is just getting a good start and should rise to more than a half million units sold and installed in 1963.

The present high rate of commercial and industrial air conditioning units installed each year will certainly continue and undoubtedly increase during the next 10 years. And in addition the obsolescence of existing conditioning systems will create a very large demand for modernization.

The air conditioning industry as a whole is expected to reach a retail sales volume of $5 billion in 1963 as compared to $2 billion in 1953.

We in the industry have a tremendous responsibility to meet this growing demand with quality products which will produce the results that the public has every right to expect.

Population growth, increased earnings, and social changes are going to increase the demand for your products and your services to an extent which may become overwhelming. We must meet this demand.

Engineering and Research: Engineering and research is continuing in all fields of endeavor at the very high rate established by war and defense requirements. And it will certainly continue for the next 10 years resulting in tremendous technological advances in every direction.

Our standard of living, our health, and our comfort improves every year, and will continue to improve.

I predict that within the next 10 years:

Atomic energy will be commonly used to create electrical power, drive ships, airplanes and submarines.

Planes will fly non-stop around the world in less than 18 hours.

Homes, commercial and industrial buildings will become more functional, yet better in appearance, and lower in cost.

Residential air conditioning will become as commonplace as automatic heating is today.

We are entering an electronic world where the transmission of power and signals of all types will eliminate wires and cables, television-telephones will be in common use, transistors will soon be available to eliminate tubes at a lower cost and providing for very long life.

We are also entering an automatic world where electronics will do things for us which we cannot now imagine. Even automatic controls for heating and air conditioning will be electronic and there will be a thermostat in every room of the house, apartment, office building and hospital.

Many processes and even complete manufacturing plants will become almost completely automatic.

Heating and air conditioning equipment and its installation will be simplified and will cost much less.

A large percentage of all new automobiles will be air conditioned.

Guided missiles or rockets will reach the moon.

Plastics will replace many metals and building materials, and complete buildings will be built of plastic materials.

During the next 10 years the engineer will really come into his own and be recognized as the leader in the growth and progress of our country.

*An address by Mr. Haines before the Nebraska Chapter of the American Society of Heating and Ventilating Engineers, Omaha, Neb., Nov. 10, 1953.

A Mutual Fund for New York Savings Banks

By J. WILBUR LEWIS*
President, Institutional Investors Mutual Fund, Inc.
President, Union Dime Savings Bank, New York City

Head of mutual investment fund organized and operated to facilitate New York State savings banks' investments in equities, outlines investment policies of the institution and its operational procedures. Says chief task of institution is to set up "an approved list of stocks, which is subjected to continuous check and review." Expresses confidence that the institution "has an assured and useful future."

The problems that confront Institutional Investors Mutual Fund in managing its portfolio differ in four fundamental respects from the traditional problems we savings bankers have always faced as bond investors and mortgage lenders.

J. Wilbur Lewis

First, we give up the relative safety of the senior position we enjoy as bondholders and mortgage lenders when we invest in common stocks. We become residual owners of enterprises, instead of holders of prior claims as creditors. This entails an unavoidable increase in risk.

Secondly, we do not have the contractual protection that is afforded by the creditor-debtor relation. We cannot sue for interest or principal if payment is not forthcoming by a given date. We cannot threaten foreclosure.

In the third place, we do not have the assurance of a fixed and regular return on the investment that the bondholder or mortgage lender possesses. Dividends on stocks are payable only if and when declared by the board of directors.

Finally, and over the long run most important, because common stocks represent the residual equity in enterprises, there is no principal amount that the investor can count upon getting back at maturity. In fact, there is no ceiling upon common stock prices when they rise in response to increases in earnings or dividends, or the enthusiasm of buyers. By the same token, there is no floor under common stock prices when they decline in response to unfavorable developments. Because stock prices can rise so high, they also can decline quite sharply.

No more forceful reminder of how common stocks can and do fluctuate is needed than the simple factual statement that the Dow-Jones industrials average declined by almost 90% from the bull market peak of 1929 to the bear market low point of 1932.

It was recognition of the special problems and risks attaching to equity investment that caused the Legislature to authorize savings banks to invest in shares of a mutual investment company that would facilitate their investing in common stocks. Such a mutual fund provides an agency specially designed to help savings banks obtain the benefits offered by investment in common stocks while lessening the risks thereby incurred.

Constant awareness of the problems of risks that attach to savings bank investing in common stocks governs the portfolio policies of Institutional Investors Mutual Fund, Inc.

I shall undertake today to spell out these policies in detail, with an explanation of the reasons that led to their adoption.

*An address by Mr. Lewis before the Investment Officers Association of the State of New York, New York City, Nov. 18, 1953.

Portfolio Balance

The first question that confronts a mutual investment fund is whether to acquire a balanced portfolio of stocks and bonds, or to invest solely in common stocks.

Our policy has been to invest the funds if I. I. M. F. exclusively in common equities, except for keeping a maximum of 10% of our resources at any one time in cash and short-term government securities combined, even if there are strong grounds for expecting more attractive common stock buying opportunities to develop within the near future.

I. I. M. F. was established for the sole purpose of **facilitating** sound investment in common stocks by savings banks. The individual mutual savings banks are quite well equipped to do their own investing in senior securities. Therefore, once a savings bank has decided upon the amount of money it wishes to place in common equities, via I. I. M. F., the bank can count upon these funds being so invested without material delay. The overall investment program adopted by the individual savings banks would not be carried out if the Fund should withhold from investment in common stocks any considerable part of the sums it receives from savings banks.

Only if the Fund is substantially fully invested in common stocks can the individual savings banks be sure that an investment in the Fund is equivalent to an investment in common stocks, with the many added advantages that use of the Fund provides.

In view of the small proportion of its assets that a savings bank can at most invest in common stocks, our type of institution does not face the problem of portfolio balance as it arises with an investor subject to fewer restrictions. The maximum common stock holding of a mutual savings bank can be 3% of assets. Therefore, no matter what a mutual savings bank does about equity investment, its portfolio will always be very heavily weighted, as it should be, in favor of high-grade bonds and mortgages.

Timing of Stock Purchases

Because common stocks are subject to such wide price swings, the timing of purchases is particularly important to minimize risks and to maximize benefits. Many a quality equity has yet to return to the peak prices reached in 1929, despite the passage of a quarter of a century, inflation, and the fact that the country has been enjoying since 1940 the most prolonged boom in its history.

After extended study, the directors of I. I. M. F. have decided that the timing of savings bank purchases of common stocks as a class is preferably done by individual savings banks, rather than by the Fund. For one thing, if the Fund were to undertake any elaborate timing program it would have to keep a large part of its resources at times in bonds or cash, which is not its function. Secondly, individual savings banks will want to adopt timing programs of their own for their common stock purchases. Some will want to invest up to the legal limit in common stocks immediately, counting upon the higher current rate of return as compared with other earning assets realized year after year, to offset the risk of depreciation. Others will want to use a five-year dollar cost averaging program, and still others a ten-year program of dollar averaging or a formula plan. If the Fund undertook to time its purchases of common stocks with a program of its own, individual savings banks using the Fund could not be sure that their own timing intentions would be carried out.

This is not to say, however, that the Fund ignores the timing problems. The contrary is true.

The Fund seeks to minimize the risks and maximize the benefits of equity investment through varying the proportions of defensive and of more volatile common stocks in its portfolio from time to time. In a period like the present, when common stocks are high in price by comparison with the past and business conditions are quite prosperous, we favor defensive equities; that is to say, those which will suffer less of a decline in price when economic conditions become less favorable. Whenever stock prices will have declined substantially and we feel that a business recession has been pretty well discounted, we will reduce our purchases of defensive issues and add issues of the relatively volatile types which, while they are likely to decline more in recessions, should do much better than defensive equities when the business trend will turn upward again.

In other words, the Fund gains many of the advantages of timing common stock purchases through its selection methods, which favor defensive issues when prices are relatively high, and volatile issues when they are relatively low.

At the same time, individual savings banks can time their own purchases of common stocks, whether through investing in the Fund or directly, with a view to lessening the timing risk further. This can be done through:

(1) Dollar averaging purchases over a period of several years which, we may be sure, will include periods of higher and of lower stock prices. If the same number of dollars is invested monthly, quarterly or annually over a period of years, we know that the bank will buy more shares when stock prices are low and fewer shares when stock prices are higher. As a result, the average cost of the shares purchased, whether in the Fund or in the market, is bound to be lower than the average price that will prevail during this whole period.

(2) Stepping up purchases of common stocks when an upturn in business is expected, and cutting them back when a recession is anticipated. The trouble with such a timing program is that it is dependent upon a savings bank's ability to forecast the future, always an uncertain and hazardous occupation. The present Chairman of the Council of Economic Advisers, Dr. Arthur F. Burns, has said that he is a very poor business prophet. When one of the nation's foremost authorities on the business cycle says that, we can appreciate the difficulties of successfully timing our common stock purchases on the basis of prophesying the future of business.

(3) A formula plan under which stocks are bought as the Dow-Jones industrials or some other share price index declines, and sold as the index rises. A formula plan modestly sidesteps the need for forecasting, counting instead upon buying stocks as the market declines and selling when it rises. I believe that dollar averaging provides a better way to time purchases of common stocks while accumulating an equity portfolio. Once a portfolio has been accumulated, however, a sound formula plan may be a good way to time purchases and sales.

Let me cite an example of how a formula plan can be used by a savings bank to time purchase and sales of common stocks as a class. A bank may decide that it wants to be fully invested in common stocks, up to 3% of assets, when the Dow-Jones industrials average is below 175. Between 175 and 225, it wants 2½% of resources so invested, and between 225 and 275 the amount will be reduced to 2%. Above 275, investment in common stocks is to be limited to 1½% of resources. The investment in equities is to be increased or reduced, as the case may be, when the industrials average moves into a different zone, down or up. Shares of I. I. M. F. could then be purchased or redeemed, as required, to achieve these ratios. The savings bank would find that it adds to its holdings of I. I. M. F. after a market decline, and reduces its holdings after a major rise in the stock market, under such a variable ratio formula.

Selection—The Approved List

The chief task of I. I. M. F. is to select common stocks for purchase and sale to attain, as nearly as may be, the objectives of a higher rate of return with a minimum risk which caused savings banks to seek authority to purchase common stocks in the first place.

The first step in the selection of issues for our portfolio was the preparation by our investment adviser, the Savings Banks Trust Co., of a master list from which selections are to be made. This master list was approved first by the Executive Committee and then by the directors of I. I. M. F. Inc., and the master list thereby became the approved list. This approved list now includes 184 individual issues. I cannot emphasize too strongly that the inclusion of an issue on the approved list does not mean it is to be purchased immediately, or that it need ever be purchased. But no stock will be purchased until it has been placed first upon the approved list because it has met the exacting quality tests applied by the analytical staff of our investment adviser, the Savings Banks Trust Co., and because it has been approved by the directors of I. I. M. F.

The worth of common stock will be determined ultimately by future earnings of the issuing corporation, not by past or present performance. The buyer of a stock purchases an interest in the future earnings of a business. Asset value is not of significance in itself to a going business concern. The analysis of an equity issue is of little value unless all pertinent factors affecting future earnings are weighed, and the probable future trend of profits thereby appraised.

The approved list is subjected to continuous check and review as new information becomes available, to make sure that changes are made in it when new developments provide strong reasons for doing so.

The approved list provides us with a list of common stocks that, we have every reason to believe, will do substantially better than issues of other companies in the same industries, and should do a good deal better over a long period of years than the stock price averages because they represent both industries and companies that have substantially better than average prospects.

Deletions as well as additions to the list, recommended by the investment adviser, are reviewed and passed upon by the Executive Committee of the Fund before being submitted to its board of directors. On approval by the board, proposed changes in the list become effective.

Selection—Purchases and Sales

The investment adviser regularly makes portfolio policy recommendations to I. I. M. F. When approved by the Executive Committee, this policy is carried out by the adviser.

The portfolio of I. I. M. F. on Sept. 30, consisted of 52 issues recommended by our investment adviser to effectuate a policy of having at least two-thirds of the resources of the Fund in defensive issues, and no more than one-third in more volative equities. The defensive issues were selected to give a high degree of assurance of a relatively stable, adequate dividend income for the future. Others, giving a lower than average yield now, offer a bright promise of increasing dividends in the future due to growth of profits. Without giving undue significance to so brief an experience, it is of some interest to note that, whereas the Dow-Jones industrials average declined by 8% between May 15 and the year's low point on Sept. 14, I. I. M. F.'s asset value per share declined only 3% during that period. Since then, the Dow-Jones index has recovered to around the May 15 level, but the Fund's shares are 3% above that point.

The selection of individual common stocks for purchase by I. I. M. F., or by a savings bank for that matter, is a very different matter from the purchase of a corporate bond. With the bond, the primary thing is assurance that interest requirements will be covered by an adequate margin in the future. It does not matter much whether interest is covered four times, six times or eight times. Whichever it is, the bondholder knows he is going to get his interest, and that there is a wide margin of protection in earnings to assure regularity of payment and the ability of the company to refund its debts at maturity.

With common stocks, on the other hand, it makes all the difference in the world whether the company earns $4 a share, $6 a share or $8 a share. With earning power of $6 a share, other things being equal, the stock is likely to sell some 50% higher than if it is earning $4 a share. When earnings are $8 a share, it may sell about twice as high as when they are $4 a share. As the residual owner of the enterprise, the common stockholder is entitled to all the earnings, and so the stock reflects these earnings. And when profits drop from $8 a share to $4 a share, it is quite probable that the stock may lose half its value on the market, and that the dividend is likely to be reduced in time.

Hence, it is necessary to weigh prospective earnings constantly against present stock prices. This is particularly true of more volatile issues, on which the earnings per share are apt to fluctuate violently with the swings of the buusiness cycle or other factors.

Future earning power of a corporation will be affected by a wide variety of influences. Constant supervision is required to discern and weigh these influences promptly, and to decide when they make it desirable to purchase individual issues on the approved list for the Fund's portfolio, or when sales may be indicated in particular cases.

The Best Solution

The board of directors and the officers of I. I. M. F., Inc., have labored long and hard to evolve the best possible solution for the exacting problems of common stock investment for mutual savings banks.

We feel that our labors have borne fruit, and that we now have a set-up which assures for our equity investments specialized management of a high order at modest cost. Our investment adviser has provided a highly trained and specialized staff that closely and continuously supervises the approved list, makes portfolio policy recommendations, and suggests purchases and sales to carry out the recommended policies. Our Executive Committee passes on these recommendations, and all actions are finally passed upon by the board of directors.

No savings bank can afford to maintain a specialized set-up of this kind for its equity investments. The limited amount it can invest in equities would not make the cost of any such organization for its own common stock investments justifiable. On the other hand, by spreading the cost over all the funds invested in I. I. M. F. by a majority of the savings banks of the state, the cost per dollar invested becomes relatively small.

I. I. M. F. is thus able to do far more analytical and portfolio work on its investments than any savings bank could afford on its own, at a very modest cost to each bank based on its participation in the Fund.

The Future of I. I. M. F.

I feel confident, in the light of our experience to date, that I. I. M. F. has an assured and useful future.

As the Fund grows in size, the cost per dollar invested will decline further. At the same time, the services provided should become even more valuable as we build our organization on the strong foundation we already possess.

We are working on a plan to enable individual savings banks to exchange the common stocks they have purchased directly for shares of the Fund, where banks wish to do so. The plan envisages a simple exchange of the savings bank's common stockholdings at current market value for the Fund's shares at net asset value. Such a plan contemplates eliminating both the brokerage commission charges which the savings bank would incur if it sold stocks directly in the market to raise money to subscribe to shares of the I. I. M. F., and the Fund charge of one-half of 1% to offset acquisition costs. If any of the stocks taken over do not conform to the investment policy of the Fund, they will be sold immediately. In this way, the banks will secure the administration and continuous supervision provided by I. I. M. F. for all their common equity investments.

Devoted exclusively to investing in equities for mutual savings banks, I. I. M. F. possesses all the advantages of a very high degree of specialization in a field whose complex character and manifold risks require specialization.

Harold Emch Forms Own Investment Co.

MILWAUKEE, Wis.—Harold H. Emch has formed Emch and Company with offices in the First Wisconsin National Bank Building, to engage in the securities business. Mr. Emch is President and Treasurer of the new firm; Joanna Kaczanowski Vice-President and Secretary. Both were formerly officers of Brew Emch Jenkins. Co.

Witter Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — George D. Ladas has become affiliated with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Keeler With Hill & Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Robert B. Keeler has become associated with Hill & Co., Carew Tower, members of the New York and Midwest Stock Exchanges. Mr. Keeler, who has been in the investment business for many years, has recently been with H. B. Cohle & Co. and Clair S. Hall & Co.

Stock Investments From the Savings Bank Standpoint

By ALFRED C. MIDDLEBROOK*

Vice-President, East River Savings Bank, New York City

Executive Vice-President, Institutional Investors Mutual Fund, Inc.

Though asserting as long as savings banks are operated according to sound banking principles, equity securities will occupy only a marginal position in their asset structure, savings bank executive, however, contends, with proper diversification and timing, along with prudent management, stocks can provide a constructive element in an investment program for a mutual savings bank. Reviews risks involved in stock investment, and holds preferred stocks are most attractive to savings banks at this time. Discusses timing factor in stock purchases and problem of stock valuation in computing assets and reserves of savings banks. Describes organization and purpose of Institutional Investors Mutual Fund, Inc.

Higher earning power within the framework of an appropriately conservative investment policy is certainly a prime objective of savings bank management. Increasing deposits, intensive competition, higher operating expenses, and the incidence of Federal income taxation for those banks of which surplus and reserves are equivalent to a minimum of 12% of deposit liability have combined to burden management with the problem of investing to produce a return sufficient to pay adequate dividends and to make desirable additions to surplus.

A. C. Middlebrook

Circumstances have thrust upon the mutual savings banks operating conditions which require standards of investment performance that are extremely demanding. It may well be that the trying conditions of the visible future will severely test the adequacy and the resources of management in finding satisfactory solutions to the pressing and challenging problems of a new day in the operation of savings banks. Certainly it would seem that the continuing strength and vitality of the savings banks as institutions of public service will depend to a considerable extent on the wisdom and sagacity with which these urgent matters are approached.

A higher rate of return on investment seems necessary to assure a satisfactory dividend rate and to margin growth in deposits by adequate increments to surplus after provision for reserves and taxes. However, in any adjustment of investment policy to meet the requirements of the times there should be no compromise with the high standards of investment, safety, and liquidity that have signally characterized the record of the savings banks, and that have earned for them the priceless asset of widespread public confidence and good will.

The substantial diminution in spreads between yields of common stocks and bonds during the last two years, while having reduced considerably the immediate relative attractiveness of common stocks, has not removed the basis for legitimate interest in these securities by mutual savings banks and other institutional investors for which, to some limited percentage of assets, junior equity securities constitute appropriate holdings.

Indeed, the record of the last several years has been one of significant progress in extending the scope of institutional and trust investment powers in equity securities in response to powerful forces in the capital market and in the flow of savings. There is no assurance that an ebb in the intensity of these forces will not be followed by a resumption of investment and capital market conditions emphasizing the attractiveness of such securities for the investment of institutional funds subject, of course, to proper restrictions.

Under pressure of necessity to seek augmented earning power within the limits of prudent investment policy, mutual savings banks have turned to equity securities which even for some small percentage of assets, can make a worthwhile contribution to earning power—most notably in net earnings after federal income tax which measure the ability of a bank, the undistributed net earnings of which are taxable, to augment the surplus account.

Equity Investment Powers for New Jersey Savings Banks

If the sequence of events in New Jersey resembled its counterpart in New York the recent enactment of an equity statute bespeaks an intensity of thinking and study on this subject commensurate with its significance as a departure in savings bank investment practice. It is undoubtedly the product of determined efforts to solve the problem of relating equity investments to the special requirements of savings banks. Such thinking and study, I assume, were based upon the implications of trends in the capital and investment markets which have been clearly discernible within the last few years.

This extension of the area of permissive savings bank investment in the State of New Jersey opens a new avenue of approach to the securities markets through which, under favorable conditions, savings banks may at times obtain relatively generous yields on a portion of assets, added diversification representing equity interests in outstanding American corporate enterprise, and increased overall liquidity. Subject to prudent use, this new statutory power should make a constructive contribution to savings bank investment in the State of New Jersey.

Despite the case that can be made in support of limited equity investment by mutual savings banks, there is no unanimity of attitude on this subject on the part of savings bankers. The concept of such investment is admittedly contrary to the traditional and habitual thinking of our business. It has seemed of dubious soundness to some who contend that savings banks as institutions holding what amount to demand deposits should not be permitted to invest even on a limited basis in equity securities with their admitted exposure to risk, wide market fluctuations, and major variation in income production as compared with sound debt securities.

I emphasize that in no state in which savings banks are authorized by statute to hold equities does this power exceed the limit of capital funds, and that in those states which account for a large preponderance of equity holdings of all mutual savings banks, the power amounts to only a fraction of capital funds. Furthermore, it is my opinion that in those states in which savings banks do not now hold equity securities, but in which there is no statutory prohibition against such investments, future holdings, if any, are not likely to exceed the amount of capital funds.

It would seem that as long as savings banks are operated according to sound banking principles, equity securities will occupy no more than a marginal position in the asset structure. However, it should be duly emphasized that marginal factors should not be underrated as they are frequently of substantial, and occasionally of controlling importance. I do not believe that equity securities in and of themselves offer, in effect, a specific for the pressing investment problems of the savings banks. I do believe, however, that subject to appropriate restrictions, proper diversification and timing, as well as prudent management and informed supervision, stocks can provide a constructive element in an investment program for a mutual savings bank.

The exclusive objective of savings banks in equity securities should be relatively attractive yields from issues of high quality. About 3½ years ago when the movement of the New York Association to seek equity investment powers was inaugurated, unusually wide spreads prevailed between yields of common stocks of investment quality and high grade bonds. Referring to the contemporary Moody's averages, the yield of 200 stocks at 6.16% was more than double the composite corporate bond yield at 2.84%—a difference of 332 basis points; the current spread is 221 basis points. These marked yield spreads were symptomatic of underlying conditions in the capital markets which indicated a shortage of high-grade debt securities in relation to institutional investment demand.

During the last two years or so for reasons that are well known, the yield spreads between common stocks and bonds have diminished considerably with the obvious result that debt securities have become relatively more attractive. There has been an enormous expansion in corporate debt, itself a market depressant, while the official credit policy of the government was oriented in the direction of higher rates. Since last spring, however, the movement of official credit policy and debt management policy, as we know, has been in the opposite direction with the obvious effect upon interest rates and the general yield structure. Yields of

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*An address by Mr. Middlebrook before the Investment Forum of the Savings Banks' Association of New Jersey, Newark, N. J., Nov. 18, 1953.

We Should Have a Flexible Monetary Policy!

By MEYER KESTNBAUM*
Chairman, Committee for Economic Development
President, Hart, Schaffner & Marx, Chicago

In stressing importance of economic stability, CED Chairman urges an adaptable and flexible monetary policy that will aid in controlling inflation without precipitating a depression. Scores low interest rate basis of monetary policy, which, he says, leads to inflation. Urges continued and accurate appraisal of economic situation and its trends as prime factor in management of a flexible monetary policy. Holds there is now a solid basis for our economy and no collapse, such as occurred in 1929, need be feared.

There is no need for me to remind this group that we live in a troubled world. Nor is it necessary for me to point out to practical men that to a large degree the problems of the world are essentially economic problems. Without attempting to prove something that seems obvious I should like to submit the proposition that one of the most important challenges facing us today is the maintenance of a reasonable degree of stability in the American economy. I need not labor the importance of economic stability. We have lived, in less than 25 years, through a terrible depression and a serious inflation. During the depression we saw the great productive capacity of the American economy, the marvel of history, lying idle because we had not mastered the problem of keeping that capacity continually engaged in satisfying the real wants of our population. There was physical suffering for some, frustration for many, and for still more loss of confidence in themselves and in their society.


Meyer Kestnbaum

In more recent years we have lived with rapid inflation, striving to keep our personal, business and national affairs afloat on a raging flood of rising prices. Probably no one is better aware than are the accountants of what it means to try to operate an economic system with a standard of value declining in significance at an unpredictable rate.

As we have become more concerned with our relations to the rest of the world we have come to recognize that economic stability here is not only important to us at home. It is also an essential condition for the economic health of the non-Communist world and thereby for its solidarity, security and freedom. The economies of most of our friends are precariously balanced. They cannot effectively adapt themselves to the alternating withdrawal and reappearance of the gigantic American economy as a buyer and seller in world markets.

There is a strong determination in all sectors of the American economy to achieve greater stability than we have achieved in the past. Without this determination little could be done. But determination by itself is not enough. Our problem is one of means, and of wisdom in the use of means.

There are, in my opinion, available means, in the policies of government and in the voluntary action of business, labor and consumers, to achieve not perfect stability but the essential goal of reasonable stability. The means are adequate, if we use them wisely. It would be rash to assert that we are now prepared to use the available means with the necessary wisdom. We have learned many things, but there is still much to learn. What we have learned has come largely from hard experience and mistakes, and this is probably how we shall learn in the future. But we cannot afford to make very many mistakes. We now face a real test of our ability to analyze our experience and extract from it the lessons it holds for the future—without making too many mistakes in the process.

*An address by Mr. Kestnbaum at the Luncheon of the American Institute of Accountants, Chicago, Ill.,

Recent Experience in Monetary Policy

I should like to discuss today our recent experience with one of the instruments we must use to promote economic stability — monetary policy. In selecting this one instrument for discussion I do not mean to elevate it above its true proportions in relation to other measures. Monetary policy alone cannot provide stability. But it can make a major contribution to that goal and, if badly used, it can certainly create instability. This has been a year of dramatic events and unusually active discussion in the field of monetary policy, and in the closely related field of debt management. It is worthwhile to consider this experience and see what we can learn from it.

In the years from the end of the war to the Spring of 1951 monetary policy was primarily, and with small exceptions, devoted to one purpose—to keeping the yields on government securities low and stable. There were some at the beginning of the period who thought that monetary policy could not succeed in this purpose. They doubted the ability of the monetary authorities to keep interest rates low when all the natural forces of the market were working to raise interest rates. But the Federal Reserve's capacity to buy government securities, with newly-created reserve money, and in the process to expand the capacity of the banks to make loans, was practically limitless. And we saw that if the Federal Reserve was willing to use this power primarily to keep interest rates down it could do so.

We also saw, however, that in the circumstances such a policy could succeed in keeping interest rates low only at the cost of permitting and contributing to a vast inflation, which weighed very heavily on a large portion of our population. The demands of businesses and consumers for plant, equipment, inventories, housing, automobiles and goods in general were much larger than the economy could satisfy. The impact of these demands upon the market could not fail to raise prices. If we could have made credit less easy to get, if we could have restricted the public's supply of money, we could have held some of these demands back—still allowing them to be satisfied up to the maximum of our productive capacity but at least reducing the inflation. However, as long as the great power of the monetary authority was used to keep interest rates down, there was little opportunity to tighten credit to private borrowers.

As the postwar inflation proceeded there was increasing recognition that this was a perversion of monetary policy—involving a sacrifice of the primary objective, economic stability, to a secondary objective, stability of interest rates at low levels. Considering the complexity of the issues, public understanding of this grew surprisingly, especially when rapid inflation resumed after Korea.

Finally, in March, 1951 the Treasury and the Federal Reserve agreed upon a change of policy. The new policy was embodied in the now-famous accord. The essence of the accord was that in the future the powers of the Federal Reserve would be used primarily with a view to promoting economic stability.

Adapting a Flexible Monetary Policy

This amounted to a declaration of intent to inaugurate a flexible monetary policy — one in which the direction and intensity of the Federal Reserve's action would be adapted to the changing economic situation, restraining the economy when demands tended to be excessive and stimulating it when demands tended to be deficient. But this declaration of intent, which freed the Federal Reserve to pursue a flexible policy, did not by itself give us such a policy. A flexible monetary policy has to be managed, and the declaration of intent did not tell the Federal Reserve or the public how it was to be managed.

To manage a flexible monetary policy is much more difficult than to operate a policy of stabilizing the prices of government securities. In the latter case it is only necessary for the Federal Reserve to stand ready to buy government securities from all comers at a fixed price. The Federal Reserve knows what to do and the private market knows what the Federal Reserve will do. But to manage a flexible monetary policy it is necessary first of all to have a continuous and accurate appraisal of the economic situation and its trends. It is then ncessary to decide the direction and degree of monetary influence that is appropriate to the economic prospects

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Canada's Economic Development Analyzed

L. S. Mackersy, M.C., President of the Imperial Bank of Canada, at Ninth Annual Meeting of Shareholders, says Canada's recent development has been relatively greater than that of U. S., largely because more emphasis has been placed on productive capacity rather than on house building. Pleads for more liberal U. S. trade policy.

In an address to shareholders of the Imperial Bank of Canada at Toronto on Nov. 25, on the occasion of the 79th Annual meeting, L. S. Mackersy, recently elected to the Presidency of the institution, discussed, among the topics the development since the war in U. S. and Canadian economies. Regarding this, Mr. Mackersey told the shareholders that "our general development has not only been greater than that of the U. S. but has given more emphasis to investment in productive capacity rather than investment in house building, a factor which has resulted in a faster rise of per capita output in Canada."


L. S. Mackersy, M. C.

Noting that this rise in per capita production has been slow in materializing, Mr. Mackersy said "In the early postwar years the withdrawals of women from the labor force and the reduction of the work week to peacetime proportions retarded growth in the output of goods. In the last year or so, however, there has been a sharp increase in production per person and this is likely to be the main factor in raising the index of industrial production in 1953 by some 9 or 10%."

A strong plea for further removal of international trade and exchange restrictions was also a prominent feature of the Presidential address. "The present high level of prosperity offers the world a golden opportunity to cut tariffs and remove exchange restrictions under the most favorable circumstances," continued Mr. Mackersy. He complimented the United Kingdom for giving an important lead in the movement to liberalize trade by freeing one industry after another from government controls without waiting until sterling can be made fully convertible. Mr. Mackersy expressed the hope that the United States would "quickly decide to renew the vigorous leadership which she has given, since the war, to freeing world trade," and added that Canada, too, must continue to work for the freer world trade which is vital to her prosperity. "Should further tariff reductions be required of us as part of a general movement in that direction," continued Mr. Mackersy, "they should be recognized and accepted as the cost of finding markets abroad for the greatly increased flow of exports we are preparing to produce." He supported recent suggestions made in other quarters that Canadian businessmen should make "more vigorous efforts to sell Canadian products abroad."

Lazard Freres Group Offer Rayon Shares

With the offering today (Dec. 3) of 180,000 American shares of A. K. U. (Algemene Kunstzijde Unie N. V.) at $23.75 per share, by an underwriting syndicate headed by Lazard Freres & Co., there becomes available the common stock of the first leading European industrial corporation to register under the Securities Act of 1933 and to publish a prospectus. A deposit arrangement with the Chase National Bank in effect makes the American shares so created resemble the usual form of common stocks in the United States and facilitates dividend distribution in dollars.

The Dutch parent company, A. K. U., and its affiliate together constitute one of the world's leading rayon producing organizations, having produced over 12% of the free world's 1952 rayon output besides producing their own type of nylon fiber plus other cellulose derived materials. The group's manufacturing plants are located in the Netherlands, Western Germany, Great Britain, Spain, Italy and the United States.

In the Netherlands, the group's centralized research organization operates pilot plants and employs about 850 persons. Recent developments include equipment for continuous spinning of viscose rayon, a new type of viscose tire yarn, and a nylon-type tire yarn, while a substantial and continuing effect is directed towards originating and improving wholly synthetic fibers.

Col. & So. Ohio Elec. 3⅝% Bonds Offered

Public offering of a new issue of $10,000,000 Columbus & Southern Ohio Electric Co. first mortgage 3⅝% bonds due 1983 is announced today (Dec. 3) by an investment banking group headed by Dillon, Read & Co. Inc. and The Ohio Company. The bonds are priced at 102.31% and accrued interest to yield 3.50% to maturity. The issue was awarded at competitive sale on Tuesday.

Proceeds from the sale of the bonds and from the recent sale of a new issue of 200,000 common shares, also managed by Dillon, Read and The Ohio Company, are being 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 about $50,000,000.

The new bonds are redeemable under a sinking fund which calls for annual retirements of $100,000 principal amount starting Nov. 1, 1958. Sinking fund redemption prices range from 102.08% to the principal amount. At the option of the company the bonds are redeemable other than for the sinking fund at prices scaling from 105.81% to principal amount.

The company supplies electric service to areas in and around the City of Columbus and an area in southern Ohio with an aggregate estimated population of 850,000.

With Robert E. Schweser

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Elmer W. Divan has been added to the staff of Robert E. Schweser Company, 208 South Nineteenth Street.

Woodard-Elwood Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—James E. Haverstock is with Woodard-Elwood & Co., Rand Tower, members of the Midwest Stock Exchange.

Our National Stake in Convertible Currencies

By LEWIS W. DOUGLAS*

Chairman of Board, The Mutual Life Insurance Co. of N. Y.

Former diplomat recounts trade difficulties arising from inconvertible currencies, exchange controls, and other similar devices. Points out our economic activities are restricted, impeded, and severely constrained by limitations on use of most foreign currencies. Denounces "Protectionism" as a policy of exclusion, and points out a prudent program toward more freely convertible currencies can be had only by concerted action of national governments, as U. S. cannot bear burden alone

This country's foreign economic policy is now absorbing the interest of a great many people. It has become a highly controversial subject and has generated as much heat as all the bituminous coal of Pennsylvania or the natural gas of Texas.

Lewis W. Douglas

It is not my purpose to repeat the arguments that have been made before or to re-examine the evidence with which so many are familiar. I would like to speak about a phase of the problem with which we may not be too familiar and I should like to make a very calm, dispassionate and accurate estimate of our national stake, as Americans, in convertible currencies.

There are few among us who would disagree with the proposition that a valid currency is the very essence of an economic system, organized around, deriving its strength from individual initiative, private enterprise and economic freedom. I would like to discuss this morning the significance of an internationally sound currency to almost every aspect of American economic life.

There was a period—it was a long period—when in the flash of an eye almost any money on earth could be exchanged for almost any other national currency. In Singapore or Sydney—Capetown or Cairo; in Rome, Italy, or Rome, New York—St. Petersburg, Russia, or St. Petersburg, Florida — for any purpose that best suited each individual's taste a mark, a dollar or a lira a franc, a ruble or a pound, a peseta, a tael or a guilder could be immediately transferred into any denomination of any currency at any bank, or almost any hotel desk, without pause or interference from any official of a central bank or any holder of a public office.

It was this free and untrammelled ability to exchange one national money for any other that identified convertible currencies and that made them a part of a completely free international monetary and financial system that served national and international markets of commerce and trade. It was this free convertibility of currencies which was an indispensable minister to individual initiative and freedom of enterprise; the freedom with which one money could be exchanged for another and the liberty which an individual enjoyed to invest his capital, to grow or manufacture and to sell his products in accordance only with the cheapness and the quality of his wares, were inseparable partners to each other. The period when the international monetary system reached its fullest development and when it was the least fettered by government intervention and government control commenced on the battlefield of Waterloo and ended on the banks of the Marne. Although it was studied with many local wars it was the longest stretch of world peace since the Pax Romana. Despite its many infirmities and its economic disparities, it stands out, in retrospect as the "golden age of modern history." Alas, convertible currencies which marked this long stretch of human experience, with few exceptions, have now become mere memories.

The Burden of Inconvertible Currencies

Our economic activities are now restricted, impeded and severely constrained by limitations on the use of most foreign currencies for the purpose of buying goods of foreign origin or investing in foreign lands. The inconvertible currency has become the ordinary and accepted monetary phenomenon of our times. It is a money which can be used only for the purposes which are made admissible by governments or central banks and frequently only in the amounts which governments and central banks allow. An inconvertible currency is one which is wrapped around with exchange controls and restrictions imposed by and enforced with the power of governments.

A great deal has been said about the various barriers to international trade-tariffs and quotas are a commonplace among the restrictions to the flow of goods. But of all the various devices which impede the movement of commerce in international markets, there is no barrier so impenetrable, no barricade so insurmountable and no restriction is unconquerable as the limitations imposed by governments on the purposes for which money can be used.

Let me interpolate at this point; there are exceptions to almost all general statements. Time does not permit an identification and explanation of each exception, nor does it permit an elaboration of the general proposition. But the exceptions do not cast any doubt upon the validity of the general conclusions. I make this interpolation because I cannot discuss all cases which, on superficial analysis may not seem to fall precisely into the general pattern.

Limitations imposed upon the uses to which currencies can be put, whether for investment or on current account for the purchase of goods, especially limitations on their convertibility into other currencies which are necessary to buy commodities produced in a foreign land, are the most inflexible, the most rigid and the most unbending of all of the various impediments to trade.

It would seem than only those who export have an economic interest in the restrictions on consumption and the impairments of commerce which exchange controls produce. But this narrow view does not reflect the extent to which inconvertible currencies —currencies with a proscribed and limited use—cause the total foreign markets for certain commodities to shrink in relation to what they would have been—and divert foreign goods produced in foreign areas from foreign markets into the American market.

Two Examples

May I refer to one or two examples of the influences on the flow of trade exerted by inconvertible currencies and exchange restrictions. Take as a hypothetical case in point a resident of the Argentine who, by one device or another, has acquired a certain amount of sterling. It suits his wishes, let us suppose, to exchange his sterling for dollars, in order that he might buy dollar Venezuelan oil. Let us assume that because it is vitally important that the gold and dollar reserves held for the account of the sterling area be preserved, lest the British people become impoverished of foreign exchange and unable to buy a sufficient amount of foodstuffs and raw materials from foreign sources, the Bank of England and the British Treasury prevent the employment of his sterling for this purpose. The dollar oil, accordingly, is not exported from Venezuela to the Argentine and, since much the same sort of a restriction on the use of sterling applies to residents in other non-sterling areas, the dollar oil from Venezuela cannot easily penetrate other non-sterling foreign markets. It, therefore, seeks other markets and is attracted to North American markets where dollars are freely available. But this is not all. If in France, for example, there should be a limited amount of sterling and a limited amount of dollars, then the ability of France to buy all the oil its own currency could purchase on its own market requires whether sterling oil or dollar oil, would be seriously injured and the oil produced outside of the United States, which otherwise might have been sold in France, would tend to move toward the North American market. This is a consequence of the exchange restrictions imposed upon the use of foreign currencies; and the greater become the restrictions, the wider the area in which they apply, the more numerous become the currencies which are wrapped up in controls, the greater is the disposition of the holders of soft currencies to invest in increased production of non-dollar oil for non-dollar markets. This influences foreign "dollar oil" to move toward American consumers. It inflates production. It presses on price. It may be reflected in "allowables."

It is not alone the American producer of petroleum in foreign fields who has a stake in convertible currencies. The American independent producer has an eqally great stake and interest in the convertibility of other currencies—because it is this which allows holders of other currencies —sterling—pesos—francs—guilders—almost any currency to use their monies without interference or restraint, or at least with less interference, to purchase in this case the oil that otherwise would migrate to American markets. The whole petroleum industry in America is, therefore, very deeply concerned with the restoration of convertible currencies.

What is true of oil is often equally true of a wide variety of other goods. Indeed, it may be even more true. Take the case of cotton—because other currencies cannot be used freely to buy American cotton — two very unfortunate — unpleasant — yes, adverse consequences have been visited upon the American cotton producer. First, the export market for his product has been severely contracted, for foreign currencies can be used only for limited purchases of his production. And it would avail him little, if at all, should he be able to grow a finer quality and to sell it at a lower price than his Indian, Egyptian or other foreign competitor in foreign markets. A lower price or a finer quality would not reduce the need of the foreign governments to conserve their gold and dollar reserves by exchange restrictions and thereby to attempt to avoid financial distress.

So—the restrictions on the use of foreign currencies to buy American cotton which ultimately must be paid for in dollars are the prison house for our cotton farmer. But—because there is a demand for cotton in foreign markets—the small supply of dollars in the hands of the foreign purchasers pushes them—almost compels them, or someone possessing their own currencies, to develop other areas where cotton can be grown and sold for the foreign currencies which they possess. The supply is increased—not because it is or is not of better quality, but because existing supplies in the dollar area cannot be bought. The American cotton grower is, therefore, doubly penalized. On the one hand he is prevented from selling his produce in the foreign market, with far-reaching consequences here at home. And, on the other, new sources have been firmly established to supply the markets which once were his.

What is true of oil and cotton is generally true of a great many other American commodities. The principle applies to the production and sale of automobiles; it is relevant to electrical generating equipment and heavy goods. Directly or indirectly, a very large catalogue of American produce is adversely affected by the nonconvertible currencies of the world and the exchange restrictions imposed upon the uses to which they can be put.

The point of all this discussion is that when a government or its agent restricts the use of its citizens' money, so that they can buy only so much of a commodity and then only in an identified place, a steel curtain of the hardest alloy interferes with the volume and the normal, natural flow of commerce.

It is on these grounds that we all have the highest interest in encouraging prudent steps toward convertible currencies.

Responsibilities of U. S.

This great country of ours has grown powerful, it has become the envy of the civilized world. In a very real sense, more people enjoy more of the material amenities of life than in any other land, under any other flag, and as Acton put it "More people have enjoyed a wider area of individual liberty than has ever been known in the history of the human race." Our greatness, our strength, the material goods which Americans enjoy, the liberty which is theirs, are the products in very large measure of our deep belief in the dignity and responsibility of the individual in society, and in our faith that government is a servant and not a master. From this fundamental belief has sprung a system of individual initiative and

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*An address by Mr. Douglas at the General Session of the 33rd Annual Meeting of the American Petroleum Institute, Chicago, Ill., Nov. 12, 1953.

Employees' Stake in Stability of Steel Business

By BENJAMIN F. FAIRLESS*

Chairman, United States Steel Corporation

Calling upon United Steel Workers of America to amicably settle future labor disputes, Mr. Fairless reveals that U. S. Steel employees receive in wages 15 times that paid stockholders as return on their investment. Says only real solution to creating greater stability for workers is to insure strength and security to the Corporation by producing more goods, more efficiently and without unnecessary interruption. Warns unless labor and management improve collective bargaining methods and eliminate strikes, "public opinion will descend with crushing force upon both factions."

I am not going to try to gloss over the fact that during the 20 years or more that I have known Dave McDonald, we have often found ourselves on opposite sides of some bitterly-contested issues. It could hardly have been otherwise, I suppose, in view of the divergent nature of our separate responsibilities and obligations. But even when I have disagreed with him most vigorously—and when I have thought that his course of action was dead wrong—I have never doubted for a moment that he was striving honestly and sincerely to promote the welfare of the American people.

Benjamin F. Fairless

And when any man battles in that cause, he commands my wholehearted respect and admiration; for it has always been my deep personal conviction that the only real reason why man was put on this earth in the first place was to try—in his own way, and as best he could—to improve the lot of his fellow men.

We may differ as to method; we may dispute the course; but between the enlightened leaders of labor and the responsible leaders of management, there can never be any real and fundamental quarrel regarding the ultimate goal which we seek.

We are both working to build a better, stronger, happier America; but we spend so much time discussing our differences, that we seldom get an opportunity to discover how much we really have in common and how completely we agree upon many of the broad basic problems of human relations.

And that is why I was very happy indeed to be able to spend so many pleasant and rewarding hours with your President during these past two weeks as we inaugurated the program of plant visitations that we have long contemplated. Both of us, I think, have found these visits well worth while, and our only regret is that Philip Murray could not have lived to share in the fulfillment of this plan; for the friendly spirit in which he first embraced it, some 16 months ago, was with us constantly throughout our journey.

I do not know how successful we are going to be in the end, because it will be many years perhaps before the fruits of this effort can be fully reckoned; but I do know that in the course of these visits so far, we have had a real chance to let down our back hair a little, and to get to know each other better. In fact, I rather suspect that both of us may have been a little surprised to discover that we're a couple of pretty reasonable fellows after all.

The Overshadowing Task That Leads to Industrial Peace

We have also had an opportunity to look beyond the immediate issues that divide us, and to see in much better perspective, I think, the one, overshadowing task that confronts all of us today: the task of finding a road that leads to industrial peace.

That, of course, is a difficult undertaking, and in the very few minutes which remain to me here this evening, I want to discuss it with you. In doing so, however, let me make it perfectly clear that I am speaking only for myself, and that I am not trying to commit Dave to these views in any way, even though I believe that any disagreement between us on this subject would be largely a matter of emphasis rather than of substance.

So with that understanding, let us begin with the fact that earlier in this century, labor fought an all-out war to establish the right of American workers to organize and to bargain collectively through representatives of their own free, voluntary choosing. That war ended more than 20 years ago, and labor won it decisively; but a surprising number of the combatants don't seem to know that the conflict is over, and they are still going around with great, big chips on their shoulders—spoiling for a fight.

Now I happen to think that labor's victory in that cause was a fine thing for America. Today, union representation is not only an accepted part of our industrial system—it is, I think, a very necessary one, especially in our larger enterprises; and I firmly believe that if union representation were to disappear entirely, enlightened management in many industries would quickly welcome its revival in the interest of orderly and organized bargaining in the plants.

Collective Bargaining Must Be Improved

But I also believe that unless we can improve our collective bargaining methods and wipe out this endless and senseless succession of strikes, the righteous wrath of public opinion will some day descend, with crushing force, upon both of our houses. In our complex, modern society it is no longer possible for labor and management to slug it out in some 5,000 battles each year, without endangering our whole national economy and doing serious injury to millions of consumers, workers and investors — many of whom were only innocent bystanders in the first place.

Americans are a patient people, but they will not go on forever allowing us to settle our private quarrels at the expense of the public welfare. They expect us to find a better way—and to do it promptly.

I know that both of us want to find that better way. But we shall never do so in an atmosphere of recrimination, suspicion and distrust of each other's motives. We can only do so in an atmosphere of mutual respect, understanding and confidence in one another.

To create that respect, understanding and confidence, of course, will take infinite patience, endless perseverance, and a great willingness on both sides to try to understand the other fellow's problem and his point of view. But among men of intelligence, reason, and good will it is by no means an impossible task.

It can be accomplished very simply, I think, if we can ever rid ourselves of the utterly false idea that our economic interests are in conflict and that therefore we must always try to take something away from each other.

Actually, of course, our interests are identical. For better or worse, we are inseparably bound together in a state of economic matrimony. We live in the same industrial household, and the individual welfare of each of us depends entirely upon the strength and security of the household itself.

U. S. Steel Employees Get 15 Times More Than Stockholders

In this connection, it may interest some of you to know that the employees of U. S. Steel, for example, are now getting more than 15 times as much money as the owners get out of the business.

Measured on the basis of income alone, this means, I think, that the effort of management to promote the financial stability of the business itself is 15 times as valuable to the employees as to the owners of U. S. Steel. And that is why nothing which subtracts from the financial security of any enterprise can possibly add to the personal security of the workers in that enterprise.

So in this matrimonial partnership of ours, both management and labor are vitally interested in the welfare of the entire family, but while labor concerns itself chiefly with the comfort of the individual members it represents, the primary responsibility of management is to insure the strength and security of the household itself, and to bring home the bacon.

Thus both partners make their contribution to this joint enterprise in accordance with the nature of their respective responsibilities; and both are equally anxious to achieve a higher standard of living and a greatly increased measure of security. But that is a problem which can never be conquered by scrapping over the family budget. The only real answer to that one is: more bacon!

So there is our situation in a nutshell. To get more bacon we must produce more goods, more efficiently. But that can only be done, I think, if we recognize frankly that any unnecessary interruption, delay, or artificial limitation which reduces the output of the workers in any industry, prevents those workers from earning the full rewards that they can—and they ought—to receive. So it seems to me that we must strive—through proper incentives—to abolish such evils if we can.

Cooperation—Not Conflict

That is the task ahead. It requires cooperation—not conflict. But it will pay off handsomely in terms of increased security and a better standard of living for American labor everywhere, if only we can learn to work together with even one-half the energy, the intelligence and the determination that we have wasted upon conflict in the past.

We cannot afford to fail in that task; nor do I believe that we will fail as long as the American labor movement continues to produce leaders like your guest of honor here tonight.

Dave, I salute you on your 51st birthday, and I congratulate you on the great contribution you have made, throughout your lifetime, to the dignity, the prestige and the advancement of Organized Labor. Above all I hope that your efforts in the cause of industrial peace will be so fruitful in the years to come that no auditorium in the land will be big enough to hold all the friends who will want to join in paying tribute to you when next we celebrate a David J. McDonald Day.

*A talk by Mr. Fairless at a Dinner in Honor of David J. McDonald, President, United Steel Workers of America, Pittsburgh, Pa., Nov. 28, 1953.

From Washington Ahead of the News

By CARLISLE BARGERON

You hear a lot of complaints from our pundits these days about there being no leadership in Washington but if you read the Washington newspapers or the press dispatches from Washington on the matter of the observance of national holidays you can't escape the impression that the Nation's Capital is always in the leadership. In my long experience here I have never seen an account of Thanksgiving or of Memorial Day, the 4th of July or Christmas that didn't begin with the sentence "Washington led the nation in the observance of—", etc.

Carlisle Bargeron

Similarly, this stronghold of Bureaucrats might be said to lead the way in many fashions. Harry Truman's wearing of a bow tie caused bow tie wearers with their attendant grease spotted shirts to spring up all over the country and you would be amazed at the number of men who followed him in displaying the lapel handkerchief folded straight across instead of in points. There was a rush on Homburgs when Mr. Eisenhower wore one to the Inaugural Ball with his formal evening clothes.

It is in the field of language, though, that Washington really fascinates me. A journalist, a commentator or a bureaucrat will come up with a new word or phrase that will be worked to death all over the country, with few people giving thought to exactly what they mean when they repeat it. Oh, the word or phrase will not really be new but it will be one that has not been in general usage. Immediately it comes to be.

There was the word "integration" which the New Dealers brought out early in their reign to explain about nine-tenths of their activities. They were always "integrating" something and while you couldn't exactly see the "integrating" process you came to learn that in the end it meant more government agencies and more money.

Just now the pundits must be giving Secretary of State Dulles many sleepless nights by their insistent demands that he "seize the initiative" in world diplomacy. There is a resultant chorus out in the country that he must "seize the initiative." Nowhere have I heard any explanation of just what he should do to "seize the initiative." Insofar as I can learn it is like riding the horse on a merry-go-round and trying to seize the brass ring for a free ride. For all the pundits seem to care, we are left to believe that "initiative" is something tangible, something upon which you put your hands; it is something readily seizable if you will just put your mind or energy to it.

"Seizing the initiative" is what Mr. Dulles is now being told he must do as he readies up for his trip with Mr. Eisenhower to Bermuda. I have no doubt that he would be very glad to do this if any seizable initiative comes floating by.

But the gentleman's job isn't that easy. He is to be confronted with a British and French attitude that they would like to forget about the cold war, they would like to get along with Russia and they believe they can do so. They would do this by simply freezing the status quo, by saying to Russia: "OK, you've got Eastern Europe. Let's stop where we are. There's no need of going along gnashing our teeth at each other."

It is unthinkable to our State Department that the Russians intend to give up their satellites. And it is just as unthinkable to the Department that either Mr. Eisenhower or Mr. Dulles could come back and face this country with any agreement that acquiesced in Russia's holding onto them. It is something that we may never be able to do anything about but we live in hopes that some day, in some way, the satellites will break away. Conceivably, Russia might agree to some sort of deal involving East Germany and Austria though our State Department experts consider even this unlikely. It is difficult to see just how there can be any "seizing of the initiative" in this situation.

It is because our officials realize they are up against an impossible situation that they show annoyance over proposals for meetings of the four governments. Even in our own country there are some elements who sincerely believe no harm and some possible good might come out of these meetings. But inasmuch as our ratification of Russia's territorial gains is, in the view of our officials, the only possible agreement that could develop, even the suggestion that such meetings be held is a source of annoyance. Such proposals, officials aver, tend to discourage such unrest as has developed in East Germany. Certainly, they reason, if there is any possibility of the most powerful nation in the world agreeing to the present set-up in Eastern Europe, from which it would follow that we would guarantee through the United Nations to preserve it, it would take a most formidable discontent to attempt to overturn it.

Chas. W. Scranton Adds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn. — Herbert B. Seeley has been added to the staff of Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange.

Brew Jenkins Company Formed in Milwaukee

MILWAUKEE, Wis. — Brew-Jenkins Company, Inc. has been formed with offices in the First Wisconsin National Bank Building to engage in the securities business. Officers are Charles W. Brew, Chairman of the Board; Fred D. Jenkins, President and Treasurer; and Richard F. Dooley, Vice-President and Secretary. All were formerly associated with Brew Emch Jenkins Co.

Why Transfer Management to Politicians and Labor Leaders?

By DONALD R. RICHBERG*

One time director of "New Deal" National Recovery Administration says management is following a path of "insanity" already displayed in art, and that the transfer of business management to politicians and labor organizers is already under way. Says these interests are inherently incapable of successfully managing an enterprise. Outlines his views of good management, and gives advice as to what good managers should do.

We are living in a time when insanity is proclaimed to be genius in art—and the apogee of statescraft. Meaningless daubs of paint and shapeless blobs of clay are hailed as artistic triumphs, and senseless incoherence is acclaimed great poetry.

Donald R. Richberg

In international relations a lofty statesman is one who pleases and placates the enemies of his country while persistently offending its friends. He rises to heights of grandeur when he produces a program to dissipate the vital energies and wealth of his own nation in strengthening other nations which resent his generosity.

In such a time, with a consuming ambition to be regarded as a genius, I am practically forced to tell you that in the future the success of business management will be demonstrated by the ability of managers to transfer all management to persons incapable of successful business management.

You realize, of course, that this transfer is already well under way. Politicians and labor organizers, who are now taking over the job, are inherently incapable of successfully managing a business enterprise. This is not an inborn weakness. This is the result of their training, obligations and self-interest.

It was accordingly inevitable that, after business-trained managers of business had made a tremendous success of producing and distributing more useful goods and services to more people than had ever enjoyed them before, there would develop a widespread demand to replace them with different managers.

In the same way, after beautiful art was moving toward universal acceptance and appreciation, with mass enjoyment of elevating literature, painting, sculpture and music, the so-called intelligentsia vigorously began a movement backward toward the horrible, the ugly, the obscene and the discordant in art.

In the same way, after the natural desire and hope of human beings for peace was moving toward a universal will to substitute cooperation and a peaceful administration of justice for hateful rivalries and bloody conflicts between communities and nations, the so-called statesmen of the world vigorously began to move the most civilized nations backward into the horror and devastation of the biggest, most cruel and destructive wars of all history.

With these examples before them, should not business managers today realize that they should accept gracefully the present movement to transfer the management of business to politicians and labor organizers? They should recognize that this movement is harmonious and consistent with the prevailing insanity of the advanced thinkers of our time.

*An address by Mr. Richberg at Dinner of the National Industrial Relations Conference sponsored by the Chamber of Commerce of the U. S., and Chamber of Commerce of Greater Philadelphia, Philadelphia, Pa., Nov. 19, 1953. Mr. Richberg is a member of the firm of Davies, Richberg, Tydings, Beebe and Landa, Attorneys at Law, Washington, D. C.

Incompetent Managers

Who could be more incompetent to make a success of business than a well trained, efficient politician or labor organizer? Therefore, since success in business has become sinful, according to the morality of the hour, how could the success of American business be more effectively annulled than by establishing the most incompetent managers that could be obtained in charge of all our business enterprises?

There may be disagreement over whether the politicians or the labor organizers are likely to prove to be the more unsuccessful as business managers. So let me point out the outstanding capacities of each class for incompetent management.

The first object of a politician is to hold or to control a public office. To accomplish this in a democracy he must have voters support him; in an autocracy he must have an army. In either event he must please his essential constituents by favoring them at the expense of others. This means he must run his business to give his favorite customers more than what they pay for. Contrariwise, a successful businessman must make his favorite customers pay him something more than the cost of what they get. Otherwise he goes bankrupt and, unlike a politician, he can't pass a law making his creditors lend him money with which to pay the debts he owes them.

The labor organizer, like the politician, has unbusinesslike objects and methods. He will admit that he wants to get for his worker constituents the full value of everything they produce. He ought to admit that he is always trying to get more for the workers than they produce; always demanding that management raise prices if that is necessary in order to raise wages. But he must also denounce business managers for raising the prices of things that the workers must buy. However, when the labor organizer openly becomes a business manager, how can he raise wages and then denounce himself for raising prices? How can he make a profit, and thus get capital for his business, and then denounce himself for profiting out of paying "low" wages? Today he can accomplish this feat by pretending that he is not running the business. But tomorrow, if he openly takes over the job of business management, how can his management mouth vindicate his conduct at the same time when his labor organizing feet are kicking himself in the teeth?

You are not going to be bored on this occasion by any arguments to convince you the best way to get incompetent managers of business is to have them chosen either by consumer voters or by employee voters. If you don't agree with me, I couldn't convert you in one discourse; and if you do agree with me, why waste your time?

Property Owners Best Managers

On the contrary, it is my wicked intention to assume that you know perfectly well that the selection of business management by property owners has proved to be the only way to insure the efficient and constantly increasing production and distribution of the things human beings need and want. Then I intend to ask a sixty-four-dollar question: "Why is this so?" But I don't expect you to give me the answer.

Years ago I asked a soap manufacturer to explain why greasy soap cleaned greasy hands. He answered that he knew a lot of things about his business but he did not know that. He had sought for the answer, but he had been unable to find it.

Years ago I asked a Nobel prizewinning physicist to tell me what electricity was and why it did what it did. I never got an answer to that question and I understand it is still unanswered.

In the natural sciences there are thousands of questions about what happens which a learned man can answer; but a childish "Why?" will drive almost any savant into either meaningless verbosity or a humble silence.

In such a state of mind I shall not attempt to answer or call on you to answer the question: "Why is the selection of business managers by property owners the best insurance of good management?" But I am going to summarize briefly what management is expected to do, what it must do, and what a good management can do. Then I am going to ask an easier question: "Why should not good business managers fight to the death for their right to survive, even in a world going progressively insane?" Even crazy people may be induced not to destroy the men who feed and shelter them. Some cunning instinct of self-preservation may eventually subdue the hallucinations that now afflict the intellectual guides of mankind.

A property owner is the one person who has a dominant reason to have capital preserved and increased. Politicians live by taxation of capital. But they, inspired by Providence with a happy instinct of self-destruction, perennially destroy themselves by killing the geese that lay the golden eggs. Employees live by jobs which are provided only where there is capital on which they can be employed. But they perennially seek to confiscate capital; they are willing to eat the seed corn if a crop fails or if the labor of harvesting enough corn is too onerous.

The manager chosen by a property owner may be urged by foolish owners to keep the employees poor so they will not demand too much, and to keep the government poor so officials can be made subservient, and to charge consumers too much so they will provide fat profits for capital. But, at least in modern times, what must good managers actually do?

Rules for Good Manager

Item One — A good business manager must pay the workers as high a wage as he can, in order to get efficient, continuous service.

Item Two—He must support as good a government as politicians will provide so that his customers will feel secure and justly treated, and be optimistic.

Item Three—He must charge as low a price as he can and give as good a service as possible, so that, in competition for the consumer's dollar, he can sell as many things to as many people as possible, because large gains and secure profits only come from a big and growing business.

All this means that a business manager, chosen by a property owner, cannot serve his primary boss without serving well all his other bosses—his political bosses, his employee bosses and his consumer bosses. Finally, and most important, a capital owner, who is not a fool, wants above all things security and a reasonable income. Of course he loves a fat profit, but even more he fears a loss.

A good manager can satisfy his capital boss so much more easily than any of his other bosses! Don't you know it? If you have a capital boss who isn't comparatively easily satisfied, you have a fool for your big boss and you had better leave him. There are plenty of wise capitalists who are satisfied with a fair compensation and are looking for good managers.

Now that is the end of my answer to the question I propounded. Learned professors have written books which I have read. Hundreds of corporate problems have passed through the office of a lawyer such as I have been for nearly 50 years. In those years I have served cities, state and national governments, labor unions, wealthy individuals and uncounted corporations, including many of the very largest in this great industrial nation.

Conclusions

Out of this experience have come a few deep-rooted convictions:

(1) Individual freedom is the most precious possession of a human being.

(2) The protection of private property, next to the protection of life itself, is the greatest responsibility and service of a good government.

(3) To protect individual freedom there must be protection of a worker's freedom to earn a living, of his security in accumulating the capital gains of labor, and of the freedom of private enterprises in which the capital accumulated by free labor can be invested and made useful.

(4) The only competent, trustworthy managers of private enterprises are those chosen by property owners.

(5) It is not only the future of management but the future of a free people which depends on maintaining competent, trustworthy managers in control of the major industrial enterprises of the nation.

The great need of today in business is that the pride and courage of an indispensable professional class shall animate the business managers of America. The day of exploiting manufacturers, parasitic middlemen and sharp tradesmen should be yesterday. The business manager of today, worthy of the name, should recognize himself as a voluntary public servant, at least equal in his responsibility and his pride to the minister, the educator, the physician, the lawyer and the engineer.

This professional should not bow to the pretensions of politicians, or any other spokesmen for special interests. He should not listen patiently to the silly sophistries of even mild socialists. He should not only know, but assert, that he alone, when chosen by intelligent property owners to protect, preserve and make property fruitful, is a safe and competent manager of property; and that he is an essential and indispensable preserver of the liberties of a free people that depend on free enterprise and the security of private property.

The future manager of business should be ready, prepared, willing and able to fight for his right to the power which he should swear to himself he will not abuse. He has but one choice in the future. He must be a ruler of free enterprise in a land of free men, or he will be a slave of political rulers in a land of tyranny. In that choice lies the future of business management, and within it lies the destiny of America.

Joins Wyatt, Neal Co.

(Special to The Financial Chronicle)

ATLANTA, Ga.—Eugene S. Northcutt has joined the staff of Wyatt, Neal & Waggoner, First National Bank Building.

With A. C. Allyn & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—John L. Lawver is now with A. C. Allyn & Co., 122 South La Salle Street.

Jernegan With du Pont

(Special to The Financial Chronicle)

CHICAGO, Ill.—Charles Jernegan has become associated with Francis I. du Pont & Co., 208 South La Salle Street. He was previously with Reynolds & Co. and Eastman, Dillon & Co.

Reynolds & Co. Adds

(Special to The Financial Chronicle)

CHICAGO, Ill. — Fred J. Ribando is with Reynolds & Co., 39 South La Salle Street.

Joins Bache & Co.

(Special to The Financial Chronicle)

CHARLOTTE, N. C. — Turner M. Avery is now with Bache & Co., Johnston Building.

THE MARKET... AND YOU

By WALLACE STREETE

The stock market, contrary all year, showed it hadn't changed its mind in November either. And the burst of strength this week that wound up the month carried the principal components of the market into plus territory by fair margins when, at best, a standoff had been the most expected of the month.

* * *

In putting on its show, the market again was at grips with the heavy overhead resistance in the 280-285 area for the industrials. This area is where the summer rally ran into opposition, as well as constituting the roadblock for the rally after the September lows were posted. But this attempt to forge through worked its way a bit further into the resistance than the previous attempts and pushed the indices up to levels not seen since March.

* * *

The Blue Chips Again

As has been the case for so long, the major share of the work was done by the blue chips, which is fine for the averages but of little solace to the holders of the secondary issues. Nevertheless majority opinion is that if the "average" stocks can succeed in breaching the resistance level, the rest of the list will have its day at some time during the year-end rally.

* * *

Still of paramount concern were the laggard rails. While the industrials have pushed to their good level, the rails have yet to work their way back to the August standing. Moreover, despite some signs of tentative reawakening of interest in the carriers, it has been a somewhat spotty performance by many of the stalwarts. Better acting were Santa Fe, helped by its year-end extra dividend, and Rock Island which came to life this week after something of a siesta for some time. On the other end of the list, N. Y. Central among the more speculative issues was able to show good action occasionally, but New Haven was still inclined to sag and Nickel Plate did little although it was constructive that the recent pressure on it had disappeared.

* * *

The Dour Motors

The automotive issues have shown little improvement in the face of the rather dour opinion of the industry's immediate future so widely shared. Chrysler has been able to participate in the seesawing to show some of the wider moves of the division but overall little was accomplished. In the face of this, the good strength in the rubbers was a bit of a surprise. Both Goodyear and Goodrich were able to outperform the general market, the latter one of the early leaders of the week with a one-day appreciation of well past a couple of points.

* * *

DuPont, General Electric, Eastman Kodak and Westinghouse have been leaders this week, all of them forging to new highs. Except for DuPont, these are among the half of the Dow industrials that have yet to reach a price equivalent to or exceeding the "fabulous" highs of 1929.

* * *

By coincidence, among the highs of the week were both American Home Products and Wrigley—two of a mere handful of issues that pay their stockholders on a monthly dividend basis in addition to an extra payment occasionally. Wrigley has been somewhat less highly regarded in recent years and has gone its way with little fanfare. In fact, it is still lagging by several points from equalling the 1946 high. Wrigley probably is proof that the action held in highest regard in the stock market is to split a stock or pay a stock dividend. Wrigley's last splitup was in 1923 and even in hectic 1929 the stock was one of the more moderate items, reaching a comparatively unruffled price of 93 against the better than 82 of 1946 and its recent 78.

* * *

Well-Acting Specialties

Specialties that did well included Minneapolis-Honeywell Regulator, Carrier Corp., American Seating, Dixie Cup. and the newly-listed Monterey Oil, an issue that skipped the usual seasoning on the American Exchange and made the jump direct from the counter market to the Stock Exchange. A group of securities companies originally held most of the stock of this company which in its present firm is probably the baby of the Big Board, only three years old. It was first offered publicly last July and reached organized trading a couple of weeks ago. After a bit of hesitation, it since has been nudging into new high ground with fair determination.

* * *

Somewhat of a repeat performance was the unusual strength in U. S. Hoffman Machinery this week. In a couple of sessions the issue bounced from a brand new low for the year and added a rather substantial 20% in value. Early this year it went into a similar act, more than doubling in price, only to fall apart in a handful of sessions that brought the officials into the picture with pointed questions.

* * *

A Strong Telephone

American Telephone has been distinguished for several weeks now for its good strength despite the weight of the rights offering of debentures. While the daily moves have been far from spectacular, the stock was able to add better than three points in November, which was far from being the worst action of the pivotals in the month. It didn't compare to the almost eight points added by General Electric in the month but was only nudged out by the second best acting industrial issue, DuPont with a 3¾ point monthly improvement.

* * *

Oils were among the groups that, while they weren't featured on the sick side, nevertheless showed little in the way of life despite the market's action otherwise. A flareup in Texas Gulf Producing or Pacific Western Oil now and then was the best the group could produce. Tobaccos continued soft, Liggett & Myers the leader on the downward path. The carpet makers also had little following, Mohawk a bit more determined on the easy side and reaching a new low price for the year.

* * *

Technical Bullishness Awaits Rails

From a technical standpoint, the omens were a bit heavy on the optimistic side. Volume and breadth of the market showed a tendency to expand on strength and contract on weakness. In addition, the traditional year-end rally could start at any time with some evidence around that the tax-loss selling is drying up. All that would be needed to fill the cups of the optimists, at least for the near term, would be for some spirited bidding to lift the rails appreciably.

[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.]

Dean Witter Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Howard J. Nammack is now with Dean Witter & Co., 632 South Spring Street.

Joins Knowlton Staff

(Special to The Financial Chronicle)

OAKLAND, Calif. — John S. Metcalfe, Jr. is with Frank Knowlton & Co., Bank of America Bldg.

Confer on Amendments to SEC Acts

Senator Prescott Bush, Chairman of Senate Sub-Committee on Securities, Insurance and Banking, holds informal conference with SEC and representatives of securities industry, with view to making changes in Acts administered by SEC. Issues subject to Regulation "A" likely to be increased to $500,000.

Sen. Prescott Bush

Senator Prescott Bush (R., Conn.), Chairman of the Subcommittee on Securities, Insurance and Banking of the Senate Banking and Currency Committee, on Nov. 25 held a second informal conference with the SEC and representatives of groups in the securities industry with the view of exploring possible amendments to the Acts which the SEC administers. The Senator pointed out that, based on experience with the Acts, a number of groups and persons in and out of government have for a long period recommended that the Acts be amended so that they can operate more efficiently, effectively and realistically.

Recently various industry groups have restudied proposals heretofore recommended, and on the basis of this study submitted proposed amendments to the Committee and the SEC for their consideration.

The meeting on Nov. 25 concerned itself primarily with the so-called Section 5 problem of the Securities Act of 1933. This section is frequently referred to as the heart of the Act. It authorizes, in effect, what can and cannot be done in the dissemination of information and solicitation of offers, via the mails or any means of interstate commerce, before and after a registration statement becomes effective.

There was general agreement that the law should be amended so that it would be more realistic in terms of eliminating the existing artificial distinction between circularizing information and soliciting offers. The purpose of such amendments would be to encourage the dissemination of more information to the prospective investor in line with the original purpose of the Act, without in any way reducing the protection presently afforded to the investor.

No agreement was reached on any details of the various Section 5 proposals discussed, it was announced.

There was general agreement that an increase in the dollar amount of securities exempt from registration from $300,000 to $500,000 was in order and would be unlikely to meet with any objection. The same protection to the investor would be continued on such exempt securities afforded by the March, 1953, Regulation A, requiring the filing and use of an offering circular in the sale of such exempt securities. The decline in the value of the dollar since 1945 when the $300,000 figure was specified makes the change at this time seem entirely reasonable. The SEC estimated that this would reduce the number of issues which would have to be registered by 5 or 6%.

The first informal conference between Senator Bush, the SEC and the securities industry resulted in a general agreement on what turned out to be a few technical and noncontroversial amendments to the Securities Act of 1933 and Securities Exchange Act of 1934.

"I wish to emphasize," Senator Bush stated, "that while these various proposed changes are intended to reduce unnecessary delay and complexity, and improve the administration and effectiveness of the law, those amendments upon which there seemed to be general agreement would keep intact the original intent of the Acts—protecting the investor and requiring full disclosure."

Those in attendance at the conference were:

Senator Prescott Bush, Chairman, Subcommittee on Securities, Insurance and Banking.

Joseph P. McMurray, Staff, Senate committee on Banking and Currency.

Securities and Exchange Commission: Chairman Ralph H. Demmler, and Commissioners Paul R. Rowen, Clarence H. Adams, Jr., J. Sinclair Armstrong, and A. Jackson Goodwin, Jr., also members of the Commission staff.

American Stock Exchange: Edward T. McCormick, President, and Michael E. Mooney, General Counsel.

Investment Bankers Association of America: Ewing T. Boles, The Ohio Company, Columbus, Ohio, President; Murray Hanson, General Counsel; H. Warren Wilson, Union Securities Corporation, New York, Chairman of Federal Legislation Committee; Clarence Bickel, Robert W. Baird & Co. Incorporated, Milwaukee, Wis.; George D. Woods, The First Boston Corporation, New York; Francis Kernan, White, Weld & Co., New York, and T. Jerrold Bryce, Clark, Dodge & Co., New York.

Midwest Stock Exchange: Jesse Halsted, Counsel.

National Association of Investment Companies: Dorsey Richardson, Lehman Corporation, New York, Chairman of Administrative Committee; Charles F. Eaton, Jr., Eaton & Howard, Incorporated, Boston, Chairman of Federal Legislation Committee; Joseph E. Welch, The Wellington Company, Philadelphia, Member of Administrative Committee, and Charles Jackson, Jr., Counsel.

National Association of Securities Dealers, Inc.: Carl Stolle, G. A. Saxton & Co., Inc., New York, Chairman, Board of Governors; Walter Cole, Beecroft, Cole & Co., Topeka, Kan., Chairman, Legislative Committee, Board of Governors; Wallace H. Fulton, Executive Director; John W. Lindsey, Counsel: William Foshay, Counsel, and E. R. Wardwell, Counsel.

New York Stock Exchange: Richard M. Crooks, Chairman, Board of Governors; G. Keith Funston, President; Edward C. Gray, Executive Vice-President, and Samuel L. Rosenberry, Counsel.

With First California

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Philip S. Carlton, Jr. is now with First California Company, Inc., 300 Montgomery Street. He was previously with Walston & Co.

Joins Milton C. Powell

(Special to The Financial Chronicle)

PASADENA, Calif.—Donald D. McCombs has joined the staff of Milton C. Powell Co., Security Building.

Lawson, Levy Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Daniel J. McGanney, Jr. is now with Lawson, Levy & Williams, 1 Montgomery Street, members of the San Francisco Stock Exchange.

Will Britain Remove Control Of Capital Issues?

By PAUL EINZIG

Dr. Einzig, commenting on growing agitation among Conservative Party to terminate official control of the public issue of securities by private interests, foresees little likelihood of this action being taken, owing largely to insufficiency of capital available to meet the demand. Points out substantially reduced savings of large- and medium-sized incomes as factor in cutting down available capital in Britain.

LONDON, Eng.—There has been lately a growing agitation among Conservatives in favor of the termination of the official control of public issues of securities made by private interests. On two occasions within a week the Chancellor of the Exchequer was called upon in the House of Commons to end the activities of the Capital Issues Committee, a body to which all public issues in excess of £50,000 have to be submitted for approval. The Capital Issues Committee was established some years before the war under the Chairmanship of Lord Kennet, who is still in charge. It is not part of the wartime system of controls which prolonged its existence into the postwar period. Nevertheless, since the spirit of freedom is in the air, there is a feeling in many quarters that it should go, together with the controls inherited from the war or from the Socialist Government.

Dr. Paul Einzig

The government shows no signs of yielding to the pressure. Throughout its two years in office it never allowed its own supporters to dictate the pace of decontrol. Various controls have been removed, but only as and when the government arrived at the conclusion that this could be done safely, without the risk of having to reimpose prematurely removed controls. In some instances the government erred on the over-cautious side—for instance tea could have safely been de-rationed some months earlier—but it preferred to aim at a comfortable "safety margin."

As far as the control over capital issues is concerned, however, there is not the least likelihood of its removal by this government any more than there had been by the previous government. Controls can only be removed as and when supply catches up with demand so that it ceases to be necessary to ration the supplies. In postwar Britain the supply of capital available for private investment is far from sufficient to meet the demand. This is largely the result of the equalitarian trend which developed during the war and which was increased after the war under the Socialist Government. As a result of 12 years of very high taxation the amount of new saving available for investment has become materially reduced, for it is primarily owners of large- and medium-sized incomes who save and invest. Low income groups can only save a very small percentage of their earnings. What they save is usually invested in Savings Bank deposits or Savings Certificates in preference to acquiring small amounts of industrial or commercial investments.

In any case the progress of the Welfare State tends to discourage saving by owners of low incomes. They no longer feel the same need for putting away something for rainy days or for old age, because the Welfare State is now expected to look after them. As a result they are inclined to live right up to the limit of their income.

One of the main arguments against continued taxation at the present level, is that it prevents the formation of savings available for industrial and commercial investment. It is generally recognized that the number of investors able and willing to take risks either at home or abroad is now far from sufficient. The inadequacy of the funds available for such investment has been denounced as a grave handicap to expansion of existing firms and establishment of new firms.

In the circumstances it would be clearly absurd to remove the existing control over capital investment. That control was established at a time when the relative scarcity of capital resources was not nearly as acute as it is today. The object of the control was to ensure that the capital available should be used for meeting the most imperative needs. It is true under a 100% liberal regime it would be considered safe to allow relative profit earning possibilities to determine the allocation of capital investment. In present-day Britain, however, no government could afford either economically or politically to pursue such a policy.

Should a removal of control over capital investment lead to some issues of little or no obvious social utility the government would be exposed to attacks by its opponents on the ground that it allows the waste of scarce capital resources on unessential projects while not enough capital is made available for essential projects. Moreover, the political possibility of reducing the taxation of the rich from its present prohibitive level would weaken materially. So long as capital issues are confined to purposes of social utility it may be possible to convince the electorate that it is to their interests that capital accumulation should be encouraged for the sake of being able to satisfy the need for such investments. Should discrimination against investment of little or no social justification cease, any attempt at tax reduction would be encountered by uncompromising hostility on the part of large and influential sections of the electorate.

It is immaterial whether this state of affairs is right or wrong. What matters for practical purposes is that it exists. Because it exists it is politically impossible for the government to suppress the capital issues group. In any case it is essential so long as the volume of capital remains inadequate to reserve it as far as possible for productive purposes, from the point of view of furthering the general economic interests of the country.

As a matter of fact the Capital Issues Committee is only a screen behind which successive Chancellors of the Exchequer take refuge to escape the unpopularity of refusals to authorize the public issues they disapprove of. The Committee is a purely advisory body and its policy is laid down by the Treasury. Indeed in case of important issues the decision is submitted to the Treasury before it is communicated to the parties concerned. In the absence of the Committee the Treasury itself would have to take the decisions which would not be an improvement compared with the existing system. After all, the Committee consists of practical businessmen who carry out their task with the minimum of red tape. It has performed its duties with remarkable efficiency and its replacement by a departmental committee of government officials would be a change for the worse from the point of view of the private interests concerned. By the look of things it may take many years before the government could afford politically or economically to dispense altogether with the control of capital issues.

N. Y. Security Dealers 28th Annual Dinner

George L. Collins of Geyer & Co., Inc., has been appointed Chairman of the Committee for the 28th Annual Dinner of the New York Security Dealers Association to be held at the Biltmore Hotel (Grand Ballroom) on Friday, Jan. 22, 1954, as announced by Harry R. Amott, Amott, Baker & Co., Incorporated, President.

George L. Collins

The Committee will consist of the following members:

George L. Collins, Chairman; Richard M. Barnes, A. M. Kidder & Co.; George R. Brown, Hodson & Co., Inc.; Samuel B. Cantor, S. B. Cantor Co.; Merritt Coleman, Allen & Company; John Cusack, Amott, Baker & Co., Inc.; Irving L. Feltman, Mitchell & Co.; Earl H. Hooper, Gearhart & Otis, Inc.; Lester Frenkel, Gersten & Frenkel; Charles Kaiser, Grady, Berwald & Co., Inc.; Roy R. Larson, H. D. Knox & Co., Inc.; Harry MacCallum, Jr., MacCallum & Co.; John J. O'Kane, Jr., John J. O'Kane, Jr., & Co.; Horace I. Poole, Eisele & King, Libaire, Stout & Co.; Stanley L. Roggenburg, Roggenburg & Co.; George A. Searight, George A. Searight; Herbert Singer, Singer, Beane & Mackie, Inc.; Louis P. Singer, Troster, Singer & Co.; Elbridge H. Smith, Stryker & Brown; Robert Topol, Greene & Company; Melville S. Wien, M. S. Wien & Co.

Bennett Partner in Stern, Frank, Meyer

LOS ANGELES, Calif.—Norman Bennett has been admited as a general partner of the investment firm of Stern, Frank, Meyer & Fox, it is announced. Mr. Bennett is well known in financial circles here and in the East. The firm is a member of the New York Stock Exchange and associate member of the American Stock Exchange.

Mr. Bennett was born in Los Angeles, is a graduate of the University of California, and attended the Harvard Business School. Following a three-year period in the Navy, he became associated with Founders Insurance Company as assistant to Preston Hotchkis, President.

He has been associated with the firm for the past several years.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—A. Peyton Hurley is now affiliated with Bache & Co., 5 West Broad Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

E. Chester Gersten, President of **The Public National Bank and Trust Company of New York,** announced that the Board of Directors had voted on Nov. 25 to declare the regular 50c quarterly dividend and a 25c extra dividend both payable Jan. 4, 1954 to stockholders of record Dec. 18, 1953 and also had voted, subject to the approval of the Comptroller of the Currency and of stockholders at the annual meeting to be held Jan. 19, 1954, payment of 15% stock dividend. Transfer of the necessary amount from undivided profits to capital will be made and additional amount from undivided profits to surplus, resulting, after payment of the stock dividend and such transfers, in a total capital and surplus of $32,500,000. Mr. Gersten announced also that the directors expect to maintain the regular $2 annual cash dividend on the increased capitalization.

* * *

The Banking Department of the State of New York on Nov. 20 approved a certificate of Increase of Capital Stock from $1,250,000, consisting of 50,000 shares of the par value of $25 per share, to $1,650,000, consisting of 66,000 shares of the same par value to the **Commercial State Bank and Trust Company of New York.**

* * *

At a meeting of the Board of Directors of **City Bank Farmers Trust Company, New York** held on Dec. 1, John F. Fitzgerald was appointed a Vice-President. Formerly a Trust Officer, Mr Fitzgerald is associated with the Trust Company's Estate Administration-Personal Trust Division.

Other appointments at the same meeting were: Warren L. Murray, Trust Officer; William M. Ewing, Assistant Vice-President; Arthur R. Besemer, Norman J. Larkin, John F. Lennon, Ogden K. Myers and John W. Stevens, Assistant Trust Officers.

* * *

The National City Bank of New York, following a meeting of the Board of Directors, also held on Dec. 1, announced that Anthony G. Quaremba, a Vice-President of City Bank Farmers Trust Company, was also appointed a Vice-President of the Bank.

* * *

Andrew A. Rindlaub, Vice-President of **The County Trust Company in White Plains,** today completed 25 years of service. He started with the bank as a messenger.

* * *

The Banking Department of the State of New York reports that **The Bank of Hammondsport, Hammondsport, N. Y.** has filed with them under date of Nov. 17 a certified copy of an Order, granted at a Special Term of the Supreme Court held in and for the County of Steuben at the Court House in the City of Corning, on Jan. 12, 1953, declaring The Bank of Hammondsport dissolved and its corporate existence terminated.

* * *

Approximately 2,600 people entered the new West Haven Branch of the **Connecticut Savings Bank of New Haven, Conn.** on its recent opening date. The new Branch is located at 612 Campbell Avenue, West Haven and its manager is Carleton B. Smith, Assistant Secretary.

* * *

Huntington Trust & Savings Bank, Huntington, W. Va. has been admitted to membership by the Board of Governors of the Federal Reserve System effective Nov. 16.

* * *

Effective Nov. 20 the **First National Bank in Marian, Ind.,** increased its common capital stock from $400,000 to $500,000 by the sale of new stock.

* * *

On Dec. 1 the **Bank of Rogers Park, Chicago, Ill.** changed its name to **The First Commercial Bank, Chicago, Ill.**

Harold H. Stout, President, in announcing the move, said the new name was chosen because it "more accurately expresses the nature of our business and underscores the important role the bank now fills in the economy of metropolitan Chicago and its suburbs."

* * *

An increase in the common capital stock of **The First National Bank of South Carolina of Columbia, S. C.** from $600,000 to $700,000 was effected on Nov. 20 by the sale of new stock.

* * *

Mr. J. R. Parten, Chairman of the Board of the **Federal Reserve Bank of Dallas, Texas,** announced on Nov. 24 that, as a result of the election just closed, Mr. W. L. Peterson, has been re-elected a Class A Director, and Mr. W. F. Beall, has been re-elected a Class B Director of the bank, each for a three-year term beginning Jan. 1, 1954.

* * *

The **Lovington National Bank, Lovington, N. Mex.** increased its common capital stock effective Nov. 16 from $100,000 to $200,000. $50,000 of the increase was made by a stock dividend and $50,000 by sale of new stock.

* * *

The Bank of Encino, Calif. opened its doors for business on Nov. 23.

The Bank of Encino is owned and operated by San Fernando Valley residents. It is the only independent bank in the western valley area.

A veteran staff of 10 employees headed by Executive Vice-President and Manager Harry A. Renfro will oversee the Bank of Encino operations. Other bank personnel include Carl Schatz, Assistant Vice-President and Cashier; F. Clayton Wilson, Betty Jean Stewart, Ruth E. Davis, Carol A. Putnam, Patricia Brien, Earl Steil and Violet A. Poulson.

Three thousand shares with a par value of $50 were sold at $80. The par value per share, or $150,000, served as capital. The remaining $90,000 is surplus.

The bank will be a member of the Federal Reserve System and the Federal Deposit Insurance Corporation.

* * *

C. Nelson Hackett, Vice-President and Trust Officer of **The Bank of California, N. A., San Francisco, Calif.,** retired on Nov. 30 after more than 32 years service to the bank. The retirement was effected in accordance with the bank's compulsory retirement program. Ralph C. Whitsett, Jr., Vice-President and Trust Officer, will assume Mr. Hackett's duties.

Mr. Hackett joined the staff of The Bank of California June 20, 1921, was elected Assistant Trust Officer April 11, 1922 and became Trust Officer April 2, 1940. The advancement to his present position as Vice-President and Trust Officer was made Jan. 11, 1944.

He has held the positions of Vice-President, Trust Division, American Bankers Association, and Chairman, Trust Division, California Bankers Association.

Mr. Whitsett, who joined the staff of The Bank of California, N. A., on Oct. 1, 1953, joined The National Bank of Detroit as a security analyst in 1936 and was serving as Vice-President and Assistant Trust Officer of that bank prior to joining The Bank of California.

Manufacturers Trust Has Improved Group Life Insurance Plan

Offers 500 banks in 37 states an employee insurance coverage which may double benefits.

The Manufacturers Trust Company, New York City, announced on Dec. 2 that it is offering to the more than 500 banks, located in 37 States, which participate in its Correspondent Bank Group Life Insurance Plan an improved plan under which the benefits to the covered employees may be doubled.

Under the plan in existence for the last six years, according to the Manufacturers Trust Co., the insurance coverage has been limited to an amount approximating the employee's annual salary, with maximum coverage of $5,000 for any individual. Under the new plan the permitted coverage is about twice the annual salary up to a maximum of $10,000, with reducing benefits at age 66 and over.

Details of the new plan are set forth in a letter to participating banks which points out that there will be no change in the gross premium for the ensuing policy year. This premium is now $1 a month for each $1,000 of insurance, but dividends received by participating banks in 1951 and 1952 have reduced the net cost in those years to less than 65 cents per $1,000.

The Correspondent Bank Group Life Insurance Plan, under which Manufacturers Trust Company acts as trustee, was started in Nov., 1947, for the purpose of making group life insurance available to small banks which could not obtain it directly because of lack of the required minimum number of employees. Banks participating in the plan obtain group life insurance for their employees on virtually the same basis as do the large metropolitan banks, by spreading the risk over a large number of insurable lives. While primarily designed for the smaller banks, all banks are eligible for participation in the plan.

When the necessary consents have been obtained from the participating banks, Manufacturers Trust Company will declare the improved plan effective.

Walston Co. to Admit

SAN FRANCISCO, Calif. — Walston & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges, admitted James E. White to partnership on December 1. Norman J. Duval withdrew from the firm on November 30.

Alford Heads Mid-West Div. for Dean Witter

Announcement was made today of the appointment of Lore W. Alford as resident manager of the new Mid-West Division of Dean Witter & Co., located in the former Harris, Hall quarters at 111 West Monroe Street, Chicago. The appointment follows the recently announced merger of Harris, Hall & Company with Dean Witter & Co., which has been approved by the Harris, Hall stockholders. Mr. Alford was a Vice-President of the Harris, Hall firm in charge of the Sales Department.

Lore W. Alford

Edward B. Hall, former President of Harris, Hall, will become a special partner of Dean Witter & Co. on or about Feb. 1, 1954.

Mr. Alford, who assumes his new duties today, stated, "the merger of the business and personnel of the two firms in Chicago represents a combination of one of Chicago's principal underwriting firms with a nationwide investment banking and brokerage organization which had its beginning and is one of the largest on the West Coast. Dean Witter & Co. has 24 offices which bracket the West Coast from Seattle to San Diego, in addition to offices in Honolulu, New York and Boston. With memberships in all of the country's principal security and commodity Exchanges and facilities for handling every type of security and commodity transaction, we can offer fully integrated services to Mid-West investors and industry."

In announcing Mr. Alford's appointment, Dean Witter, senior partner of the firm at its main office in San Francisco, noted that, "in addition to broadening the investment services available to former Harris, Hall clients, the merger further strengthens the investment banking position of Dean Witter & Co. for the competitive period ahead. Harris, Hall & Company, like Dean Witter & Co., has had broad experience in the underwriting and private placement of securities. In the past few years, private placements of the two firms have aggregated over $290,000,000, while their underwriting participations in 1952 alone exceeded $77,000,000.

New York Stock Exch. Weekly Firm Changes

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

Gilchrist, Bliss & Co. was dissolved November 30.

Edward H. Hilliard retired from partnership in J. J. B. Hilliard & Son December 1.

Health and Prosperity

By ROGER W. BABSON

Mr. Babson, in discussing effect of our national mental health on the business cycle and continued prosperity, holds if it's true that emotion plays such an important part in individual lives and on the political scene, it is just as possible that our feeling about business conditions may actually affect the conditions themselves. Forecasts great benefits would follow if scientists and businessmen would team up on a thorough study of relations of mental health to business cycle.

I have an idea that has been chasing me around lately and I want to share it with you. I am beginning to wonder what effect our national mental health may have on the business cycle and continued prosperity.

Roger W. Babson

Human nature tells us that our emotions influence our behavior in more situations than we would like to admit. Psychologists point out, for example, that after the successful salesman has tried all his appeals to our logic, and failed, he burrows away at our emotions. More often than not we succumb to the emotional appeal. Certainly, if we have ever had the opportunity to attend a town meeting we know that the emotional appeal of some individual will override all the logic. Every national political election has been won by emotional unheaval rather than by common sense. Probably it was Eisenhower's appeal to mothers, sisters, wives, and sweethearts, relative to Korea, which won his election.

If, then, it is true that emotion plays such an important part in our individual lives, and on our political scene, is it not just as possible that how we feel about business conditions may actually affect the conditions themselves? We surely know that confidence is a very important factor in banking, manufacturing, and buying.

Fertile Area For Study

Businessmen are impatient with sociologists, anthropologists, and psychologists because their experiments take so long to complete, and are so costly. If, however, some practical-minded social scientists would team up with a group of open-minded businessmen to study the effect of our national mental health upon the business cycle and prosperity, I forecast great discoveries would follow.

The longer I have worked on the problem of forecasting, the more I have wondered if there is not some unknown spiritual and mental factor that affects other economic prognostications. At the turn of the century, Harvard's famed Doctor Cannon said that 50% of the patients who came into his office for medical care had nothing wrong with them physically. Their ills were psychosomatic, that is, mental and emotional. If we will add to these the huge numbers who are partially psychosomatic but who never visit a doctor, we must conclude that millions are ill because they think they are ill, and millions are poor or discouraged because they think they are.

Emotions and Economics

We all know what a positive effect such forces as religion and psychiatry have had in building entirely new successful and happy personalities. We know from studies made by industry itself, that the cause of many costly strikes is not economic. Rather, they are emotional in origin. More important than wages is a desire for recognition, security, and individual attention. Business depressions may be considerably affected by emotional upsets.

I wonder what might happen at this point in the business cycle if business and people continued to feel confident and optimistic, irrespective of what the bankers forecast. While most economists forecast a business decline in 1953, employment has hit an all-time high thus far. Production, wages, and earnings are now higher for 1953 than for 1952. The dollar has been stabilized; costs of certain basic needs like food, autos, and clothing have ceased to climb. Inflation has been halted. We have tremendous market potential in the form of our ripening crop of war babies. Satisfying these wants and demands could conceivably absorb the products of expanded plant facilities for some time to come. I just wonder if we are not now placing the cart before the horse in thinking only of money, employment, and sales as criteria for prosperity. It may be that our spiritual and mental health affects business conditions—I don't know.

McCloy Optimistic on Western Europe Progress

Chairman of Chase National Bank reveals impressions from a five-week trip in England, France, Germany and Italy.

John J. McCloy, Chairman of the Chase National Bank of New York, in an address at a dinner of the Manufacturing Chemists Association at the Waldorf-Astoria Hotel in New York City on Nov. 24, reveals his impressions gained in a recent five-week trip through England, France, Germany and Italy.

Regarding conditions in Great Britain the prominent New York banker stated:

"In London there was definitely a new look. People on the streets walked with greater alertness, the aspect of the City was definitely brighter, and the whole air was more energetic than I had seen it at any time in the entire postwar period. I think this was due partially to coronation paint, but more importantly because the government there has been so successful in relieving the people from long-standing controls. So much can be bought now without ration cards—without *queueing* up—that everyone is experiencing a new sensation of freedom. One housewife said that she felt she was living normally for the first time since 1937 and my how she enjoyed it! This transition means a great deal in the life of a nation which for so long has operated on a ration."

John J. McCloy

... "I left London again with the conviction that these people were a solid element in our own physical and political security. They are not the repository of all wisdom by any means but they are sturdy, talented, decent people, courageous and proud. They do not relish a dependent role and they are inclined to be restive if not a bit petulant over our leadership and our methods. But a walk through the British Museum with its old records of man's struggle to be free and independent, and the recollection of British valor when all others were quitting the field, made me feel that every ounce of understanding and mutual respect which could be introduced into our relations would be well repaid when and if the storms come."

In giving some impressions formed during his recent trip through West Germany, where he had served as U. S. High Commissioner from 1949 to 1952, Mr. McCloy said that there has been a real political reform as well as a remarkable physical rehabilitation.

"A parliamentary system of government is in full force and, generally speaking, the moderates are in full control—the extreme right having suffered heavily in the last election, as did the Communists. There also has been a social rehabilitation as well. It represents one of the achievements which I feel is most significant in the development of postwar Germany."

Mr. McCloy expressed high praise of Chancellor Konrad Adenauer of West Germany, whom he characterized as an elderly man "with outstanding vigor and sharp imagination."

"He presents an interesting paradox to the concept of German leaders of the past. He is far from a romantic figure—he is no Siegfried, although he lives up among the Rhine hills where the legends gather. He is anti-militarist, anti-nationalist, and deeply religious—inclined to mix his faith with a certain cynicism. He has a civilized sense of humor, usually expressed in terms of the foibles of mankind. 'God,' he has said, 'in His infinite wisdom has placed limits upon the intelligence of man but He has placed no perceptible restraints upon the full course of his stupidity.' He is a wise man, a true Westerner, somewhat inclined to an authorization approach in his administration of government and party, but with a full recognition and acceptance of his constitutional responsibilities and limitations. Democrat or parliamentarian, whichever you would want to call him for he operates in both roles, he is undoubtedly an adroit politician, And at the same time a man of deep conviction and spiritual reserves—not a bad combination. Starting out as a rather colorless, undynamic figure, he is already becoming a traditional one. The Germans are beginning to refer to him as 'Der Alte'."

Advertising Sales Conference in Jan.

Standard & Poor's Corporation, is sponsoring a conference on Advertising in Action to be held at the Waldorf-Astoria Hotel, Jan. 14. Registration fee is $10 and should be sent to John McKenzie of Standard & Poor's Corporation, 345 Hudson Street, New York 14, New York. The fee covers the full conference including all sessions, luncheon, cocktail party, and special music.

Gene Flack, sales counsel of Sunshine Biscuits, Inc., will be feature speaker at the luncheon meeting.

SEC Proposes Rule on Trading in German Bonds

Would make it a fraudulent and manipulative practice for broker or dealer to effect a transaction in, or to induce or attempt to induce purchase or sale of, West German bonds, not validated pursuant to German Law.

The Securities and Exchange Commission on Nov. 20 issued a notice that it has under consideration a proposal to adopt Rule X-15C2-3 under Section 15(c)(2) of the Securities Exchange Act of 1934. Under the proposed rule it would be a "fraudulent, deceptive, or manipulative act or practice," as used in Section 15(c)(2) of the Act, for any broker or dealer to effect any transaction in, or to induce or attempt to induce the purchase or sale, in the over-the-counter market, of West German bonds which have not been validated pursuant to German law. The Commission has been informed by representative of the exchanges upon which certain issues of German bonds have been traded that bonds which have not been validated will not be considered "good delivery" against sales made on those exchanges.

Following the outbreak of war in December, 1941, according to the SEC, the Commission requested brokers and dealers to refrain from effecting transactions in securities of German origin. On Feb. 27, 1953 an Agreement on German External Debts was signed in London which provided that only West German bonds that have been validated pursuant to German law will be paid by the German issuers. This provision was necessary because of the large volume of German foreign currency bonds, purchased for redemption by the Germans and held in negotiable form in Berlin, which found their way into unauthorized hands after the occupation of Berlin in 1945. The Federal Republic of Germany has enacted legislation requiring the submission for validation of all German foreign currency bonds, and in accordance with an agreement entered into between the United States Government and the Federal Republic of Germany, a Validation Board for German Bonds has been established in this country. Registration of West German bonds for validation with the Validation Board began in September, 1953.

Accordingly, validation procedures are now established and in operation. Looted bonds will not be validated and hence will not be eligible for payment under the debt settlement agreement signed in London. Transactions in bonds which have not been validated could result in looted bonds being unloaded upon innocent and unwary purchasers in this country. The proposed rule is intended to prevent this. Transactions in these bonds may, under certain circumstances, violate other antifraud provisions of the securities acts.

Views and comments on the proposal must be submitted to the Commission in writing no later than Dec. 7.

SEC Would Relax Competitive Bidding Rule

Would except from the operation of Rule U-50, which requires public bidding, the issue and sale of securities of a subsidiary of a registered public utility holding company, if subsidiary is not itself a registered holding company.

The Securities and Exchange Commission, on Nov. 25, issued a notice that the SEC has under consideration a proposal to amend Rule U-50 under the Public Utility Holding Company Act of 1935, which requires with certain exceptions competitive bidding for the purchase or underwriting of securities issued or sold by registered holding companies and subsidiary companies.

Rule U-50 in its present form was adopted by the SEC in 1941. Except in the cases specified in paragraph (a) of the rule, (which exempts issuance on sale of securities pro-rata to existing stockholders or in connection with liquidation on reorganization) it requires that the issue or sale of securities by registered holding companies and subsidiary companies be at competitive bidding.

It is proposed to add to the cases excepted from the operation of the rule the issue and sale of its own securities by a public utility subsidiary of a registered holding company which is not itself a registered holding company, if the issue and sale are subject to exemption under Section 6 (b) of the Act from the provisions of Section 6 (a) of the Act. This is proposed in connection with the consideration by the Commission of the issuance of rules which would implement the specified purpose of Section 6 (b) to place primary regulatory responsibility upon the local regulatory body which is in the closest and broadest day to day contact with the regulated company.

Section 6 (b) of the Act contains the following directive: "The Commission by rules and regulations or orders, subject to such terms and conditions as it deems appropriate in the public interest or for the protection of investors or consumers, shall exempt from the provisions of subsection (a) the issue or sale of any security by any subsidiary company of a registered holding company, if the issue and sale of such security are solely for the purpose of financing the business of such subsidiary company and have been expressly authorized by the State Commission of the State in which such subsidiary company is organized and doing business. . . ." The Conference Committee Report (H. Rep. No. 1903, 74th Cong., 1st Sess., p. 67) stated that this provision ". . . directs the Commission to exempt the issue of securities by subsidiary companies in cases where holding company abuses are unlikely to exist."

Under the Commission's present practice each exemption under the quoted provision has been granted by order only and the procedures and policies followed have been substantially equated to those applicable to a declaration filed under Section 7.

Text of the Rule

The text of paragraph (a) of Rule U-50 as proposed to be amended would read as follows:

(a) *Scope of rule* — This rule is applicable to every declaration and application regarding the issuance or sale of any securities of, or owned by, any registered holding company or subsidiary company thereof except—

(1) The issuance or sale of securities pro-rata to existing holders of securities of the applicant or declarant (a) pursuant to any preemptive right or privilege or (b) in connection with any liquidation or reorganization; or

(2) The issuance of any bond, note, or other evidence of debt of a maturity of 10 years or less to a commercial bank, insurance company, or similar institution not for resale to the public, provided no finder's fee or other fee,

commission, or remuneration is to be paid in connection therewith to any third person (except an associate service company) for negotiating the transaction; or

(3) The issuance or sale of securities to any registered holding company or subsidiary company thereof whose acquisition of such securities has been approved by the Commission pursuant to Section 10 of the Act; or

(4) The issuance or sale of securities the total proceeds whereof to the issuer or vendor will not exceed $1,000,000; or

(5) The issue and sale by a public-utility company, which is a subsidiary company of a registered holding company and is not itself a registered holding company, of securities of such subsidiary company where such issue and sale are subject to exemption from the provisions of Section 6 (a) of the Act by reason of the provisions of Section 6 (b) of the Act; or

(6) The issuance or sale of securities as to which the Commission finds that compliance with paragraph (b) hereof with respect to such issuance or sale is not (A) appropriate to aid the Commission (in carrying out the provision of Section 7 of the Act) to determine whether the fees, commissions, or other remuneration to be paid directly or indirectly in connection with the issue, sale, or distribution of such securities are reasonable, or whether any term or condition of such issue or sale is detrimental to the public interest or the interest of investors or consumers; or (B) appropriate in the public interest or for the protection of investors or consumers as a condition to the exemption of such issuance or sale from the provisions of Section 6 (a) of the Act, or to aid the Commission (in carrying out the provisions of Section 6 (b) of the Act) to determine such terms and conditions as it may be appropriate to impose in the public interest or for the protection of investors or consumers in exempting such issuance or sale from the provisions of Section 6 (a) of the Act; or (C) necessary or appropriate in the public interest or for the protection of investors or consumers to assure the maintenance of competitive conditions, the receipt of adequate consideration or the reasonableness of any fees or commissions to be paid with respect to sales of securities subject to Section 12 (d) of the Act. Such a finding may be made in connection with the declaration or application regarding such issuance or sale, or upon a separate application for such a finding.

Nothing in this rule shall be deemed to preclude the Commission from entering any order which would otherwise be appropriate under the applicable provisions of the Act.

Views and Comments on the proposed rule must be submitted in writing to the SEC not later than Dec. 31, 1953.

Doremus Co. Adds Cody in Boston

BOSTON, Mass. — Doremus & Company announce the appointment of Coleman F. Cody as an Account Executive in its Boston office, 53 State Street.

Prior to joining Doremus & Company, Mr. Cody was a member of the advertising department of American Optical Co., at Southbridge after his return from a second tour of duty with the U. S. Air Force in Europe where he served as a Captain. A graduate of Harvard University, he was for three years Assistant Promotion and Merchandising Manager of station WCOP, Boston.

Deflation Is Nation's Main Threat: Nadler

Consulting economist of the Hanover Bank in New York says nation is not so much confronted with inflation as it is in preventing deflation. Warns if wage increases go beyond the growth of productivity, the increased costs could not be shifted to the consumer.

In a report on "The Course of Inflation" published by The Hanover Bank, Dr. Marcus Nadler, its consulting economist, said that under present conditions a renewal of inflationary forces can set in only through an event creating fear psychology, a government deficit beyond reasonable expectations, or unreasonable labor demands.

Marcus Nadler

The problem confronting the nation is not inflation but the prevention of deflation, Dr. Nadler contends in his report.

Since the country's productive capacity now can provide both guns and butter and the demand for civilian goods has been met, Dr. Nadler said, "it is difficult to see what internal event could cause a fear psychology. Similarly the dangers of war are receding . . . and therefore one cannot foresee an international event that might cause a renewal of the fear psychology."

It is impossible, he said, to state what the fiscal position of the Treasury will be, but it is known that the Administration is committed to and is working for a balanced budget.

"Should a sharper than expected decrease in business activity take place, causing a substantial decline in revenues, it will be accompanied by an increase in unemployment and in idle plant capacity and by a decrease in the disposable income. Under such conditions, no matter how large the Treasury deficit may be, the problem confronting the nation will not be inflation, but rather deflation."

Labor costs, Dr. Nadler continued, are an important part of the price structure.

"In a period of boom, an increase in costs can be and often is shifted to the ultimate consumer. In the period of a strong buyers' market and declining demand this is not likely to take place. Should labor under present conditions obtain wage increases beyond the growth of productivity the increased costs could not be shifted to the consumer.

"This would lead to smaller profits for some employers, losses to others and ultimately to decreased output and increased unemployment. In a period of declining demand stable money wages accompanied by increased productivity lead to lower prices and higher real wages, and stimulate demand."

Business Continuing at Slow Downward Pace

Business Survey Committee of National Association of Purchasing Agents, notes, however, prices are fairly static, and industrial inventories are still on decline. Hold "business is not too bad."

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, New Haven, Conn., report industrial business in November continued the slow downward pace for the fourth month. New orders were reported down again, but by fewer than in October. Production was lower for the second month, increasing the tendency to shrink the gap between declining orders and output, a good sign. Prices are fairly static, with some soft spots. Industrial inventories of purchased materials are still on the decline, with more postponement of scheduled fourth-quarter commitments to first-quarter shipment. Few cancellations are reported. Employment, both by number and time worked, is lower for the third month, but few reductions are very severe. Buying policy is conservative, short-range, 60 days and under.

Robert C. Swanton

While the November report is not rosy, the general comment of purchasing executives is that industrial business is not too bad. Over-all, business is good compared to any normal period. The downtrend, while expected to continue over the year-end, has not been a sharp general movement and that is not anticipated.

Commodity Prices

Prices have shown more of a leveling tendency in November, though the signs of weakness are more prominent than those of strength. Competition is really keen, with much market testing to find a buying level. More reports indicate the use of inducements such as price protection and even consignment, to move inventories and retain customers.

Purchasing Agents feel that industrial goods prices will tend to soften, item by item, as the stiff competition forces a closer look at costs and production efficiency.

Inventories

Unworked material stocks again show a decline, with continued efforts to adjust inventories to the lower production requirements. Quite a bit of the cutback is caused by the run-out of seasonal goods and preparations for taking year-end inventory. Few cancellations are mentioned, but more deferring of shipments to January and Feburary, which may have a depressing effect on first-quarter new orders.

Employment

Pay roll registration and hours worked continue to decline. Those reporting layoffs and shorter work weeks outnumber employment additions by 4 to 1. Individually, there are only a few drastic cutbacks. Over-all, the employment situation indicates a selective policy; eliminating the floater, the least efficient, unnecessary overtime, and using alternate shifts to spread the work and retain good employees.

Buying Policy

Commitment range is predominantly 60 days and under. Postponement of fourth-quarter commitments into first-quarter delivery is more generally mentioned. Of particular interest is some reported change in policy on the annual requirements contracts subject to quarterly adjustments or to escalation to current prices on monthly releases. Such contracts had become quite widely used in a number of materials during the past several years of material shortages, to insure source of supply. Present indications are that a number of these arrangements may be discontinued, to allow greater freedom of negotiation if sharp price swings occur.

Phila. Inv. Women To Hear Kneass

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will hold its third educational lecture of the current season under the sponsorship of the Philadelphia-Baltimore Stock Exchange on Thursday, Dec. 10, at 5:15 p.m. in the Board Room of the Fidelity-Philadelphia Trust Company. The speaker will be George B. Kneass, Vice-President, Philadelphia National Bank. His subject will be "Credit and Banking Policy Covering the Financial Influences Affecting the Securities Industry."

Budget Reform—Round Two

By BEARDSLEY RUML*

Mr. Ruml, insisting present Budgetary accounting technique overstates tax needs by $12 billion annually and that taxpayers are being required to finance government projects capable of supporting themselves, calls "so-called" Federal Budget only a listing of numbers with no overall financial meaning and without economic significance. Lists the "inescapable" goals of his own program for self-financing authorities as lower taxes, maintenance of essential expenditures, and protection of currency by making possible balanced budget at high employment levels.

Three months ago, on Aug. 12, 1953 to be exact, I testified before the Ways and Means Committee which was conducting hearings on Federal excise taxes. I testified that, with the usual exception of the excises on alcohol, tobacco and gasoline, the discriminatory selective excise taxes should and could be completely dropped, and that no new taxes, retail sales tax or manufacturers excise or other tax, are necessary to take their place. The reason is simply this—the *net* loss to the Treasury from the elimination of the selective excises referred to above is $3,400,000,000 and the present system of Federal financial record keeping, the miscalled "budget," overstates by $12 billion annually the need for tax revenue.

Beardsley Ruml

Since giving this testimony last August, these figures have never been challenged, so far as I know, except in one respect. It has been pointed out to me that the figure I used for atomic energy installations includes some purely military items and is therefore too high by about $1 billion. On the other hand, within the military there are a number of offsetting items of continuing capital value, real estate, convertible buildings and the like. So for practical purposes, and subject to correction based on future critical analysis, I feel that we can hold to our figure of $12 billion as representing current overstatement of annual tax requirements; and that therefore, with Budget Reform, the tax reduction policy contemplated by law and herein proposed is both desirable and realistic.

Incidentally, the Federal Budget for 1954 included $26.6 billion for "Additions to Federal Assets." The amounts involved, says the Budget Message, are additions to the type of assets which, under private accounting practice, would normally appear on a balance sheet. In the Federal Budget the whole $26.6 billion is included as current expense. However, the figure which I have used is much smaller, a total of $6 billion, since under this proposed Budget Reform, I include as assets only revenue producing and receiving assets that can earn their interest and amortization; and commodities and articles intended for resale, after allowing for storage, depreciation and other costs.

Although the amount of $12 billion seems, therefore, to be acceptable as a reasonable figure, there is nevertheless sharp difference of opinion as to whether we should undertake a Budget Reform program that would so reduce the tax requirements for budget balance. There has been strong support for this program in legislative and business circles and in the press. The Administration's attitude has been negative, but only mildly so, since during the past three months, some of the suggested changes have already been made under the pressures of the ill-advised ceiling on the Federal debt limit. There also have been some unfavorable editorials, mostly in smaller communities in the South and Southwest and also in a few larger cities, such as Detroit and St. Louis.

* A talk by Mr. Ruml before the Academy of Political Science, New York City, November 5, 1953.

Obviously we need a Federal Budget Reform program, and with Budget Reform, not only can the selective excises be abolished, but all other tax reductions now written into law can proceed as intended by the Congress. The reductions in the individual income tax can proceed; so also the elimination of the excess profits tax; the reduction of the corporation profits tax from 52% to 47%; and the return of excises on tobacco, alcohol and gasoline to the level from which they were raised in 1951.

Overstatement of Revenue Needs

The overstatement of the need for tax revenue of $12 billion annually for fiscal 1954 is composed of four principal parts as follows:

	Billion
(1) Reductions possible by efficiency and economy	$2
(2) Capital items improperly included as expense	2
(3) Investments that could be organized as self-financing authorities	4
(4) Result of going on a consolidated cash budget	4
	$12

I shall discuss each of these four items in detail, but briefly.

First. I have included an item for efficiency and economy to indicate that I favor efficiency and economy to the maximum extent consistent with the national interest. I have placed the figure as low as $2 billion so that there can be little dispute that such a figure can be attained by sensible economy measures. If even larger reductions in tax requirements can be made by efficient economy, it would be desirable from every point of view to do so.

Second. Capital items improperly included as expense. These capital items are of two kinds: (a) Those disbursements that result in the acquisition of revenue-producing assets. The most conspicuous of these are the F.N.M.A. mortgages, of which the Federal Government now holds $2,250,000,000. And there are other similar holdings such as RFC, small business and rural electrification loans. (b) A different class of capital assets are purchases intended to be resold under appropriate circumstances. Disbursements for the stockpiling of strategic materials are of this class. To be sure, any expenses of storage and deterioration are current expense items; but the cost of acquisition is not. Lending and spending for the holding of agricultural surpluses should be similarly considered.

Third. Investments that could be organized as self-financing "Authorities." Some may not like the term "Authorities," but it has been made meaningful and respectable by the conspicuous success of self-financing Authorities in many states and cities, for example New York and Pittsburgh.

Two general classes of Authorities may be distinguished, those that derive their income from charges of one kind or another from the public using the facilities; and the other, those that might receive currently by lease or by contract from the appropriate department of the Federal or local government the revenues necessary to cover costs of operation and annual financial charges for interest and amortization. Included in the latter class of Authorities could be real estate purchases, construction of productive government buildings and investment in atomic energy plants for the production of plutonium. The Defense Department buys oil on a contract basis; why shouldn't it buy plutonium?

Few would dispute the business-like principle that truly producing assets should be capitalized, and that the benefits realized from these assets should be paid for as they are consumed. The financing of Authorities on a self-financing basis will, of course, necessitate a rate structure appropriate to the costs. But there is no logic in forcing this year's taxpayer to pay for benefits to go without cost to future taxpayers for years to come.

My estimate for Authorities is $4 billion annually. But I believe that a conscientious and imaginative study of the opportunities for reclassification of expense would in time result in a figure even higher than the $4 billion suggested.

I am well aware that the treating of capital items and Authorities separately is susceptible to abuse and I would limit such treatment strictly to the two obvious categories of assets which I have just specified.

Fourth. The result of going on to a consolidated cash budget would reduce by $4 billion the apparent Federal requirements for tax revenue. This change has been recommended for years by students, organizations, and government agencies—among them, the Committee for Economic Development, the Council of Economic Advisers, and the 1949 Senate Sub-Committee on Monetary and Fiscal Policy, headed by Senator Douglas. The change has the support of persons in both parties. It is unfortunate that the change was not made with the beginning of the new fiscal year which has just started; but I see no insuperable difficulties about making the change-over at any time, say Jan. 1, 1954.

The most comprehensive attack on these Budget Reform proposals was made by Senator Harry Byrd in a letter to Chairman Reed of the Ways and Means Committee. It is my purpose to answer, to the extent that time permits, Senator Byrd's communication, since in doing so I will have also met most of the objections of others that have come to my attention.

With respect to going on to a consolidated cash budget, Senator Byrd disagrees. The desirability of going on to a consolidated cash budget in order to bring in the operations of social security is so generally recognized at the present time, as a result of technical studies and practical observation over the past decade, that for those who, like Senator Byrd, still hold the opposite opinion, no brief exposition of the subject would be persuasive. I only refer here to the recent Policy Statement of the Committee for Economic Development of April, 1953. In this Statement it is explained, "CED's main reason for using the cash budget is that it gives a better indication of the inflationary or deflationary effects of Federal finances." This is the important consideration in analyzing the need for taxes.

Put Social Security Surplus In Open

The current social security surplus should be brought out into the open where it can be seen, and where it can be the subject of public discussion and public policy. And that is exactly what would happen with the adoption of a consolidated cash budget.

The accumulating reserves in the social security and other Federal retirement accounts must be restored to investment and employment if we are to avoid depression. We cannot withdraw between $3 and $4 billion a year, year after year, from the people's income without restoring it in appropriate ways to the flow of purchasing demand.

As for the present social security payments as a burden on individuals, they are now far less than would be required if the social security reserves were to be built up to a true actuarial basis. Accordingly, the individual receives in the present value of future benefits much more than the amount of his contribution and that of his employer. There would appear to be no reason why these rates should be reduced now in view of the government's commitment to social security payments. On the other hand, social security rates cannot be put on a true actuarial basis without putting the government far more into the total economy than has ever been responsibly contemplated.

Rebutting Senator Byrd

Senator Byrd objects to the budgetary treatment of capital and investment items, even when carefully defined, so as to be separate from ordinary current expense. He calls such treatment "a combination of threadbare budgetary subterfuges which were originated as ideas by New Dealers over the past 20 years, but cast aside, even by them, as too phony or too misleading for serious consideration."

On this point, Senator Byrd's comments are irrelevant and uninformed.

Senator Byrd's comments are irrelevant because the validity of a principle of budgetary accounting cannot be affected by New Deal sponsorship nor by New Deal opposition. We might judge the New Deal by its attitude on a principle or program, but hardly the program itself. Certainly Senator Byrd would consider it irrelevant to judge the validity of his own present position by observing the fact that Senator Byrd finds himself associating with the budgetary ideas and policies of former Secretaries Morgenthau and Snyder, with respect to including capital items and excluding social security from the operating accounts of the government.

But worse than irrelevant, Senator Byrd's comments are uninformed. It was President Hoover, who in December, 1931, recommended to Congress the creation of the largest self-financing corporation of the Federal Government, the Reconstruction Finance Corporation. The RFC was regarded by President Hoover as capital in character. Except for its original stock of $500 million, its lending and borrowing operations were not included within the framework of the expenditure budget of his Administration.

The creation of the RFC was recommended in 1931 to President Hoover by a bi-partisan, indeed a non-partisan group, including Governor Eugene Meyer of the Federal Reserve Board, Andrew Mellon, Secretary of the Treasury, Ogden Mills, Under-Secretary of the Treasury, and Senator Walter F. George. The Senate Banking and Currency Committee, before which the Reconstruction Finance Corporation legislation was thoroughly debated, included men of outstanding financial capacity such as Senator Couzens and Senator Glass. The first RFC Chairman was Eugene Meyer, and its President was General Charles G. Dawes. Members of its first board included Harvey Couch and Jesse Jones. A group less characteristic of the yet unborn New Deal to which Senator Byrd refers could hardly have been found.

The Reconstruction Finance Corporation was established as a self-financing institution, authorized to issue its own debentures. Under-Secretary Mills explained to the Senate Banking & Currency Committee why the Hoover Administration wanted such a separate financing corporation. On Dec. 19, 1931, Under-Secretary Mills was closely questioned by Senator Bulkley. The questions and answers have more than historical relevance to the present discussion. And I am setting forth a few paragraphs as an illuminating commentary on the thinking at that time.

"**Senator Bulkley:** What is the advantage of raising these funds through corporation debentures rather than by a direct issue of bonds by the Treasury, which would be easier for the public to understand?

"**Under Secretary Mills:** Oh, I think it is much wiser to do it through an independent corporation rather than to have a direct obligation of the government. . . .

"I think you can create a business entity that will deal with a particular problem which is essentially a banking problem. I should hesitate a great deal before I intrusted this whole job of loaning government funds directly and turning the Treasury of the United States into a glorified bank."

* * *

". . . frankly I would much rather see this corporation issue its own debentures than to confuse it with our public-debt operation. In the matter of accounting and presenting an accurate picture, I think the accounts of this institution should not be merged with the public-debt accounts of the United States Government.

"**Senator Bulkley:** I see no particular reason for merging; but, if the government is on these obligations as a guarantor, it is obligated the same as if it were its own direct obligation?

"**Under Secretary Mills:** Not quite; but, supposing we were obliged to furnish a billion dollars, the public debt would go up a billion dollars. I think it would give you a distorted picture of the pubic debt, because presumably all of those funds would have been loaned on good collateral, and it, therefore, would be an entirely different form of public debt than the one which is outstanding today and which represents, generally speaking the war costs and current deficits. It has always seemed to me that it is not only essential to keep all public accounts in absolutely accurate form—that goes without saying—but equally essential to keep them in readily understandable form so that the average man, if he is interested, can find out just what the government owes and what its financial situation is."

The bills creating the Reconstruction Finance Corporation were passed by Congress by a vote of 63 to 8 in the Senate and 335 to 56 in the House, and the Reconstruction Finance Corporation commenced its operations on Jan. 22, 1932. Towards the end of the year, on Dec. 7, 1932, President Hoover, in a message to Congress on the Budget said: "The authorization of large programs of self-liquidating works to be financed by the Reconstruction Finance Corporation provides aid to employment . . . without burden upon the taxpayers."

Long before this, in 1916, the Federal Land Banks had been established under a Democratic Administration as Federally-owned, self-financing corporations. Their purpose was to provide long-term mortgage credit to farmers. Here too, except for the initial capital stock, the policy was to exclude items that were capital in character from the regular operating accounts of the Government.

Senator Byrd and I seem to agree, to repeat his own words, "I am for construction budgetary reform to bring about more disclosure of the purposes for which the Federal Government is spending and taxing." Where we differ is on important questions of policy and method.

Senator Byrd says "The Ruml proposal would set back budgetary disclosure 20 years."

Really Following Glass, Mills, Mellon and Hoover

The fact is that my proposals would set Federal budgetary disclosure back 21 years, back to the days of Senator Glass, Ogden Mills, Secretary Mellon and President Hoover. Twenty years ago, in 1933, a detour was made, protested unsuccessfully by many New Dealers, a detour from the straight road of businesslike public finance and public accounting into a morass of budgetary confusion in which we now find ourselves, and which has already done incalculable harm.

Senator Byrd refers to my interest in the discriminatory selective excises in a manner calculated to imply insincerity on my part in the cause of Budget Reform. True, I am interested in removal of selective excises, and since the particular hearings at which my testimony was given were on the subject of selective excises, I started from that point. I stated that, since the present budget overstated tax requirements by $12 billion, most of the selective excises could be removed under a realistic Budget Reform program and that no general sales tax or manufacturers excise tax would be required to take their place.

But I am equally persuaded that a lower personal income tax and a lower corporation profits tax would also be in the national welfare. And I am interested in them, too.

I am interested in efficient economy that will not cripple the vital constructive and protective functions of the Federal Government.

And I am interested that savings and pension allowances will not be diluted by inflation.

Starting from any of these interests one moves inescapably to the necessity of a Budget Reform program that will permit lower taxes, *and* the maintenance of essential expenditures, *and* the protection of the currency by making possible a balanced budget at high levels of employment.

Since I testified before the Ways and Means Committee, the Administration has taken steps to expand the financing of loans involved in connection with the Commodity Credit Corporation's price support program separately from the regular operating accounts of the government. On Sept. 25 the Department of Agriculture announced that "in view of the heavy crops to be financed through such loans this fall, the program is intended to achieve maximum investment of private funds in CCC crop loans, thus relieving the United States Treasury as much as possible of a financial burden which would have to be taken care of through public borrowing. . . . Certificates of interest will be offered for the first time in connection with CCC grain and other commodity loans, an extension of a practice already in effect on cotton loans." This expanded financing outside the regular government accounts through private banks by certificates of interest is now Administration policy. There is clearly no subterfuge. All the facts are disclosed to the Congress and to the public. A more logical approach to the CCC problem has been made. This particular example illustrates the point that I made to the Ways and Means Committee, namely that under certain specified circumstances separate financing to carry a capital investment in inventory loans is desirable, straightforward and in the public interest.

Whence the Money?

The question will occur to many —where will the money come from to pay for the capital items to be excluded from the budget and for the investment needs of the various Authorities? The answer is that the money will come from the same sources as it comes from today, that is, as borrowings from commercial banks, savings institutions and the public. The difference would be that the borrowings would be associated in general, and in many cases specifically, with recognized capital investments. And to be slightly technical, variations in the sources from which the funds are derived could be a powerful instrument of fiscal policy.

This powerful instrument of fiscal policy requires explicit coordination of the financial operations of Federal Authorities, and it would be well at the same time to bring about informed collaboration among the fiscal, monetary and lending agencies of the Federal Government.

Our people generally accept the proposition that it is in the national interest to balance the budget. There are two reasons that support convincingly a balanced budget policy. First we want to balance the budget in order to protect the value of the dollar. And second to make sure that we have a firm test of discipline that will keep us from spending beyond our means.

These are understandable and good reasons for wanting to achieve a balanced budget and the fact that these are good reasons and the fact that the public earnestly wants the security of a balanced budget make it imperative to have the word "budget" and the word "balance" make sense. Certainly no one wants to balance a traditional system of financial record keeping. Certainly no budget that is a hodgepodge of capital and current items can be balanced except by adding up columns of figures to see whether the totals are the same.

As is well-known, the present so-called Federal Budget is nothing more than a system of financial record keeping. It is in fact a hodgepodge of current and accrual items, of exclusions and inclusions. All taken together, of whatever historical interest or administrative convenience, it is only a listing of numbers with no overall financial meaning. It is misleading as a guide to appraising the impact of the Federal Government's intake and outgo on the private economy and on the soundness of money. It has no economic significance.

What are the obstacles to this Budget Reform program?

The first general criticism is that if the budget reform program is adopted, showing that tax requirements are presently overstated by $12 billion, the pressure for cutting expenditures will be eased, and Congress will become irresponsible in the making of appropriations. This criticism seems to me superficial. Even if the tax burden is reduced, taxes will still be dangerously heavy, and every sound measure of expenditure reduction will still be required to get the burden of taxes down. Furthermore, Congress will not be deceived forever by faulty accounting. Congress will want to know whether its appropriations for capital items can be covered by interest and amortization payments from receipts, public or private. Congress will not be misled by incorrect numbers on an accounting sheet. The deception is like that of a father who wants his son to drive the automobile only 45 miles an hour, and dopes up the speedometer so that it reads 65 miles when it is only going 45. This father would spend his time better in persuading his son that speeding is dangerous. The boy will soon learn that the doped-up speedometer can be safely ignored.

Another type of reservation comes from those who find the present accounting system convenient to their desires to impose new forms of taxation—especially a Federal manufacturers' excise tax or a general retail sales tax. For those who want new forms of taxation, their arguments have as much or as little cogency with Budget Reform as they have under our present system of financial record keeping. But I must confess that the urgency to act on their proposals will be far less.

Lots of Subterfuges Legitimate

There have also been attacks by name-calling, in which they refer to the proposed Budget Reform as a trick, a subterfuge, as legerdemain. For that matter, vaccination is a trick against smallpox, an airplane is a subterfuge to avoid walking to California, and all good surgery is legerdemain, and very useful it is, too.

Finally, there is the understandable hesitation on the part of the government to solve our Federal financial problem merely by changing the rules. It will require real courage in the Administration to recommend these long-overdue changes in the statement of the Federal Budget. Not only will the inertia of tradition have to be overcome, but there will be an inevitable amount of cynical comment that the Administration is attempting to balance the budget by definition. On the other hand, the first step toward a firm solution of our fiscal policy questions requires that these reforms in our budget be made.

Unfortunately, or perhaps fortunately, the Administration will be embarrassed either way. If it does not put through the Budget Reform program only because it will be embarrassed, it is sure to be embarrassed because it lacked the courage to do the right thing lest in doing so it would be embarrassed. Since embarrassment is probably unavoidable in either case, it might be better suffered in the cause of wisdom rather than in the cause of tradition.

We need a Budget reform program. A Budget Reform program is indispensable to a tax reform program. Otherwise a tax reform program will be constructed on shifting sands and will signify nothing. We need a Budget Reform program that will replace our present system of financial record keeping with a consolidated cash budget that will separate items that are clearly capital items from all the items that should be treated as expense and financed by taxation.

Then we shall know what the budget is and what balance means and our aspiration for a balanced budget will be supported by clarity and purpose.

Firm Name to Be Rotan Mosle and Cooper

HOUSTON, Tex.—Rotan, Mosle and Moreland, 705 Travis Street, members of the New York Stock Exchange, are changing the name of their firm to Rotan, Mosle and Cooper. J. Marvin Moreland is retiring from the firm, but all other partners will remain. Rotan, Mosle and Cooper maintain offices in Beaumont, Texas and Galveston, as well as in Houston.

Now Knox-Hinds Co.

FT. LAUDERDALE, Fla.—The firm name of Andrew B. Knox and Co., 207 East Broward Boulevard, has been changed to Knox-Hinds and Company.

No Advantage in "Extraordinary" Budgets!

December issue of the "Monthly Bank Letter" of the National City Bank of New York in an article on Federal budgetary reforms, notes experience of other nations with extra-budgetary accounting has not been satisfactory and even before World War I, "capital" and "extraordinary" budgets, separate from operating budgets, "had a bad name." Comments on Beardsley Ruml's program.

The "Monthly Bank Letter," published by the National City Bank of New York, in its December issue, discusses reform in government budgetary procedures, and concludes, despite some proposed changes in the Federal Budget accounting, the single or so-called "cash consolidated budget" is, for practical purposes, the most satisfactory. In the concluding paragraphs of the article, the "Bank Letter" states:

Abuse of extra-budgetary accounting to spare the taxpayer but with the result of weakening the national credit and currency, has been common in European experience. In the United Kingdom, as a mild example, government outlays "below the line" or outside the regular budget have been a persistent source of inflationary presure since the war. The regular budget has shown a respectable £3.3 billion surplus over the six years ended March 31, 1953. Nevertheless, though a precise total is not published, the gross debt, including guaranteed obligations issued to pay for nationalized undertakings, evidently has increased very considerably.

Writing in 1948 on "The Problem of Budgetary Reform in the United Kingdom," Professor J. R. Hicks, while espousing the principle of capital budgets, pointed out how the development of receipts and payments outside the ordinary British budget was threatening to deprive reported budget surpluses of any real meaning. Professor Hicks also took note of the dangers in abandoning the principle that expenditures should be financed out of taxation:

"Hitherto, excepting in time of war and postwar resettlement, it has always been possible for the Chancellor, when faced with a proposal to spend (say) £10 million on some desirable object, to reply in these terms: 'If I agree with that proposal, I shall have to find £10 million of additional revenue. Where am I to find it? Is there any source of revenue still open which I can expect the country to accept as the price of this expenditure?'

"The answer to this last question might be yes or no; but if it was answered in the affirmative, the decision to spend the money would have been made with a fair counting of the cost. But now, if the principle of meeting expenditure out of taxation is wholly abandoned without any other principle being put in its place, the cost would cease to be counted. Additional expenditure could always be met by enlarging the deficit."

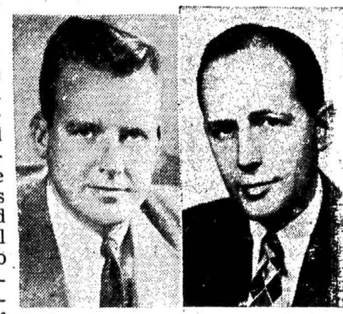
This is by no means a new lesson. Even before World War I capital or extraordinary budgets had a bad name. Rene Sturm, in his classic, "The Budget," published in 1913, pointed out how easy it is, with double budgets, to shift expenditures from one to the other classification as changing theories or interests dictate. He quoted a Belgian Statesman who likened the extraordinary budget to "the juggler's cup by means of which the Minister of Finance disposes of the deficit."

Mr. Ruml notes that cynics might characterize his budget plan as balancing by "definition." One does not need to be cynical to observe that this is what it would be. It would be difficult to get two experts to agree just where the line is to be drawn between ordinary and extraordinary—or to keep a definition once written. Mr. Ruml gets a total of $6 billion capital outlays to be financed out of borrowed money. Another expert, elastically, could find $12 billion or maybe $18 billion. Once the firm rule of balancing cash accounts is forsaken, there is no clear stopping point for deficit financing.

The balanced budget test is a hard test for national governments to meet. It demands a heavy tax load. It demands discretion in expenditure. The reward—protection from depreciating money and spiraling prices—is worthy of these costs and efforts. It would be a pity to give up on a goal so closely within reach.

John Latshaw to Be E. F. Hutton Partner

KANSAS CITY, Mo.—Effective January 1, John Latshaw will become a partner in E. F. Hutton & Company, members of the New York Stock Exchange, and will be in charge of a new branch office for the Hutton firm to be located at 111 West 10th Street. He will continue his membership in the Midwest and Detroit Stock Exchanges.



John Latshaw Paul Uhlmann, Jr.

The staff of Uhlmann & Latshaw, which will be dissolved, will continue with E. F. Hutton & Company, Russell K. Sparks being manager of the trading department, and H. G. Appel, manager of the municipal department. William McGovern, manager of Uhlmann & Latshaw's New York office, will become manager of an unlisted trading department for E. F. Hutton & Company.

Paul Uhlmann, Jr., a partner in the firm of Uhlmann & Latshaw, will become assistant to the President of Standard Milling Company. He will continue to hold his membership in the New York and American Stock Exchanges.

The corporate affiliate of Uhlmann & Latshaw, will continue as Uhlmann & Latshaw, Incorporated, acting as underwriters of general market securities. Mr. Latshaw will remain as President.

Mr. Latshaw is a past President of the Bond Traders Club of Kansas City, and a former Vice-President of the National Security Traders Association. He is a member of the district committee of the National Association of Securities Dealers, Inc.

Spring, Stewart to Admit

Effective December 11, Bertha Spring will become a limited partner in Spring, Stewart & Co., 25 Broad Street, New York City, members of the New York Stock Exchange.

Indiana Toll Road Financing Near

$280 Million issue expected to be offered on Dec. 17. Nation-wide group of 460 dealers to participate.

Details of one of the largest public offerings of toll road bonds on record—$280,000,000 of Indiana Toll Road Commission Revenue Bonds—were sent Dec. 1 to the approximately 460 members of the nation-wide underwriting syndicate.

The offering has been tentatively set for Thursday, Dec. 17, and principal underwriters serving as co-managers of the group will be Smith, Barney & Co.; The First Boston Corporation; Drexel & Co.; Halsey, Stuart & Co. Inc.; City Securities Corporation; Collett & Company, Incorporated; Indianapolis Bond & Share Corporation and Raffensperger, Hughes & Co., Inc.

Proceeds from the sale of the bonds will be applied toward the construction of the East-West Toll Road, the first project to be undertaken by the Indiana Toll Road Commission, together with financing and other related costs.

The bonds and interest payable on them do not constitute an obligation of the State of Indiana or of any of its political subdivisions, but are payable solely from revenues earned by the Toll Road, in accordance with the Trust Agreement between the Indiana Road Toll Commission and the Indiana National Bank of Indianapolis, as trustee, and Merchants National Bank & Trust Company of Indianapolis, as co-trustee. In the opinion of counsel, interest on the bonds is exempt from present Federal income taxes.

The East-West Toll Road will be approximately 156 miles in length and will extend across the northern part of Indiana in a general easterly direction from the western terminus at a point providing connections with U. S. Routes 20, 12 and 41 and the Indiana-Illinois State line at the boundary line between the cities of Chicago, Ill., and Hammond, Ind., to a connection at the Indiana-Ohio line with the western terminus of the Ohio Turnpike now under construction.

Construction of the four-lane divided highway of modern expressway type construction is expected to start in the fall of 1954, and it is expected to be open for traffic late in 1956. It is estimated, on the basis of engineering projects of probable traffic and revenues, that as of 1956-1957 a total of 17,661 vehicles, consisting of 12,371 passenger cars and 5,290 commercial vehicles, will use the Toll Road daily. For the first full year of operations, the Toll Road is expected to have a daily usage of about 2,000,000 vehicle miles of travel, with the average trip approximately 113 miles in length.

On the basis of proposed toll charges applied to the anticipated traffic using the road in its first year of operation, gross revenues for the year ending 1957, have been estimated at $16,340,000.

Thomas Inv. Co. Formed

INDIANAPOLIS, Ind.—Adolph F. Thomas is engaging in a securities business under the firm name of Thomas Investment Company, from offices at 3045 North Pennsylvania Street.

Smith, Barney & Co. Celebrates 80 Years

Smith, Barney & Co., investment banking firm, is celebrating its 80th Anniversary. It was on Dec. 1, 1873 that Charles D. Barney opened his offices in Philadelphia as a private banker and securities broker. Mr. Barney was the son-in-law of Jay Cooke — the eminent financier of the Civil War period. Charles B. Harding since 1941, senior partner of Smith, Barney & Co. is a great grandson of Jay Cooke.

Charles B. Harding

In 1938 Charles D. Barney & Co. merged with Edward B. Smith & Co. In 1933 many of the officers of the Guaranty Co. had joined Edward B. Smith & Co. as a result of the Banking Act of 1933, which caused the Guaranty Trust Company to dissolve its investment banking affiliate.

Today Smith, Barney & Co. is considered one of the largest investment banking firms doing both underwriting and a general securities business as members of the New York Stock Exchange and other leading exchanges. Offices are maintained in seven cities with the main office at 14 Wall Street, New York. While long a leader in corporate underwriting Smith, Barney & Co. has developed as an important house in the municipal bond business. In the last year Smith, Barney & Co. has served as financial advisor to the New Jersey Turnpike Authority and will shortly manage the $280,000,000 issue of the Indiana Turnpike Commission.

Virginia Electric & Power Stock Offered

Merrill Lynch, Pierce, Fenner & Beane and associates yesterday (Dec. 2) offered 558,946 shares of $10 par value common stock of Virginia Electric & Power Co. at $27.15 per share. The group won award of the stock at competitive sale on Tuesday on its bid of $26.639 per share.

Proceeds from the sale of these shares will be used to provide for construction expenditures or to reimburse the treasury therefor. In the five years 1948-52 the company expended $186,000,000 on additions and improvements to its property. Of this amount $48,000,000 was expended in 1952. Construction expenditures for 1953 are estimated at $42,000,000, of which $31,900,000 had been expended through Sept. 30. The present expectation is for expenditures in 1954 of $45,000,000, but the extent to which this program will be carried out will be governed by conditions at the time.

Virginia Electric & Power Co. is an electric utility operating in most of Virginia and in parts of North Carolina and West Virginia. It also distributes natural gas in Norfolk and Newport News. Population of the territory served is estimated at 2,300,000.

With Johnson, Lane, Space

(Special to THE FINANCIAL CHRONICLE)

SAVANNAH, Ga. — Isaac M. Aiken, Jr. has become associated with Johnson, Lane, Space & Co., Inc., Bay & Drayton Streets. He was formerly with the Citizens and Southern National Bank.

Continued from page 4

We Must Have Both Prosperous Economy and National Security

and grief to many homes and involving heavy current expenditures for our government.

The public debt is now practically at the limit of $275 billion. In addition to inheriting a debt of enormous size, we also inherited a debt that had been badly managed, nearly three-quarters of which matures within less than five years or is redeemable at the holder's option with too large a proportion in the hands of banks rather than distributed to long-term investors.

Both of these conditions were deliberately planned by our predecessors and affect the supply of credit. They are inflationary. They have contributed to cheapening the value of the dollar which fell from 100 cents in 1939 to 52 cents at the present time.

Ironically enough, this same policy which produced inflation and devalued the dollar resulted in our paying so much more for what we bought that we now have much more total debt to pay than would otherwise have been the case.

Debt Limit Too Restrictive

The debt limit is a financial inheritance which gives us great concern. A law was passed to require the payment of the great bulk of corporation taxes in the first half of the calendar year. This disproportionately larger collection of taxes was used by the previous Administration to substantially reduce a budget deficit in one year.

This forced the practice of issuing tax anticipation bills in the fall when tax collections were low against expected receipts the following spring when corporate tax collections were high, and so automatically forces increased borrowing over at least a six-month period. This fixed inheritance has made the present debt limit too restrictive.

When this Administration came into office, it found about $81 billion of orders placed by the former Administration from one to three years previously for goods to be delivered this year, next year, and even the year after —all to be paid for when delivered, without providing any money for the payment.

This $81 billion-legacy without provision for its payment now creates a most burdensome factor in raising cash to pay the government's bills. These C. O. D. orders must, of course, be paid for in addition to all the current expenses of the government. They increase the problem of the debt limit as well as the difficulty of balancing the budget quickly.

A habit of extravagance in some government agencies is part of the burden of our financial inheritance. Some government agencies perform vital functions and are well run. Others have acquired habits of extravagance over the past 20 years of free and easy spending.

This Administration is determined to cut out careless spending. We are trying to develop more dollar-consciousness on the part of all government employees, both in and out of uniform. All our efforts in cutting out extravagance are based on the simple knowledge that every dollar the government spends comes not from some mysterious pool of wealth but from the toil and savings of American citizens who deserve and expect a full dollar's worth for every dollar taken from them to support their government.

Inheritance in Field of Taxation

Our inheritance in the field of taxation is a staggering one.

It is staggering because of its size, due to inherited obligations and the deficit financing of recent years.

In 17 of the 20 fiscal years from 1933 to 1952, the government operated with a deficit. Conversely, in only three of those 20 years did the government live within its income.

It is also staggering because of inequalities and deliberately restrictive provisions, which, in addition to the very size of the tax program, inhibit growth and incentive and deter initiative and development of a vigorous free economy.

In addition to and overshadowing all else was the grim conflict in Korea, taking the lives of American boys in a stalemate that had been dragging endlessly, hopelessly, but far from bloodlessly, on and on for nearly three long horrible years for almost every home in this land. The financial burden of Korea alone piling deficit on deficit, debt on debt, and tax on tax, built up commitments to continue for years to come.

Shooting and bloodshed in Korea are ended, at least for the time being, and the tension in the homes throughout America is lessened. In its place our every effort is at work to fashion a lasting, sound and equitable peace, and substitute reconstruction for destruction in that war-torn land. It is our fervent hope that out of it may come a permanent and constructive settlement.

These, then, were some of the financial inheritances which we found on the government's doorstep when we moved in last January. These were the burdens and the hard financial facts to which we fell heir.

Financial Policies Reshaped

We have reshaped the financial policies of the Federal Government to serve a single, simple purpose: To give the American people honest American money, the kind of dollar that buys a dollar's worth of goods. This has not been done by oratory nor has it been done by magic. It has only been done by tireless attention to detailed reduction of expense in every department of the government.

This action depends upon three things — sound budget policy, sound Federal Reserve System and sound debt management.

We have, in the first instance, reduced the prospective deficit for the current fiscal year from more than $11 billion to less than $4 billion.

We have freed the Federal Reserve System to use its power to provide a supply of credit that meets natural demand and avoids those excesses encouraging either inflation or deflation.

We have begun meeting the problem of debt management by offering the first marketable long-term loan since 1945; and we shall continue to extend the maturities of refinancing operations as relevant conditions permit. These measures are not the concern simply of government statisticians or titanic banking institutions.

They are vital to every individual and family in our nation. They mean bringing an end to the withering of the value of the dollar that, with slow deceit, cheats every family of the purchasing power of their income and even of clothes and food.

They mean protection for savings—savings for individual families and savings that mean jobs—jobs in factories, jobs in mills, jobs in mines and power plants that cannot be built without such savings.

They mean, by virtue of cheaper costs to state and local governments, new opportunities to build schools, the highways, the hospitals which are so vital a part of the strength of our whole nation.

This Administration is reducing taxes. Because we have reduced expenses and only because we have made these reductions in spending, the excess profits tax will expire on Dec. 31 and individual income taxes will go down an average of 10% at the same time. Let no one be deceived. No tax reduction whenever planned could be justified otherwise.

Additional tax reduction is desired by all and is essential to the continued growth of our economy.

The accomplishment of sound money will protect the savings, pensions and incomes of the old, while supplying the tools of production by stimulating investment creating new and better jobs but this nation, as the land of opportunity for the young — eager for work and ambitious to better themselves—cannot long endure as such under the restrictive taxes which we inherited.

Taxes can be further reduced only as expenditures are further reduced. And expenditures can be reduced only as consistent with maintaining a defense adequate to meet the dangers which confront us.

All these economic measures, finally, mean speeding the day when successive further reductions in taxes following one upon another as rapidly as reductions in spending are achieved can allow the consuming community to quicken its demands upon the productive machinery of all America. These quickened demands are the surest stimulants to an American prosperity producing goods for better living for all the people so that we need never more have to rely upon defense spending for good times.

More Private Enterprise

This Administration believes that the average American can do more for himself—if he is allowed to do so — than the government can do for him. Competitive enterprise, free initiative—the courage to take a chance—the opportunity to better oneself by effort —constructive work and invention—these have made America great.

It is the collective effort of 160 million Americans, each for himself striving to improve his lot, advance his children, and improve the position of each succeeding generation, that all taken together has been a power to create more things for more people, for higher and higher standards of living for all, than ever has been known in this world before.

Opportunity is the rightful heritage of our children. It must be protected and guarded and handed on.

I remind you again that all these measures have as a final, ruling purpose—not merely supplying all our material needs—but first, last and all the time they are essential for the very security of America. For America's surest defense against any enemy is the massive power and measureless potential of American mass production.

In perfecting this defense, several truths are self-evident.

These truths are:

First: A crippled American economy would serve the Communist dream of conquest as surely as any military disaster and would be an almost fatal blow to the stability and security of all free nations.

Second: The worth of our military defense program must be measured not simply by its cost but by its wisdom—for billions of dollars wastefully or unwisely spent, or production schedules frozen to produce obsolete weapons, would spell spectacular and fatal folly.

Third: The kind of economy needed to sustain our vast essential defense program demands a high level of employment and industrial activity.

Fourth: Such industrial employment and activity must be founded upon and can be encouraged and assured only by honest money, economical government, and sound money policy.

And — as a **final self-evident truth of our security**—we know that the economic issues we must meet do not end at our shores.

Our trade with the world—and the world's trade with us — are vital to the strength we all need if we are to stay free.

Powerful and productive as America is, we need markets for our farms and industries abroad. We need, no less urgently, essential raw materials from Asia and Africa and Europe.

If we, in our vast strength, are so dependent upon others — we can instantly see how others, less strong, must depend upon us, upon our trade and markets, for their own economic health and welfare.

And this truth we have learned and dare never forget: Our freedom cannot survive in a vacuum; we need allies and friends—and the menace to freedom for them can be a threat to any industry, any farm, any home, any family in America.

This is nothing less than the plainest record of history.

I have spoken of peace, and I have spoken of security.

Clearly implicit in all I have said is our concept and understanding of leadership.

As America is called, to be worthy of the cause of freedom, so we—this Party and this government—are called to be worthy of America.

We must be steadfast.

We can never pretend to solve a problem with a slogan. We can never sell principle for political expediency. We must always care less for our performance on television than our performance in office.

We must be truthful, and true to our ideals.

We have no reason to fear or evade criticism. We must prove ourselves too honest and too intelligent to be above accepting criticism or correction.

And we must be confident.

We cannot be feeble or faltering in what we believe. For we believe ultimately in the boundless courage and industry and ingenuity of the free American—as a resource unmatched in this world. We believe in his capacity not only to dream a good dream —but to wake, to work, and to bring that dream to true life. Confident, truthful, steadfast: These are the marks of the leadership we must offer.

Only such leadership can create lasting security for America.

Only such security can make the peace we seek not a prayer but a fact. Serving so just a cause in such a spirit, now—as in that time a century ago—we cannot fail, we must succeed.

Tax and Wage Relief, Not Government Credits, Held Best Aid to Small Business

Latest issue of "Guaranty Survey," monthly publication of Guaranty Trust Company of New York, holds private credit agencies as capable in extending credits to small business, and lays complaint that credit facilities to small business are inadequate to poor credit risks of "would be proprietors."

Tax relief and labor relief would be more helpful to small business than all the credit the government could create, concluded "The Guaranty Survey" in its editorial, "What Does Small Business Really Need?" which features the December issue. The editorial comments upon the role of the new Small Business Administration.

"The SBA based its original policy on the view that the problems of small business are primarily managerial, not financial. This view conforms with experience. Every credit man knows that the business world is full of would-be borrowers who seek more credit as a solution to their problems when their real difficulties lie elsewhere. As head of the RFC, Jesse H. Jones found that the great majority of requests for credit came from applicants with no record of successful business experience and little prospect of earnings.

"The professional credit man or investor is in a favorable position to perform this (lending) function because of his long experience and strong incentives to succeed," comments "The Guaranty Survey." "He is risking his own or his depositors' money. The penalty of failure falls upon himself or upon those to whom he feels a strong sense of direct personal obligation. He cannot afford to fail.

"When the government enters the credit field, a different situation exists. The incentive to choose rightly between the sound and unsound is largely missing. If the choice is wrong, the direct loser on the lending side is the taxpayer, a vague entity with whom the bureaucratic agency official has no personal relationship and toward whom he has no personal feeting.

"The perennial complaint that small business cannot find adequate credit facilities is a reflection of the obvious fact that there are more would-be proprietors than there is room for, and hence that many poor credit risks are not destined to survive. Despite this fact, and despite the complants of lack of credit, it is fortunate that small business as a whole continues to give a good account of itself."

Available evidence does not support the contention that present credit facilities for small business are inadequate, declared the bank publication. "Three years ago the American Bankers Association made a survey which showed that a representative sample of 3,200 large and small banks —about one out of every five in the country—had more than 5,-500,000 loans outstanding, with an average amount of less than $2,500 per loan. Shortly thereafter the National Association of Manufacturers circulated a questionnaire which revealed that the greatest need of small business from government was not for credit but for tax relief. About 37% said that the government could help by revising the tax laws so as to lighten the burden on small business and encourage the flow of funds into small enterprises. Nearly 23% wished nothing except to be left free from governmental interference. About 22% thought the government should improve its own financial and administrative operations and amend the labor laws. Only about 9% thought that the government should facilitate loans to business. Only 7% reported that they had failed to obtain needed funds during the decade 1939-49.

"The two great burdens on small business which it is in the government's power to lighten are the tax burden and the labor burden. In particular, it should be made less difficult for small firms to improve their financial position and expand their operations by plowing back earnings. The labor laws need to be revised with a view to protecting small enterprises against the demands of labor organizations which, with governmental aid and protection, have become so much larger and more powerful than the enterprises themselves that they sometimes hold the latter at their mercy."

Brocar Heads Dept. For J. J. B. Hilliard

LOUISVILLE, Ky. — J. J. B. Hilliard & Son 419 West Jefferson Street, announces the appointment, effective Dec. 1, 1953, of Albert C. Brocar, Jr. as Manager of their municipal bond department. He succeeds Marion H. Cardwell, Hilliard partner, who developed the department and has supervised it actively since 1925. Mr. Cardwell, as one of the four partners of the firm, will continue to have a direct interest in municipal and Corporate underwriting activities.

Albert C. Brocar, Jr.

Mr. Brocar (Al to his associates) has been with Hilliard's since May, 1929, and has been active in municipal bond work since January, 1937. Well known in local financial circles as being "Municipal man," he has had wide experience in the development, setting up and selling of all types of municipal obligations — water revenue, electric revenue, school revenue or general obligations. He has likewise had a wide experience in over-the-counter trading, having actively operated this department at Hilliard's in the 1937-51 period and having had supervision of the activities of this department since that time. In addition to heading the municipal department, he will continue supervision of trading and the handling of his many customers in all types of investment business.

He is Vice - President of the Bond Club of Louisville.

G. H. Walker Co. Adds J. S. Johnston

G. H. Walker & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announce that James S. Johnston has become associated with the firm in its institutional department. He was formerly in the institutional sales department of Tucker, Anthony & Co.

E. E. Charleston With J. Barth & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Ernest E. Charleston has become associated with J. Barth & Co., 404 Montgomery Street, members of the San Francisco and New York Stock Exchanges. Mr. Charleston was formerly a partner in Davies & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market has gone along with the refunding operation in the expected way, with investors showing their confidence in the policies of the monetary authorities by taking a good bundle of the longer maturity which was offered to the holders of the 2⅛% notes. It is believed that there will not be any really important change in the current tone of the government market for the balance of the year. There will most likely be the usual backing and filling with a good demand keeping prices pretty much within the limits that have been prevailing.

Switches, not only for tax purposes but also for the purpose of moving out maturities, continue to supply considerable volume to the market. There will no doubt be a great deal more of these operations as we move into the year end.

The short and intermediate-term issues have been in good demand with the most distant maturities also getting increased attention from institutional investors who are showing more of an inclination now to go long.

Refunding Details Reflect Investor Confidence

The refunding of the December 2⅛s into the 1⅞s due Dec. 15, 1954 and the 2½s due Dec. 15, 1958 was a very successful deal, with only about $122,000,000 in the matured debt being paid off in cash. To be sure, the largest owner of the Dec. 1 maturity, the Central Banks, turned in all of their notes for the 1⅞s due Dec. 15, 1954 which helped very much to make the big refunding operation such an auspicious one.

However, the other holders of the 2⅛s turned in 96% of their obligations for the new securities that were being offered, with approximately $1,750,000,000 of the $2,930,000,000 that were exchanged going into the 2½s due Dec. 15, 1958. The balance of $1,180,000,000 took the 1⅞s due Dec. 15, 1954. The $1,750,000,000 that were converted into the 2½s due Dec. 15, 1958, was an extension in maturity over the maturing 2⅛% notes. This was a continuation of the policy of the Administration to push out maturities whenever it is possible to do so.

The fact that the private owners of the December 2⅛s exchanged 60% of their securities for the longer maturity seems to indicate a growing confidence in the money market with low interest rates being likely for some time to come. The extension of maturities usually takes place when the liquidity preference is on the wane. Easy money conditions is one of the factors that helps to dispel the belief that short-term maturities are the only securities that should be bought.

Lower Rate on CCC Certificates

The impending sale of $600,000,000 of Commodity Credit Corporation (crop loans), "certificates of interest" with a rate of 2¼% compares with the original offering of $360,000,000 of these same "certificates of interest" with a rate of 2½%. The money obtained through the sale of this paper to the banks mainly will provide the Treasury with funds that can be used to meet the deficit. The lower rate of 2¼% appears to be in line with the improvement which has taken place in the money market since the original offering was made of the "certificates of interest" of the Commodity Credit Corporation.

It is believed that the money markets will be kept in good condition so that these "certificates of interest" will be absorbed in the way in which they should be and that this offering will not have any appreciable effect upon the government security market as a whole.

Continued Credit Ease Expected

This is the time of the year when credit tightens and while some firming in rates has been reported here and there it is the opinion of many money market specialists that the powers that be will see to it that the money market will be kept on an even keel which means easy money conditions. The recent refunding operation has brought into existence new securities which have to be absorbed and put into strong hands, especially the 2½s, due Dec. 15, 1958, and this will not be accomplished unless the money market is kept on the easy side like it has been. Maturities are not extended when rates are firming and going higher but only when there is ease in the money markets and with prospects indicating that this trend will continue.

If there should be a noticeable firming in interest rates now right after the refunding and with a substantial amount of the 2⅛s being swopped for the 2½s due Dec. 15, 1958, it would not have a good effect upon the government security market. Those owners of the December 2⅛s that went out into the 2½s of Dec. 15, 1958, would not be too happy about things and would most likely take only short-term issues in future refundings. In addition, there would be many others that would return to the liquidity preference idea and this would make the extending of maturities by the Treasury very difficult, if not almost impossible.

There appears to be considerable talk about the future course of the prime bank rate and what might happen to excess reserve requirements. It is the opinion of most money market specialists that it will be sometime after the turn of the new year before there will be any developments of importance in these two items.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

With less than one month remaining in the current calendar year, interest is mounting in the earnings to be realized by the major fire and casualty insurance companies. Expectations are that institutions writing primarily fire lines will show lower underwriting earnings while casualty companies will report large gains. For the large multiple line groups, consolidated underwriting results should be close to those of last year.

In the insurance field it is generally not advisable to project or estimate operating results ahead. A single storm, fire or other catastrophe can turn an otherwise profitable period into one showing a large loss. This was the experience in 1950 when the November storm piled up losses running into the hundreds of millions of dollars, the total amount of the disaster not being determined for more than six months.

After all it must be remembered that fire and casualty underwriting is a business with a large element of risk, and the extent of losses or their incidence with respect to particular companies for a particular period is subject to rather sharp changes.

Thus while interim operating results of particular companies should not necessarily be taken as indicative of final earnings, they do show the trends in operation and provide some evidence of what the final results may be under existing conditions barring major catastrophes.

With these reservations in mind it is interesting to review two of the underwriting reports which have recently been issued covering the results for the first nine months of the current period.

	Nine Months to September 30th			
	Glens Falls Insurance		Pacific Indemnity	
	1953	1952	1953	1952
	$	$	$	$
Premiums Written	55,917,481	51,175,420	21,364,365	20,892,630
Premiums Earned	52,173,294	46,331,156	20,479,352	20,627,417
Losses Incurred	25,465,844	22,962,451	11,575,196	14,194,732
Underwriting Exp.	22,007,932	20,569,214	7,282,861	7,036,072
Underwriting Gain	4,699,518	2,799,491	1,621,295	*603,387

*Loss

Comparisons of the two companies should make allowance for the differences in underwriting lines. Glens Falls writes a diversified line of insurance with the largest single line—fire—accounting for 23.5% of premium volume last year. Pacific Indemnity on the other hand has only a fraction of its business in straight fire insurance. The main business is in the automobile lines of liability, physical damage and property damage.

In the past two years, the automobile lines have been very unprofitable. This year, however, a better loss experience and balance of rates have enabled companies in this field to show an improved underwriting experience. As a result the losses of earlier periods have been converted to underwriting gains.

Glens Falls representing to some extent a cross section of the fire and casualty field has been able to show a greater stability of underwriting. Fire lines, however, do not account for as great a percentage of premium volume in the case of Glens Falls as in some of the other groups. This is believed to account, at least in part, for the favorable showing made by the company in the first nine months. In other words, with companies having a greater percentage of straight fire lines, it is doubtful that the underwriting experience would be so favorable.

On the basis of these trends, current indications of underwriting results and barring a major storm or fire, we would expect generally favorable underwriting earnings for the current year with companies in the casualty group showing substantial improvement over those of 1952.

Blyth Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — William C. Varney has been added to the staff of Blyth & Co., Inc., 215 West Sixth Street.

With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Richard C. Huber has become affiliated with E. F. Hutton & Company, 623 South Spring Street. He was previously with William R. Staats & Co.

Continued from first page

Shape of Economic Things to Come

might tumble us into a slump. Under the circumstances it is not surprising that there is a good deal of disagreement among business observers as to the outlook.

It is, however, important that allowance be made in any appraisal of the outlook for the fact that in the past 12 months we have witnessed several deeply significant and highly favorable developments.

First, of course, is the evidence of serious weakness behind the Iron Curtain. Communism is supposed to be a depression-proof Utopia. But the area within the Communist orbit is in the midst of an economic depression, a political upheaval and a social revolution which pushes the danger of all-out war still further into the future and brings much closer the time when the defense drain on our economy can be reduced.

Second is the businesslike and statesmanlike efforts of our new Administration to carve out a new economic program providing for the substitution of confidence for inflation as the chief stimulative factor in our economy, the preparation of a new anti-depression program depending on the stimuli of tax reduction and sound money instead of just "full employment through full inflation," and a new dedication of our government to the creation of a climate for free enterprise which will insure the full use of our new technology in expanding our productivity and our production.

Third is the resurgence of conservatism in many countries. Several countries have thrown off their radical or labor governments. A number of others have reduced taxes, abandoned the straitjacket controls so dear to Socialism and moved firmly in the direction of sound money.

Fourth, a sort of rolling readjustment has removed some potentially dangerous sources of imbalance without a general contraction in business volume. The money markets have shaken off the artificialities of the long period of arbitrarily enforced cheap money. Agricultural prices have declined in the face of increasing supplies. The post-Korean inflation in a number of the individual commodity prices has been eliminated. In several industries retrenchment has been the order of the day.

Fifth, the nation has in the past year made a most impressive exhibition of economic power. Our business has produced and sold more goods—in dollar as well as in physical terms—to civilian consumers than ever before. It has lifted its productive efficiency to still another new high. It has put in place more new capacity than in any 12 months' period in the nation's history. It has produced a vast quantity of goods for foreign aid. It has produced more military weapons by far than in any prior peacetime year. And it is of the highest significance that in doing all of these things simultaneously our economy has made a truly spectacular record of productive accomplishment.

These are very favorable developments. But we know from experience that there is an ever-present danger of a setback after the longest and in some respects the most pronounced boom in our history. No matter how strong the situation may seem to be, no matter how many distinguished citizens hasten to reassure us that all is well with not a cloud in the sky, no matter how determined our government is to prevent a slump, it is just good common sense to take nothing for granted and to consider what could happen if history were to repeat itself.

Under the circumstances prudence dictates that everyone—individuals, business, associations and the government—do a bit of post-boom planning. Future events may, to be sure, make such planning unnecessary. If enough of us did a very realistic job of post-boom planning it might spare the nation from any setback at all. In any event, such planning might enable us to avoid having to run for the storm cellar if the economic weather were to turn against us and, furthermore show us how we can productively use any setback in business to step up the development of new markets, to increase investment in more efficient equipment, to develop new capacity and to strengthen our organizations.

But whatever concern one may feel with respect to the short-term outlook, there is no reason to doubt that the long-range future of the U. S. is to be one of really spectacular expansion and progress. Statistical support for an unqualifiedly optimistic view of our long-range future is provided in two charts to which I should like to draw your attention.

Background for Tomorrow

The first chart, "Background for Tomorrow," pictures the salient economic facts concerning our economy through the period since 1799, which a am sure you will forgive me for pointing out was the year when the bank of the Manhattan Company first opened its doors for business. This chart shows that ours has been an economy of booms and busts. We have experienced alternating periods of prosperity and depression with quite a large number of speculative booms always followed by big depressions, an assortment of financial panics and quite a large number of "little" booms and "little" depressions. Ours has been an economy of instability—rugged and merciless to those who are weak or have become overextended.

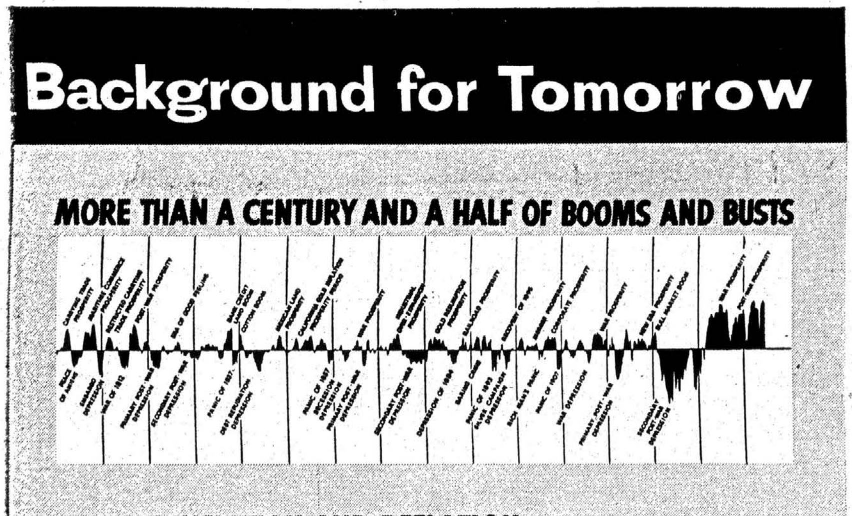
Furthermore, our economy has, as the middle section of the chart shows, been marked by a number of minor and a few spectacular inflations always followed in the past by drastic and discouraging deflations. Price stability has not been our lot.

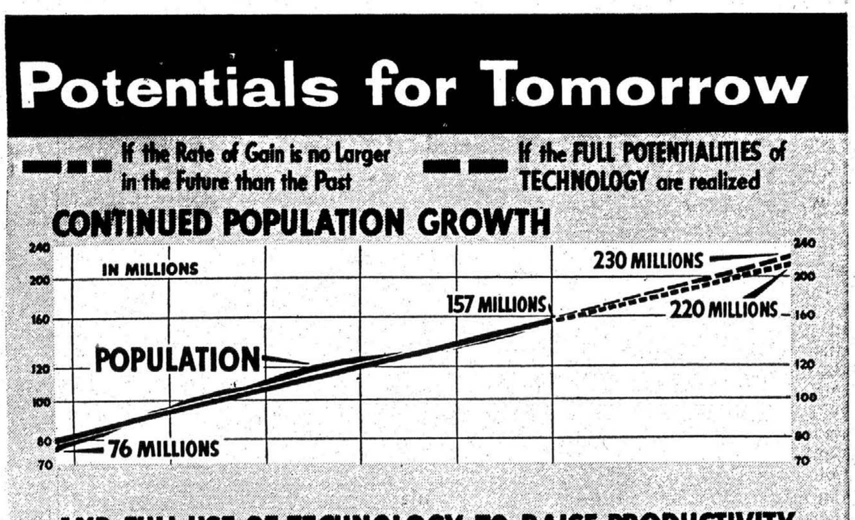
But the overwhelmingly important fact is that, despite the booms and busts, the inflations and deflations, our economy has rolled up for the period as a whole a splendid record of progress and achievement. It has produced more goods and services and provided a more rapid rise in our standard of living than has been the case in any other country in the world. Despite the instability and fluctuations from month to month and year to year ours has been a land of opportunity for the courageous, the farsighted and the well-managed businesses of the country.

Potentials for Tomorrow

The other chart, "Potentials for Tomorrow," describes, roughly, the statistical objectives which it should be our constant concern to realize. It shows the upward sweep during the past 50 years in our population, in our production per capita and in our total production. Here we see how, despite depressions, inflations, political changes and wars we have benefited from the leverage of rising population and increasing productivity.

Trends have been drawn through the record of the past and have been extended through the next quarter century. Such trend projections show that if our growth in population and our progress in increasing productivity were to be no more rapid in the future than has been the case in the past our population in 1977





would be 220 millions, our production per capita would rise from $2,100 per capita to $2,900, and the value of total production would show a rise from $346 billion in 1952 to around $625 billion in 1977. These gains are impressive but it must be emphasized that the trend projections assume that our rate of progress and growth will be no greater in the future than it has been in the past.

I am convinced, on the other hand, that the expansion of technological research into a predictably productive process calls for the lifting of our sights far above the projections based merely on the trends of the past. The most important fact of our economic life today is that we are in the midst of a technological revolution capable of causing a sharp and substantial break upward from the rates of progress recorded heretofore.

If the population projections were to make full allowance not only for the progress already made in the reduction of infant mortality and the lengthening in the span of life but also for the ultimate effects of widespread application of recent and prospective advances in medical techniques, the gains recorded in population would be considerably larger than those obtained by a simple extension of the long-term trends of the past.

It is, however, in the area of productivity that really spectacular progress can be realized. The gains registered in production per capita could easily turn out to be impressively larger in the future than they have been in the past because of improved medical technology, which should reduce the number of days lost because of illness and because full use of the improvements now clearly in view in agricultural, industrial and metallurgical technology are capable of raising the rate of increase in the output per capita substantially.

We have incubating in our laboratories, which are now so liberally financed by business and government and so well staffed with the best trained and the most practically imaginative scientists in the world, a host of new industries and an incredibly long list of new ways of producing more cheaply so that costs can be reduced and our markets can be widened. We are but at the beginning of a new age of technological miracles and I am convinced after 25 years of study of these matters that the really great phase of the technological revolution lies ahead of—not behind—us. Therefore, my personal estimate—shown in the upper broken lines of the chart—of the potentials for 1977 is that we could easily have a population of 230 millions, producing goods and services valued in 1952 dollars of $3,300 per capita so that the total value of the nation's production would, again in 1952 dollars, be more than three-quarters of a trillion dollars.

These charts raise three important questions:

(1) Why should so many of our people have such a psychopathic fear of depression when in the past 153 years we have had so many of them and yet made such great progress?

(2) Why should so many people demand that the government twist and contort all of its policies to the prevention of even the slightest recession in business when the far more important objective should be to create a climate which will insure a rapid and substantial growth of the economy over the years and decades ahead? or

(3) Why, with the technological potential so impressively high should we take the slightest risk of economic stagnation in an attempt to attain economic stability?

Economic Prerequisites for Accelerated Growth

With such potentialities for spectacularly rapid growth and expansion it is encouraging in the extreme that our new Administration is now charting a wholly new blueprint for a depression-proof and **rapidly expanding economy** likely to involve the following:

(1) The return to reassuringly sound money, reduced government expenditures and firmly balanced budgets, which are conducive not only to economic stability but to rapid growth.

(2) The abandonment of the notion popular for so long that the way to prevent depressions is to increase government expenditures lavishly and the adoption of a program providing for the application of the most powerful stimulant in our arsenal of anti-depression techniques, namely, tax reduction, which will increase the spending power of the people and of business far more effectively and safely than is possible through a dangerous dose of deficiteering.

(3) The abandonment of these government controls and interventions which are onerous to enterprise and prevent the price system from acting as a stabilizing agent; and

(4) The insistence that all segments of our economy — labor, agriculture, business and finance —adopt policies, which by fostering investment and increasing efficiency will insure that the nation's rate of future growth will be nothing less than the maximum which technology will support.

The present situation is so beclouded with short-term uncertainty and so full of long-term strengths as to make it unwise to indulge in what has now become a favorite indoor sport—namely, predicting whether this or that index of business activity will rise or decline by some precise percentage in such and such a period. Rather the situation calls for the preparation of a list of general, rather than specific, guides for business planning, which will provide an appropriate frame-work within which we can set policies which will help us to avoid the pitfalls and to take advantage of the opportunities in the turbulent and uncertain times ahead.

Guideposts for Business Planning

I am convinced that we will do well to base our planning, programming and budgeting on the following general assumptions:

(1) While we do not have a depression-proof economy, there is no reason to assume that there is any prospect whatsoever that we could experience "another 1929." After a long inflationary boom no government, however well-intentioned, can provide assurance that any company is depression-proof. History, economic theory, common sense and the facts of our economic life all argue persuasively that it simply cannot be done. Nevertheless, our new Administration is preparing its defenses against depression so carefully and it is reorganizing government economic policies so skillfully as to justify confidence that we will, in fact, be able to prevent any economic readjustment from deteriorating into a long and disastrous major depression.

(2) "Little" depressions result from the need for a pause in purchasing and/or a pause in capital expenditures to offset overexpansion of business or consumers' inventories and to permit the country to grow up to overexpanded production capacity and residential facilities. Such depressions never are very long or deep. "Big" depressions are, on the other hand, primarily financial in origin. They come when debts are so high, financial positions so extended and financial institutions so exposed that a "little" corrective depression is converted into a deflationary struggle for liquidity. That is why the recent rise in debt is a matter for concen. Nevertheless, the financial position of most borrowers and lenders is so much stronger today than it has been just prior to the "big" depressions of the past as to justify confidence that if a corrective depression were to come it need not degenerate into a deflationary bust.

(3) With our defense program as large as it is, the short-term fluctuations in our economy may well be determined primarily by international developments and their effect on government expenditures. Another serious war scare could be temporarily inflationary. A greatly improved international situation would in all probability be deflationary from the short-range point of view. However, our long-range outlook clearly is for a period of great growth and expansion no matter what happens in the international sphere.

(4) The overwhelmingly important fact is that the United States is still a growth country with many important new industries and several large areas sure to expand at a spectacularly rapid rate for many years ahead. And with population rising sharply and productivity spurting upward as a result of technological progress, the long-term trend in production can easily be more sharply upward in the future than it has been in the past. It is, therefore, of the greatest importance that the No. 1 plank in the Administration's anti-depression platform will be to create an environment in which the growth potential in our dynamic economy will over the long range be fully realized.

(5) Our business would be much more prosperous and our people would have a much higher standard of living with government expenditures—and, therefore, taxes—at $30 or even $20 billion per annum than would be the case if government expenditures remained in the vicinity of $75 billion. Some readjustments would be inevitable during the process of deflating the government's role in the economy but in the long run the effect could not help but be highly stimulative.

(6) The basic strengths in our economy are private rather than governmental in origin. Our banks are strong not so much because of government insurance of deposits as because of the quality of bank assets and the soundness of bank management. Our industry is strong not because the government is such a good customer but because of the capacity, character and conservatism of business management and the demonstrated ability of private business to develop new markets for new goods with ever increasing efficiency.

(7) Our greatest resources are initiative, know-how and business system which provides the inducement of profits and the compulsion of competition to make full use of our potentialities for increasing the standard of living of the people. With such resources there need be no fear that shortages of anything physical can impair our progress or that any corrective depression will more than temporarily interrupt the long sweep of our economic expansion.

Salomon Bros. Hutzler To Admit Stevenson

John Stevenson will be admitted to partnership in Salomon Bros. & Hutzler, 60 Wall Street, New York City, members of the New York Stock Exchange, on January 1.

NYSE Installment Stk. Buying Plan Announced

Keith Funston, President of the New York Stock Exchange, explains nature and operation of the plan designed to make it easy for purchase of stocks by means of small but regular cash payments.

It was announced on Dec. 2, by Keith Funston, President of the New York Stock Exchange, that a new Monthly Investment Plan for buying common stocks would be available for public use on Monday, Jan. 25.

G. Keith Funston

The Plan, Mr. Funston explained, is designed to make it easy for people to buy securities by small but regular cash payments. Under terms of the Plan, as little as $40 may be invested every three months or up to $1,000 every month.

Mr. Funston said the Plan had been perfected by the two leading odd-lot dealers, Carlisle & Jacquelin and De Coppet & Doremus, in cooperation with member firm doing a commission business and with the Exchange itself. The Exchange, he added, has functioned largely as a clearing house for ideas and information.

"Basically, the Plan is an extension of the idea which has enabled millions of Americans in the medium and low income groups to pay out of income for their homes, automobiles and major appliances," Mr. Funston said.

"The Monthly Investment Plan does not involve the use of credit," he continued. "The Plan does, however, allow the person of moderate means to buy a share of industry by small periodic payments."

This new method of investing Mr. Funston points out, will be made available to the public through member firms of the Exchange; it will not be sponsored by the Exchange itself.

The only charge will be the regular commission charged by member firms. This amounts to 6% of the money involved if the periodic investment is under $100. If above $100, the commission is $3 plus 1% of the investment, but not less than $6 per single purchase.

The Plan is non-contractual—that is, the buyer signifies his or her intention to invest a certain amount of money for a certain period but there is no penalty if the plan is abandoned.

To illustrate:

Mr. Jones decides to invest $40 a month in a stock selling at $29⅞ a share. His first month's order is executed on the Exchange at the odd-lot price of $30.

After provision of $2.26 for the 6% commission on the investment of the $37.74 balance, he immediately becomes the owner of one full share and $7.74 worth of a second share — a total of 1.258 shares. The following month (assuming the price has not changed) he will own two full shares (costing $60) plus $15.48 worth of a third share — a total of 2.516 shares.

If the price of his stock goes down, he will be able to buy more shares; if it goes up, he will buy fewer.

In the event Mr. Jones selected a one-year plan—although he could have chosen any period from one to five years—a certificate would be sent to him at the end of that period, registered in his name on the books of the company, for his total holdings of full shares.

Mr. Jones could have asked his broker to invest all dividends received as his shares accumulated, or to have such dividends mailed to his directly.

If, at any time Mr. Jones wishes to terminate the plan and his holdings included a fractional share, he could direct his broker to sell it for cash or he could buy the additional fraction needed to make a full share.

Mr. Jones may also direct his broker to sell out his holdings at any time and at no charge except for the customary New York Stock Exchange commission.

If Mr. Jones is forced to suspend his monthly payments for two or three months, his broker merely temporarily suspends his purchases. There is no penalty charge.

The Plan, Mr. Funston states, may be financed by payroll deductions by special arrangements with individual employers.

Bache & Co. Sponsors Financial Newscasts

Bache & Co., 36 Wall Street, New York City, during the current Newspaper strike has arranged in cooperation with Station WOR to provide a complete financial report three times daily providing a market synopsis and a representative list of New York Stock Exchange quotations.

D. E. Arries Forming Own Firm in Tampa

Don E. Arries

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Don E. Arries is resuming his own investment business from offices at 415 Tampa Street under the firm name of D. E. Arries & Co. He has been in the investment business in Florida for many years.

Chicago Investm't Analysts To Hear December 10

CHICAGO, Ill. — William A. Hanway, Secretary of International Paper Co. will address the luncheon meeting of the Investment Analysts Society of Chicago on Dec. 10 at the Georgia Room of Carson Pirie Scott & Co. He will speak on the paper industry and on International Paper Co.

On Jan. 7 Harold Dorsy, President of Argus Research Corp., will speak on "Pitfalls for the Security Analyst."

Harold A. Pearson Joins Lloyd Arnold & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Harold A. Pearson has become associated with Lloyd Arnold & Co., 404 North Camden Drive.

Joins Leo Schoenbrun

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert Eisenstadt is with Leo Schoenbrun, 1385 Westwood Boulevard.

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Future of Color Television

would keep running for the hour and a half.

That will give you an idea of where color television was five weeks ago. Zenith is producing 100 color television receivers of this same size—to have for showing in January. We have already determined that they are fine sets —if you are satisfied with that sized picture. They are costing us in prime labor and material, approximately $2,000 each. What the cost will be when we get into quantity production is anybody's guess.

As an example of why we may expect color to come slowly, let me tell you something about the complications in the manufacture of the color tube itself. At Zenith's Rauland tube plant, which has been one of the pioneers in building a color tube, the problem becomes instantly apparent. A black and white tube is complicated enough, heaven knows, but with color our manufacturing problem is increased by a minmium of 200% at the outset.

Essentially, a color tube is not a single unit, but a composite of three tubes in one container. To a lay mind, it's something in the nature of a glass-faced funnel with three spouts and a strainer. I know that our technical men would be horrified at that illustration, but I think the picture is a reasonable translation into something familiar.

From the spouts of the funnel stream three beams of electrons, hurrying to the face of the tube and giving resolution to the picture. But in order to produce color, we must be sure that each beam in turn strikes a particular kind of color element. Hence we interpose a screen. It is a device called a face plate, and it is arranged in the path of the electrons with great precision so that there may be no overlapping of the beams.

Now, if you are still with me, imagine that this screen is perforated with 600,000 minute holes. In front of each hole and in perfect register with it, there is a single color dot—a phosphor that glows in a particular shade whenever the electron beam passes that particular hole in the plate. This is a very dramatic achievement, straight out of the laboratory's never-never land. To me, it is an endless source of amazement that the thing can be done at all.

I have said nothing about how the 600,000 phosphor dots get into place. There are green phosphors —red phosphors—blue phosphors —each set in perfect alignment with the holes in the face plate— each set not overlapping the next. Now—if you had to do it yourself, how would you go about putting those thousands of minute dots in place?

The present method employs a complex printing process in which the register requirements are so exacting that it makes ordinary four-color process printing methods look like finger painting. Time may prove that there are simpler methods of accomplishing the final result, but for the present please accept my word that it is a very slow, very precise, and very exacting process.

The point I have been leading up to is this: we are on the verge of a very great development in the television art. But at the moment, there is no known way in which the development can be brought to pass by tomorrow morning. There is always the possibility that some new technological development will simplify this whole process. But I am morally certain that color television for the *mass* market is—at least two years away—likely more.

I would not have you misunderstand me at this point nor misinterpret the intentions of Zenith in this field. Along with other leaders, we will have color sets on the market by next mid-year and possibly sooner. However, these color instruments will be quite different from what we consider to be a normal production model in a black and white set. It is inevitable that these first sets will be largely hand made and that they will be limited in number. It is an inescapable fact that they will be very high in price.

The Demand for Larger Images

There is an additional consideration that is bound to have its effect in slowing up the spread of color. With the rapidly passing years in black and white, one fact has emerged about public preference. The public has demanded larger and larger images from its television sets.

It seems only yesterday that viewers were forced into the expedient of arranging lenses of one sort or another so that the television image could be made visible. You will recall that many of those tiny picture tubes were equipped by their owners with a combination metal rack and oil filled basketball. Immediately in front, families huddled together in the dark at the considerable risk of eyesight failure, and watched fascinated when Tom Mix rode through the uncertain shadows of a film 25 years old.

Inevitably, the public demanded larger pictures in loud tones. The trend upward was rapid—from sevens and tens, to 12, and to 16. Then came the great forward step brought by the rectangular tube and further expansion in picture size—to the point where minimum standards have, momentarily at least, settled on 21 and 24 inch screens.

Now consider the color tube. The 1954 standard as I indicated is a circular tube 15 inches in diameter. The picture on that tube will be a rectangle 11½ inches wide. So, to a certain extent, this represents a reversal in the trend toward larger and larger pictures. Naturally, the novelty of color may, for a time at least, offset the desire for the larger screen. But my frank opinion is that the mass of the viewing public will be not wholly satisfied with the smaller pictures. Unfortunately, it may be some time before technological advance makes larger screens possible.

Let us consider costs, for a moment. I have indicated that the first models will be very costly. Scarcity, actually, will have very little to do with the retail pricing of these sets. The price will be determined almost solely on the basis of the great expense necessary to produce the instrument. We have first the cost of a very complex tube, and then there will be the cost of a very complex chassis. Around it we will have placed a special cabinet. Due to the need for added space inside the box, none of our standard monochrome cabinets can be modified to fit. Much of this initial operation will have to be costly hand work. Our estimate right now is that a color set will retail at something like $800 or $1,000— surely not a mass-market price. Incidentally, other leaders of the industry are in general agreement with this estimate.

So, as you see, color television will be a luxury item, not only for the set purchaser, but also for the sponsor for a long time. It is, therefore, an inescapable fact that there will be a combination of color and black and white broadcasting service running far into the future. Even with the arrival of color, there will be plenty of black and white programs to view, and a black and white broadcast confers no special privilege on the owner of a color receiver. Moreover, every color program broadcast can be received perfectly in black and white on the 27 million black and white receivers now in the hands of the public.

What now of the man who is hesitant about the purchase of a black and white receiver because he wants color? All I can say is that if his financial position is average, he will deprive himself of a vast amount of entertainment and knowledge. He will be deprived of the good, clear, large-size pictures that black and white provides at reasonable cost. And in final analysis, he may find that black and white will be the perfect fulfillment of all his television needs.

Some of you may wonder at the reasonableness of that latter statement. I would call to mind the fact that after 20 years of Technicolor, 70% of motion pictures are still filmed in black and white. I would remind you that in spite of the availability of color films on the still camera market, black and white pictures comprise the bulk.

I look forward to a great and growing business in color, to the greater pleasure of the public, but I believe it will come in an orderly manner without penalizing the present and future owners of black and white receivers.

I am perhaps more concerned with the mounting costs of television time and production, and you, as the representatives of advertisers, must share that concern as well. Now, to this already onerous cost we are about to add the higher costs of color. We have mounted Rainier on Shasta, and are now about to place both on top of Pike's Peak.

Technology Has Advanced Beyond the Economics of TV

The rapid growth of television reflects great credit on the vitality of American enterprise, but as yet the economics of the medium have not caught up with its technology. I firmly believe that to insure its full future promise, television needs to set its economic house in order. I believe that it must broaden its financial base to encompass subscription income. It needs this income to fulfill its potentiality for public service, because it seems plain to me that the time is not far off when advertisers can no longer afford to carry the entire burden.

The signs of economic trouble are already very apparent in the station field, as witness the recent report of Richard P. Doherty, NARTB Vice-President. He says that during 1954, at least 30% of New TV stations will be operating in the red ink. Further, he reports that in some of the existing two station markets there is now a very slim profit margin; other markets which have a potential for two good, profitable stations are in the process of getting three or four stations.

Now—if television is to realize its potential as a truly national service — if it is to serve the small community as well as the metropolis — then it must have a sound financial base upon which to grow.

From an advertiser's standpoint the ability to choose outlets in all parts of the nation is especially vital. But most importantly, the cost of such a national advertising vehicle must be kept at a level where it can be used effectively by the sponsors.

There is no doubt in my mind that subscription television can be the economic device whereby the telecasting industry can reach its economic maturity.

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Need Flexible Monetary Policy!

and consistent with non-monetary measures that may be taken. Finally it is necessary to decide how much Federal Reserve action of any particular type is needed to yield the desired net influence. The chain from action to influence is indirect and heavily dependent upon unpredictable psychological factors. Thus the accord, while a long step forward in the recognition of important objectives, opened up hard problems of monetary management.

Similarly the accord opened up new and important problems of debt management. So long as the Federal Reserve stood by to support the price of government bonds the Treasury had an assured market at a known rate of interest. But without this support both the Treasury and holders of government securities faced uncertainty. Moreover once support was withdrawn and prices became uncertain, the difference between a long-term security and a short-term security became greater and the effects of the decision to issue one rather than the other became more serious.

The immediate effect of the accord policy and the dropping of the peg on government securities was an increase of interest rates, as had been expected. For a time holders of government securities who wanted to sell couldn't find buyers. The effect of the drop in government bonds was serious. Insurance companies and other lending institutions facing losses on these bonds were compelled to reexamine their lending policies. The practical effects of this change in direction were felt throughout the economy. However, the shock was not serious and was soon passed over. In part this was due to the fact that the Federal Reserve cushioned the decline and that dealers and investors cooperated in avoiding speculative selling of securities. Also the transition from rigid support of the government bond market to a flexible policy came at a propitious time. The initial surge of post-Korean inflation had just begun to abate. Consumers were saving more and businesses were less anxious to build up inventories. The pressure toward higher interest rates was receding.

After their initial increase in the Spring of 1951 interest rates declined, although not back to the support levels, and then began a rise that continued at a very gradual rate until the end of 1952. Price controls were still in effect, but in general prices did not seem to be pushing hard against the ceilings. This combination of relatively stable prices and relatively stable interest rates meant that the demand for credit was not very much larger than could be satisfied without inflationary monetary expansion. There were several reasons for this. During most of the period up to the end of 1952 the Federal budget was in balance on a cash basis, aside from seasonal factors. Housing credit and consumers' credit were under special controls. The demand for additional credit to finance additional inventories was moderate; inventories were already quite high in many lines in the Spring of 1951 and in 1952 the steel strike kept many businesses from building up or even maintaining their inventories.

This does not mean that monetary policy was making no contribution to the control of inflation. The supply of credit was being restrained, as is indicated by the rise of interest rates, however gradual. Moreover, the restraint on the supply of credit was not fully measured by the rise of interest rates. To some extent credit simply became harder to get, even though lenders did not raise interest rates.

Indirect Controls and Monetary Policy

Perhaps this is a good place to point out the effectiveness of the indirect controls that are involved in monetary and fiscal policy as against the direct controls of wages and prices. It is worth noting also that the indirect restraints were effective despite a continuous expansion of bank reserves, bank loans and investments, and the supply of money. In an economy characterized by a growing population and increasing productivity some growth of the money supply is generally consistent with stability. Under these conditions inflationary tendencies can be restrained by holding back the rate of growth on the side of money—it is not necessary and usually not desirable to effect an absolute decline in the money supply.

Up to this point, to the end of 1952, the new flexible monetary policy was a clear success. We had, partly because of it, achieved a fair measure of economic stability without any great rise of interest rates. Little criticism of the policy was heard. Even those most skeptical of its contribution to stability could not claim that it had done any serious damage.

But the flexible monetary policy had not yet faced a real test. That test did not come until 1953. By the beginning of this year the situation with which monetary policy had to deal was changing markedly. Defense expenditures and private plant and equipment expenditures were rising towards what was to be their peak, at least temporarily. We were running into the first cash budget deficit of the Korean defense program. Selective controls on housing credit and consumers' credit were abolished. With the end of the steel strike many businesses found it possible to build up inventories and were willing to borrow to do so. Price and wage controls were about to expire and there was some fear—how long ago this seems—that many prices would be raised when that happened.

Thus the demand for credit was rising. If the Federal Reserve maintained its restrictive policy the gradual rise of interest rates would be accelerated. But if the Federal Reserve relaxed its restraints there was a real danger of inflation.

The situation was enormously complicated by the uncertainty of the economic outlook. There were many forecasts, sufficiently well grounded so that they could not be easily dismissed, of a recession coming toward the end of 1953 or the first part of 1954. This created a number of possibilities for monetary policy. If monetary restraints were relaxed and one last spurt of inflation permitted the subsequent recession might be made worse. On the other hand a restrictive policy might hold back some investment demands in the first part of 1953 and leave them to be satisfied in 1954. This would, if the economic forecasts were correct, help minimize both an inflation and a recession.

But a policy that was too restrictive might have the effect of precipitating the recession that was feared. In the history of the Federal Reserve there have been a number of cases of anti-inflationary action that were so quickly followed by a downturn as to create the suspicion that the Federal Reserve was responsible. There was a real danger early in 1953 that there was no policy that was "just right." The degree of restriction that seemed necessary if we were to prevent further inflation early in 1953 might have seemed too much later on. The process of restraining expenditures to a level that could be regarded as non-inflationary might so discourage commitments to future investment and housing as to intensify a later recession. Furthermore, a policy of restraint that seemed just right for the current situation might prove incapable of being reversed completely when the economic situation changed.

One other element in the early 1953 picture should be noted. A continually large portion of the government debt was in the form of short-term securities There had been considerable hesitancy about attempting to issue long-term obligations; in fact since the beginning of 1946 the Treasury had issued no marketable security with a longer maturity than seven and one-half years. Most of the issues had been very much shorter. It was known that the Treasury officials of the Eisenhower Administration wanted to reverse that trend. This might be considered another factor making for higher interest rates.

Against this background, the Federal Reserve continued its restrictive policy. In fact, there is some evidence that the policy became more restrictive early in 1953 than it had previously been. In the first half of 1952 member bank reserves on the average were about $700 million higher than in the first half of 1951. But in the first half of 1953 bank reserves averaged only $100 million more than in the first half of 1952. In March and April, 1953 bank reserves were actually lower than they had been a year earlier. As a result of this retardation in the rate of growth of bank reserves, the rate of growth of bank loans and investments and of the money supply were also slowed down.

The combination of monetary restriction and increasing demands for credit boosted interest rates substantially. The yield of Treasury bills in November, 1952 was only 12 points higher than in December, 1951; by May it had increased another 34 points. The yield on Treasury 3 to 5 year issues rose 16 points from December, 1951 to November, 1952; thereafter it rose sharply, gaining 67 points by June, 1953. Long-term U. S. Government bonds were yielding 2.71% in November, 1952 as compared with 2.70% in December, 1951; by May the yield had risen to 3.09%. The course of private interest rates was similar.

In April the Treasury announced the offering of a 30-year bond paying 3¼% interest—the longest term and highest coupon in many years. Interest rates had been rising rapidly before this, but the announcement was followed by a further acceleration in the rate or rise, particularly in the market for long-term funds. Although the 3¼% bonds were oversubscribed they were selling at a discount soon after issuance.

As money grew tighter and interest rates increased, particularly after the 3¼% bond issue, there was mounting criticism of the policy. This criticism was of three kinds:

First, there was criticism based simply on the fact that interest rates were rising, with the implicit assumption that an increase of interest rates is always a bad thing.

Second, there was criticism of the size and timing of the operation, on the ground that it would hasten or intensify a recession.

Third, there was criticism of the methods used, on the ground that they had unintended and undesired effects.

The Impact of Interest Rates

The simple view that a rise of interest rates is always a bad thing results, I believe, from looking at interest rates as mainly a means of dividing income between borrowers and lenders. In this picture the borrowers are usually conceived of as veterans who need houses, farmers, small businessmen, etc. and the lenders are conceived of as hard-hearted bankers. Of course, this is an entirely erroneous view of who the borrowers and lenders really are. We find both creditors and debtors at every income group and in every walk of life. The great lenders, the banks, insurance companies and other financial institutions, are intermediaries that lend the funds of millions of small savers to borrowers of every description.

The important national concern with interest rates is not in the distribution of interest burdens but is in the stabilization of the economy. A monetary policy that will restrain inflation is well worth its cost in higher interest rates, if indeed that is a cost at all. This does not mean that a stabilizing monetary policy always requires high or rising interest rates. But a stabilizing policy will be completely hamstrung if it is limited by the requirement that interest rates can never be allowed to rise. This was the lesson of the years before the Treasury-Federal Reserve accord. It is amazing that so many people should have forgotten it so soon.

There is another element in the situation that has been generally overlooked. The banks decided to increase their rate on prime loans by one-quarter of one percent at a time which coincided with the Treasury issue. This may or may not have been wise; there are arguments on both sides but there is no doubt that this action on the part of the banks had an important impact on the attitude of the business and financial community toward interest rates and on the market price of bonds.

In general the critics of higher interest rates, as such, usually assume that the Treasury was responsible for the increase. This view is also taken by many of the financial writers. The Treasury is said to make money tight and raise interest rates by raising the rates it pays on its own newly issued securities. On the other hand, in an attempt to absolve the Treasury of responsibility it is sometimes described as playing an entirely passive role, meeting the market rates of interest but not influencing them. And this raises the further question whether it is a "free" market, or a market dominated by the Federal Reserve, that influences rates.

It is clear that the Treasury does not determine the rates on its own securities but only estimates the rates that will be necessary to make the securities saleable in the market. At the same time the Treasury is an important influence in the market both for its own securities and other securities. It influences the market not by the interest rates on its issues, which it does not determine, but by the amount, maturity and other features of its issues, which it does determine. For example, if the Treasury decides to issue a 30-year bond it will have to pay the market rate of interest for such a bond. But the rate that it will have to pay if it is issuing $5 billion of such bonds may not be the same if it is issuing $1 billion. Also the effect on interest rates will vary depending on whether the Treasury offers $1 billion of 30-year bonds or whether it issues $1 billion of 90-day bills, although in each case it prices the securities to meet the market.

The Treasury's decision to move in the direction of funding the debt was an influence toward higher interest rates. More obviously and more importantly, the Federal Reserve's restrictive policy tended to raise interest rates, even though this was not the main objective of their policy. The defense of the Federal Reserve and the Treasury against their critics is not to disclaim responsibility for the higher interest rates but to point out that the higher interest rates were the proper and inevitable consequence of policies that the national welfare required.

More sophisticated critics did not start from the premise that higher interest rates are *prima facie* evidence of error, if not of sin. Instead they accepted the principle of a flexible monetary policy, involving rising interest rates at certain times, and argued that in the particular circumstances which obtained in the Spring of 1953 the policy was too restrictive. This difference of opinion resulted from a difference of opinion about the economic situation and outlook. This difference will probably never be resolved, and certainly I shall not attempt to resolve it. If we have a recession within the next six or twelve months those who considered the policy too tight will claim support from the facts. On the other hand if we do not have anything more than a moderate decline within this period the policy will seem to many to have been vindicated. Neither conclusion is necessarily correct. The important question is whether the action taken represented a reasonable application of generally sound principles to the situation as it could be ascertained at the time. We are dealing with possibilities and probabilities, not with certainties; it is impossible to avoid a certain percentage of error. The results in any particular case would not prove that the policy was correct or incorrect because there are too many imponderables; but persistent success or failure would be significant.

In criticizing the actions of the monetary authority we must recognize that there is rarely full agreement about the future of the economy even among well-informed people. The monetary authorities are charged with an exceedingly difficult and delicate task and they must have some margin of tolerance if they are to execute it well. It is impossible in a complicated situation to make everyone happy and continual second guessing does not help. The monetary authority must proceed judiciously but must not be too timid to act and it must not be inhibited either by fear of criticism on the part of those who are adversely affected or by the fear that its careful appraisal of the trend of the economy may later turn out to be incorrect.

The unreliability of economic forecasting being what it is, our chief safeguard against undesirable effects of monetary policy must be flexibility—the capacity to change promptly in response to economic changes as they become apparent. One of the most encouraging developments of the past year was the fact that the Federal Reserve shifted quickly from a policy of restriction to a policy of monetary ease, without being forced to do so by an acute economic decline. There is a tendency in some quarters to regard this shift as a confession of previous error. But this is not necessarily a correct interpretation. The essence of a flexible policy is that policy should change in degree and direction as conditions or our understanding of conditions change. The important thing is that neither inertia nor dogmatism should stand in the way of prompt changes.

Can Tight Money Conditions Be Reversed

One perplexing question in this connection is whether the effects of a policy of tight money can be reversed, even if the policy itself is reversed. Once money gets tight and interest rates high, it may be difficult to get rates down again because lenders regard the higher rates as normal and are unwilling to commit their funds for less. Something like this happened in the thirties, when long-term interest rates declined only slowly despite the existence of large excess reserves. But this year an easing of monetary policy was followed rather promptly by an easing of credit conditions and a decline of interest rates. For example, in four months the yield on the longest Treasury bond has declined from 3.32% to 3.11%. In part this prompt reaction was due to the fact that the period of monetary tightness had been so short. But it probably also reflects increased awareness of the power of the Federal Reserve to get interest rates down if it sets out to do so.

There is one aspect of the monetary experience of this Spring that should be, in my opinion, a cause for concern. This is the vigorous and unstable reaction of the market to the actions and statements of the money and debt authorities. I think it is rather unlikely that the Federal Reserve expected interest rates to rise as fast as they did or that the Treasury expected the 3¼% bond to sell at a discount so soon after issuance.

This exaggerated sensitivity of the market which does not seem warranted creates a difficult situation for flexible monetary policy. It makes it hard to proceed gradually, in small steps, feeling one's way as to degree and even as to direction. There is always the danger of a severe reaction to a small step.

The sensitivity of the market was due in part to the manner in which the policy was executed and described by the authorities. For example, it appears that too large a proportion of the 3¼% bond was allocated to subscribers who were likely to sell at the first opportunity. Probably more important was the failure of the money and debt authorities to communicate to the public an accurate sense of what they were trying to do. It was not that the authorities didn't talk enough. There was a tendency to describe very limited actions in universal language that suggested the advent of some totally new permanent policy. When the Federal Reserve talked about credit restrictions it conveyed, or at least did not correct, the impression that the Federal Reserve was going to stay out of the market indefinitely. And when the Treasury talked about funding the debt the market got the impression that massive operations were to be carried through no matter what. More realistic explanation of policy would make the market less sensitive and safer for flexible monetary policy.

To a large degree the volatility of the market resulted from our lack of experience with flexible policy. For so many years our monetary and debt policies were all one way. We have to get used to the ideas of moderation, adaptation and reversibility that are the essence of the new policy.

Not only in monetary policy but also in all other government policy to promote stability, better communication between the government and the public is essential to success. If the public, including especially the business community, has confidence in a government stabilization program, the battle is half won. For in that case the public will behave in a stabilizing manner—it will not be betting on instability and thereby aggravating instability.

Of course, sturdy confidence cannot be created by talk alone—by saying that every day in every way we are becoming more and more stable. Confidence, if it is to persist, must be deserved. But there is a real basis for confidence now and there could be an even stronger basis for confidence. This is not the economy of 1929. Our banks and other financial institutions are incomparably sounder. The financial position of businesses and home-owners is much better. We have important built-in stabilizers in our tax system, our unemployment compensation system and our farm price support program. We have an Employment Act, important both as a symbol of intent and as mechanism for focussing attention on the stability problem.

We can and should go further, both in developing plans for maintaining stability and in making those plans known. There are many instruments that can be used, and probably will be used. But we need systematic and coordinated plans for their use, and greater public understanding of these plans.

The responsibility for the maintenance of confidence runs both ways. The government must act and plan in a way that deserves confidence. The public, including the business and financial community, also has a responsibility to show confidence when it is deserved.

Monetary policy is an especially appropriate instrument for achieving stability in our society. Ours is a money economy in many senses. We value our activity and possessions in money, exchange through money, hold money as an asset, mobilize our savings for investment in large part through money. Control of the supply of money, affecting the cost and availability of credit and indirectly the value of money, exerts a pervasive influence throughout the whole economy. As the same time this influence can be exerted and managed without that detailed central control over the transactions of the individual person and business that is the end of freedom. The alternatives to wise and vigorous monetary policy will be not only less effective, but also less consistent with the operation of a free society.

A Serious Danger

A serious danger in our recent experience with flexible monetary policy is that the public and the authorities may become over-impressed with the difficulties and retreat from the whole project. This would be a serious setback. Whether the recent administration of the policy was wise or not, whether we have achieved stability or whether we face some degree of recession, we must not abandon our efforts to master the techniques of monetary policy that is flexible and adaptable. We must learn to live with such a policy, we must tolerate its costs and its errors and we must learn to manage it better. This requires clearer statements of objectives on the part of those who are carrying out this policy. In a democratic society which is based on individual freedom of action it also requires a large degree of understanding and cooperation on the part of our people and in this area the business and financial community has a special responsibility. We cannot afford to be fearful and we must not be so preoccupied with our problems as to lose faith in ourselves or in our leadership, or in the power of our economy.

Railroad Securities

Illinois Central and Chicago Great Western

It came as a considerable surprise to most of the financial community when it was announced a little over a week ago that directors of Illinois Central had authorized a call for redemption of the $34,743,000 debenture 4¾s, 1966 on Feb. 1, 1954 at 102½. A short time ago the company had asked for tenders of these bonds, as well as the 6% preferred stock, and had not received any offers that the management considered reasonable. Now the whole issue is to be retired, and it has consistently been selling at a premium above the call price. The company up to the time of this writing had not divulged what, if any, financing will be undertaken in connection with the contemplated redemption.

The company has a commitment from insurance companies to sell to them, at the railroad's option, up to $12 million of consolidated mortgage 4¼s on April 1, 1954. This commitment was originally entered into to provide funds for retirement of the balance of the refunding 4s and 5s, 1955. The amount of the refundings outstanding has been so sharply reduced in the interim that the funds are no longer needed for this purpose. Presumably at least the major portion of this $12 million can be used for part payment of the 4¾s.

The company is well fixed with respect to cash but it is generally felt in financial circles that the management will not want to use its own cash for the full amount required for payment of the debentures. Thus, it is considered likely that a short-term serial bank loan, perhaps amounting to $10 million or $12 million, may be contemplated. If this is the way the program is worked out it will mean a reduction in Illinois Central's long-term, non-equipment, debt to roughly $116 million. This would compare with some $331 million outstanding at the outset of World War II, and would leave the road with a debt structure comparing favorably with that of any other railroad in the country. The reduction in non-equipment debt, incidentally, would be equivalent to almost $160.00 a share of common stock outstanding.

Chicago Great Western

One of the smaller roads that has been making a particularly gratifying showing in the current year is Chicago Great Western. The road had a costly strike early in the year. It lasted six weeks and was not ended until early in March. As a result, net income for the first quarter of 1953 amounted to only $329,000, a drop of more than 50% from a year earlier. This poor start has been more than compensated for by subsequent improvement. These year-to-year gains have continued through the latest month for which earnings are available (October) when net income increased more than $51,000 in the face of a decline of nearly $200,000 in gross revenues.

For the 10 months through October gross revenues, largely reflecting the early strike, declined more than $4 million, to $25,567,000. Nevertheless, net income increased from $2,265,000 in the 1952 interval to $2,517,000 in the current year. Common share earnings rose from $4.26 to $4.97, before sinking and other reserve funds. To a major extent this excellent performance was made possible by the continuing steady increase in operating efficiency. For the 10 months the transportation ratio was down to 30.8% compared with 32.6% in the like months of 1952, and for the full year the company may well go below 30% for the first time. Also, maintenance outlays were somewhat lower than they had been last year, giving rise to the belief that perhaps the comprehensive property rehabilitation program may be nearing its end.

On the basis of results to date and present prospects for the balance of the year it seems possible that common share earnings, before sinking and other reserve funds, may reach $5.50 this year, a noteworthy achievement under the circumstances. More important, even if, as is generally expected, business continues to slide off next year Chicago Great Western should be one of the few, if not the only, railroad to continue to report year-to-year earnings gains, at least for the first quarter of 1954. This is particularly true if, as is indicated, maintenance outlays from here on are to be at more nearly normal levels. So far this year the company has paid off $1.05 toward reducing dividend arrears, in addition to regular payments at the $2.50 annual rate. There now remain arrears of only $1.00 a share, a total requirement of $366,104. It is expected in some quarters that this balance will be paid off next month, and if not it should certainly be liquidated early next year. This, plus the prospect of a further gain in earnings, would open up the possibility of common dividends in the not too distant future. No dividend has ever been paid on this present common.

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Restoring Free Enterprise On the Farm

creased, ships were torpedoed to the extent that about every tenth carrying foodstuffs which started to cross the ocean never reached its destination. Then, as France was invaded, her territory occupied, and her manpower engaged either in fighting or in manufacturing munitions, wheat production generally decreased.

The United States made a strenuous appeal to her farmers to increase their production, and finally guaranteed the price of wheat at $2.26, or thereabouts, in an effort to raise enough food for the Allies. In my opinion, this was the beginning of a new Agricultural Era. While unquestionably it was necessary to take this step; yet it cannot be denied that high prices here and elsewhere contributed largely to the expansion of acreage, not alone in the United States, but also, in Canada, Australia, and Argentina. However, postwar needs were large, and it was about 1921 before the world raised sufficient quantities for its requirements, when as a matter of course, a decline in values started. Gradually agitation started in an effort to help the corn farmer, but with the improvement in corn prices sentiment gradually changed to wheat. During the past quarter of a century, there have been many schemes proposed and considerable legislation enacted affecting virtually all farm products.

First Experience With Price Supports

It was during the Administration of President Herbert Hoover that we had our first peacetime experience with artificial price supports. Congress proceeded to consider agricultural relief and finally enacted the Agricultural Marketing Act, which Mr. Hoover signed on June 15, 1929. This Act provided for the creation of a Federal Farm Board, and $500 million was appropriated for a revolving fund to be administered by the Board. Great accumulations took place in both wheat and cotton. The carryover reserves kept increasing and eventually the government owned almost all piled-up supplies in the country. These holdings exerted such a bearish influence on the market that prices broke to the lowest figures ever recorded. After taking office, President Roosevelt moved to dispose of the Board and its holdings. By executive order, effective May 27, 1933, he abolished the offices of members of the Federal Farm Board except the office of Chairman, and changed the name of the agency to the Farm Credit Administration. The Corporation's accumulation of wheat, which amounted to about 257 million bushels, was worked off eventually by barter or sale to other countries at a great loss and by huge donations to the American Red Cross. The half-billion-dollar revolving fund had been largely dissipated, but I felt that at least we had learned a lesson.

The Farm Board was instituted at the most inopportune time and under the most inauspicious circumstances. When Brazile valorized coffee and when England stimulated rubber production in order to uphold those prices, such measures were not inaugurated at a time when production was topheavy already. This is true of all the numerous artificial price-fixing programs which had occurred up to that time. Even so, every one of these uneconomic projects resulted in overproduction and its attendant difficulties.

Pretty soon a new relief program was sought. The Agricultural Adjustment Act of 1933 was enacted, under which direct payments were made to producers out of funds derived from a processing tax. This legislation was declared unconstitutional in 1935. Thereupon, other measures were adopted. The Agricultural Marketing Act of 1938 provided for loans on agricultural products at rates between 52% and 75% of parity. As time went on, political considerations became paramount, and the so-called basic commodities carried a loan of 90% to 92%, which became mandatory. In its present form, the parity loan program has contributed materially to the high cost of living in an era of dangerous inflation. It forced high food costs and high food prices on the consumer; thus a self-perpetuating spiral had been started.

Farm loans on wheat were 53c in 1938, and were gradually stepped up until they reached $2.21 a bushel. The question I raise is, why the farmers should be guaranteed a lush income any more than other economic categories. A person starving would naturally expect a public agency to step in and save him, but he could scarcely expect a handout at public expense in order to assure him a handsome income.

Effects of Tampering With the Markets

As a grain man, I have every reason to desire that producers receive the highest possible price for their products. On the other hand, the market should not be tampered with for the purpose of obtaining artificially high prices injuring in the end the producer himself, and to the detriment of general welfare. No thoughtful person can believe that any permanent program based upon a constantly rising loan price can do anything but achieve the inevitable result of the accumulation of unmanageable and unworkable surpluses, with the resultant injury to the farmer and to our economic system as a whole.

It should be obvious that when the government non-recourse loans on commodities are unrealistic and too high, ownership of the commodities will pass to the government by default. The failure or refusal to recognize this inescapable truth has resulted in the disastrous failure of many price-raising schemes. Furthermore, as surpluses pyramid they must of necessity exert a depressing influence on the price of current crops, ultimately threatening the prosperity of the producers.

The American farmer has always enjoyed the privilege of buying and selling land at any time that opportunities arose. He could market his grain at will and raise whatever he wanted on the land that was his and which he loved. Let us contrast this situation with the conditions in other parts of the world and be thankful that, as individuals, we have had the freedom and opportunity to live our lives under a system of free speech and free enterprise. It is a priceless heritage that we have received. It may be difficult for many people to realize the abject poverty of those in other lands. Half the people of the world live in Asia; eight persons out of 10 are peasants, few of them farm as much as four acres. Their tools are primitive, their farms are so small that they would have no use for modern machines even if they had them. Few Asian peasants own the land on which they toil, and few have any hope of owning the land. They are completely dependent upon their landlords, economically, politically and socially. In contrast to this depressed situation, it is timely that we, with our comparative strength, count our blessings. But we should also realize that we have inherited a freedom which is not free at all, but for which we must pay. Freedom is not bestowed, but is earned, and we are sometimes surprised to find it so precious, so fragile, and so rare.

Farmers Have Done Well

Despite poor crops that have occurred from time to time, the farmers of this country have done well during the past decade or longer. There have been tremendous changes in farming conditions. With our highly mechanized farms on the best productive land, one farmer is able to furnish enough food products for 22 people. Persons engaged in farm work late December of last year numbered 6,485,000, according to the Department of Agriculture. Farm employment declined to the lowest point for the winter season since the government began compiling this data in 1925. For four years now the estimated number of people working on farms has gone down every month from the number for the same month of the preceding year. Altogether farm employment has shrunk by about 1¼ million workers during the past five years. We are often asked: "How is this possible in view of the fact that our production is at such high levels?" Actually, the total farm output last year was nearly 44% greater than in the prewar period (1935-39), and thus has set a new record. The total quantity of foodstuffs available to consumers are at an all-time high. We must take into account that farming technique has greatly improved through better education, better seed, more fertilizers, etc. But in addition to this, the American farmer has five times as much invested in machinery and motor vehicles as he did in 1940. There are about 4⅓ million tractors in operation, which is an increase of 200,000 over the year before. The American farmer owns about 2,400,000 trucks, which is also an increase of 100,000 over the previous year. Farmers own about 4,350,000 automobiles — an increase of 70,000. The quantity of other machinery on farms is up about 9% in a year's time. Thus it is that less labor is needed than was formerly the case.

Only about 15% of our population lives on farms, while in 1850, 70% of our population lived on farms. Even since 1910, there has been a huge migration away from farms and into cities. Forty-two years ago, with the population in this country only 92 million persons, there were 32 million of them on farms, while today with more than 160 million persons, we have less than 24 million of them on farms. All of this shows what great increase in efficiency has taken place.

Still Room for Improvement

Without trying to detract in any way from the unprecedented progress that has occurred, it would be remiss on my part if I did not mention that there is still room for much greater improvement in the years to come. We have made great strides in increasing the per-acre production through more intensive cultivation and better fertilizers. For example, last year our wheat crop was a near-record, and in spite of poor results in the Northwest, the over-all yield was 18.2 bushels per acre compared with only 13.2 bushels per acre, prewar average. In Europe, where they have been farming for centuries, and where it was thought by some that the land was wearing out, they have been able to surpass us in a number of countries. The last figures for France show that they were producing 27.3 bushels of wheat per acre in the summer of 1952, Western Germany 41.2, and Denmark 53.5 bushels per acre. Even with fewer mechanical devices such achievements were possible, and the same may be said of other grains. Our yield of barley was 28.1 bushels per acre — an increase of 5.4 bushels since the prewar years, but this compared with 29.4 bushels per acre for France, 47.8 bushels for Western Germany, and 66.7 bushels per acre for Denmark. Our domestic oat yield was up to 32.8 bushels per acre, but even this compared with 40.3 bushels for France, 67.2 for Western Germany, and 90.6 bushels per acre for Denmark. The one exception is probably corn, wherein we had the advantage of hybrid seed, but even so Western Germany harvested about 4 bushels more per acre that we did. Therefore, it is obvious that with technical assistance and further education we may still look ahead to a period of greater success, which with an increasing population may become a necessity.

In 1880, the population of this country was 50 million persons, and at that time we had 188 million acres of crop land available to produce the food and fibre which was needed. Since then, the population has more than tripled, while our available crop-land and its equivalent in grazing land has increased about 2½ times. Yet the average American unquestionably has a more varied and better diet than his grandparents had 70 years ago.

There are forecasts being made that by 1975 the nation's population might well be about 190 million persons, or one-fourth more than in 1950. To provide for this increased population and to maintain our dietary standards which are now being enjoyed, it would require about 577 million acres of crop-land, which is 115 million more acres than we now consider available. Part of this deficit may be made up as the result of increased irrigation, land reclamation, and additional releases of land from non-food uses, but it would still leave a net deficit of some 70 million acres. Therefore, it is quite obvious that we shall have to improve further our farming technique. We shall have to build new strength in our land, and we shall have to eliminate waste and improve distribution. We may even have to cut our exports, but in any case, it should be realized that if our population increases by leaps and bounds it may pose numerous problems that a sound agricultural program finally will have to solve.

Speaking before a group of 200 farmers earlier this year, I found them very sympathetic to a suggestion that they had a big stake in the national budget and in the welfare of this country. The Federal Government alone will spend more in the current fiscal year than was spent from 1789 through 1925—a period of 136 years. Non-defense expenditures in 1939 amounted to $7.7 billion while the estimated expenditures for 1953 are about $35 billion, a 4½-fold increase. These non-defense expenditures are nearly as much as was spent for all purposes during the entire decade of the 1920's. The number of civilian workers under the executive branch of the government has increased about 339% in the past two decades; this is more than 11 times the rate of increase in non-government employment during the same period. In 1939, a married man with a $2,500 income paid no taxes, now he is assessed so heavily as to work 22 days a year for the government. If all personal taxable income of $25,000 a year and over were confiscated by the government, the amount would be sufficient to pay current running expenses of the Federal Government for only about ten days. Thus it stands to reason that if our tax burdens expand, those in the lower income group will not only have to spend an increasing number of working days for the government, but will be forced to bear the bulk of additional taxes.

Farmers have great responsibilities, not only in producing the food and fibres needed for our growing population, but they also have an obligation to see that agricultural programs are kept within the limits of our budget. During the early 30's we inaugurated a completely new program for this country of controlling farm production and prices. Thus competition was taken out from under agriculture, and we witnessed a gradual trend toward socialism. However, artificially limiting our output of needed commodities and services inevitably makes us poorer, not richer. Whatever may seem to be its short-term advantage, the long-run effect is bound to be detrimental. Policies to limit output artificially must be eliminated all along the line if we are to maintain the high level of living which our resources provide. The American way of life stands for free enterprise and liberty. Under intelligent direction and a keen sense of social responsibility, it provides individual freedom, opportunities for advancement, and the potentialities for an abundant life.

Joins Central Republic Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Chester A. Long has become associated with Central Republic Company, 209 South La Salle Street, members of the Midwest Stock Exchange. In the past he was with Doyle, O'Connor & Co. and conducted his own investment business in Chicago.

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The State of Trade and Industry

Steel Output Set This Week at Lowest Scheduled Tonnage Since Week of Aug. 11, 1952

For the first time this year the weekly rate of steelmaking for the nation fell below 2,000,000 net tons, say "Steel," the weekly magazine of metalworking.

The new low level is 1,972,000 net tons and was recorded in the week ended Nov. 28 reflecting a strike in the Pittsburgh area, the lowered demand for steel and the Thanksgiving holiday. The yield is the lowest since August, 1952, when the steel industry was recovering from a strike, it notes.

Supply of the various forms of finished steel, this trade weekly states, continues to increase, and products that not long ago were difficult to obtain are now on the easy side. Carbon steel plates, for example, have gone from tight to loose in a few weeks.

Outlook for the first of 1954 is for a strengthening of demand, it continues. In the big steel using group—the automobile industry —General Motors Corp. is reported to be increasing its orders for steel 17% over last year's first-quarter orders. Offsetting this somewhat are orders for steel for truck production, which are to be down 7%, this trade magazine adds.

The change in the steel supply from scarcity to sufficiency has given buyers a keen interest in knowing exactly the cost of steel delivered at their plants. With increasing frequency, steel salesmen are being asked to quote delivered prices. For the last five years the customary practice of steel producers has been to quote prices at the mill, with delivered prices quoted when requested. Of course, during the steel shortage the primary concern of steel buyers was to get the steel, with freight costs being secondary. The job of computing freight costs has been a burdensome one because of the thousands of combinations of products and transportation rates involved, states "Steel."

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 86.8% of capacity for the week beginning Nov. 30, 1953, equivalent to 1,956,000 tons of ingots and steel for castings as against a similar rate (revised) a week ago. For the like week a month ago the rate was 93.0% and production 2,096,000. A year ago the actual weekly production was placed at 2,180,000 tons and the operating rate was 105.0% 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 Continues Decline of Week Before

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 28, 1953, was estimated at 8,138,165,000 kwh., according to the Edison Electric Institute.

The current figure represents a decrease of 277,951,000 kwh. below that of the preceding week, but an increase of 436,989,000 kwh., or 5.7%, over the comparable 1952 week and 662,472,000 kwh. over the like week in 1951.

Car Loadings Trend Lower in Latest Week

Loadings of revenue freight for the week ended Nov. 21, 1953, decreased 1,326 cars, or 0.2% below the preceding week, according to the Association of American Railroads.

Loadings totaled 725,732 cars, a decrease of 85,341 cars, or 10.5% below the corresponding 1952 week, but an increase of 14,285 cars, or 2% above the corresponding 1951 week, which included the Thanksgiving holiday.

U. S. Auto Output Hits Lowest Level of the Year

Automobile output for the latest week dropped 35% below the previous week due to model changeover operations, and the Thanksgiving holidays, according to "Ward's Automotive Reports."

The industry turned out 51,863 cars last week, compared with 79,709 in the previous week. A year ago the weekly production was 86,403.

United States truck production last week totaled 16,869 compared with 24,522 the previous week. A year ago truck output was 24,381 units.

Canadian companies made 3,359 cars last week, compared with 3,617 in the previous week and 3,256 in the like 1952 week. Truck production amounted to 1,154 units last week, against 881 the week before and 3,275 in the year earlier period.

Business Failures Drop in Holiday Week

Commercial and industrial failures declined to 173 in the holiday shortened week ended Nov. 26 from 223 in the preceding week, states Dun & Bradstreet, Inc. Despite this dip, casualties were considerably heavier than the 127 which occurred in the similar week last year or the 148 in 1951. Continuing below the prewar level, failures were down 34% from the 1939 toll of 264.

Casualties with liabilities of $5,000 or more fell to 144 from 196 a week ago, but exceeded the 102 of this size recorded last year. In contrast, a slight increase appeared among small failures involving liabilities under $5,000. Fourteen of the failing concerns had liabilities in excess of $100,000, as compared with 16 last week.

Wholesale Food Price Index Continues Higher for Third Straight Week

The mildly upward movement in food prices continued the past week and the Dun & Bradstreet's wholesale food price index rose to $6.53 on Nov. 24, from $6.51 a week earlier. This brought the current level to the highest in five weeks, and 4.8% above the comparable year-ago index of $6.23.

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 Edges Upward

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., edged slightly upward toward the close of the past week to stand at 274.28 on Nov. 24. This compared with 272.23 on Nov. 17, but it continued well below the 283.90 on the corresponding date a year ago.

Sharp fluctuations featured the leading grain markets last week. Early weakness in wheat reflected selling induced by further rains over the southwestern winter wheat belt.

Corn showed marked strength, aided by light receipts of the cash article and continued good export business which has averaged more than 2,000,000 bushels per week for some time. Rye and oats were up slightly for the week although these grains were still dominated by the prospect of imports from Canada. Daily average sales of all grain and soybean futures on the Chicago Board of Trade the past week totaled 63,300,000 bushels, as compared with 58,000,000 bushels per day the week before, and 51,500,000 in the corresponding week a year ago.

Bookings of hard Winter and Spring wheat bakery flours remained on a very restricted basis as most bakers and jobbers continued to draw on their balances and showed little interest in making commitments at current prices.

The spot raw sugar market was firmer, reflecting limited offerings of that commodity available under the quota for the balance of 1953.

Although the demand for green coffee tapered off somewhat, the price tone remained firm, with Columbians still commanding a wide premium over the Brazil grades.

Cocoa futures were strong and rose to new high ground for the season, largely influenced by the prospect of a tight supply position during the current crop season. Warehouse stocks of cocoa continued to decline. Demand for lard tapered off and prices drifted lower. Live hogs were in broader demand and prices advanced despite large receipts and considerable weakness in wholesale pork prices. Slaughter lambs advanced $1 per hundredweight, due to continued light receipts.

Spot cotton prices continued in a narrow range and finished slightly higher than a week ago.

Activity in the 10 spot markets increased sharply, with sales for the week totaling 255,500 bales, against 187,000 a week earlier, and 314,000 in the like week a year ago. Mill consumption of the staple as reported by the Bureau of the Census, totaled 872,000 bales in the five-week October period. This was higher than the trade had expected, and represented a daily average of 35,200 bales, compared with 36,000 bales per day in September, and 37,000 in October a year ago. The volume of CCC loan entries reported in the holiday-week ended Nov. 13 dropped below that of recent weeks. The total at 418,570 bales, compared with the record figure of 590,100 bales the week before. Entries for the season amounted to 3,392,400 bales.

Trade Volume in Latest Week Points Higher

Despite the mild weather in some sections of the nation, retail trade continued to rise in the period ended on Wednesday of last week. Although most retailers exceeded the sales figures of a year ago, the number with year-to-year dips was larger than a few months ago.

Early Christmas shopping was about as brisk as a year ago; retailers generally remained confident that the gift season would result in a new record this year.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 1 to 5% higher than the level of a year ago. Regional estimates varied from the corresponding 1952 levels by the following percentages: New England —3 to +1; East —1 to +3; South and Midwest +1 to +5; Northwest and Southwest +2 to +6; Pacific Coast +3 to +7.

Shoppers continued to favor gift items over heavy outerwear. Many retailers expected a strong surge of shopping in the coming weeks since many consumers have delayed augmenting their Winter wardrobes in recent weeks.

The total amount spent for apparel was about even with that of a year ago, when shoppers were also disinclined to purchase Winter wear.

The demand for household goods rose slightly the past week as gift buying began in many parts. Particularly popular were small radios, broilers, phonograph equipment and toys. Retailers of toys expected their sales in the next few days to set a new record. Television sets were in rising demand, following some recent price cuts.

The tempo of trading in many wholesale markets was spurred in the period ended on Wednesday of last week by the preparation of many buyers for holiday selling and the Spring season.

The total dollar volume of wholesale orders remained about on a par with the high level of a year ago.

Retailers were less apprehensive than in recent months about the level of their inventories as they anticipated a new record volume of Christmas trade.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Nov. 21, 1953, decreased 2% below the level of the preceding week. In the previous week, Nov. 14, 1953, an increase of 2% was reported from that of the similar week of 1952. For the four weeks ended Nov. 21, 1953, no change was reported. For the period Jan. 1 to Nov. 21, 1953, department store sales registered an increase of 2% above 1952.

Abnormally high temperatures in New York last week adversely affected retail dollar volume and trade observers estimated the decline at as high as 8%.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Nov. 21,1953, registered an increase of 1% from the like period of last year. In the preceding week Nov. 14, 1953, an increase of 4% was reported from that of the similar week of 1952, while for the four weeks ended Nov. 21, 1953, a decrease of 1% was reported. For the period Jan. 1 to Nov. 21, 1953, a decline of 1% was registered from that of the 1952 period.

With Wesley Hall Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Irwin G. Beadle has become connected with Wesley Hall & Co., First National Building. He was formerly with Dean Witter & Co.

Mutual Funds

By ROBERT R. RICH

December Rise?

STATISTICALLY-minded securities dealers and investors with an eye for the record heard good news from a special Selected American Shares report. The Selected staff, looking around for a bit of cheerful Christmas news, have pointed out that in 20 of the last 25 Decembers, the Dow-Jones Industrial Stock Average has gone up. In 11 of the last 11 Decembers, the Dow-Jones Industrial has risen.

As the Fund notes, war, politics, peace, recession, taxes, price controls and all of the other ills which have plagued the last 25 years don't seem to have much effect. "Maybe it happens this way because tax selling is over early in December," the report notes, "or maybe it's because we usually find as we enter the final month of the year that the year hasn't been as bad as we had feared. Or maybe, it's because in December, we begin to think about the next year and get a little more hopeful." In any case, here's the record for the past 25 years.

Dow-Jones Industrial Average

Year	Nov. 30	Dec. 31	Gained	Lost
1928	293.38	300.00	6.62	----
1929	238.95	248.48	9.53	----
1930	183.39	164.58	---	18.81
1931	93.87	77.90	---	15.97
1932	56.35	59.93	3.58	----
1933	98.14	99.90	1.76	----
1934	102.94	104.04	1.10	----
1935	142.35	144.13	1.78	----
1936	183.22	179.90	---	3.32
1937	123.48	120.85	---	2.63
1938	149.82	154.76	4.94	----
1939	145.69	150.24	4.55	----
1940	131.00	131.13	.13	----
1941	114.23	110.96	---	3.27
1942	114.50	119.40	4.90	----
1943	129.57	135.89	6.32	----
1944	147.33	152.32	4.99	----
1945	191.46	192.91	1.45	----
1946	169.80	177.20	7.40	----
1947	179.40	181.16	1.76	----
1948	171.20	177.30	6.10	----
1949	191.55	200.13	8.58	----
1950	227.60	235.41	7.81	----
1951	261.27	268.52	7.25	----
1952	283.66	291.90	8.24	----

CALVIN BULLOCK announced that the Irving Trust Company has reduced by one-third its charges made as agent for dividend reinvestment plans for Dividend Shares, Bullock Fund, Nation-Wide Securities and Canadian Fund, the four mutual funds sponsored by Calvin Bullock.

This reduction is made possible by Irving's operating economies and as a result of the increased number of shareholders who are building their investment estate in this popular way.

The effect of this reduction will be to extend to shareholders owning a smaller number of shares the privilege of automatic reinvestment, and to increase the portion of the sales charge now payable to the investment dealer. As before, dealers receive the full sales charge less the bank's fees.

Automatic dividend reinvestment is now available to all shareholders who own enough shares to yield a quarterly dividend of $10 or more.

"As an increasing number of clients accept this method of compounding their dividend income quarterly, the benefits of 'continuing income' to dealers and salesmen can be substantial," Calvin Bullock stated.

KEYSTONE Custodian Funds, Inc., as Trustee, has announced stock distributions effective Jan. 2, 1954 and payable to holders of record at 4:30 p.m. on Dec. 31, 1953 as follows:

A 200% stock distribution on the shares outstanding of Keystone Growth Fund "K2" (currently 217,783 shares held by 3,310 shareholders). This Fund is invested primarily in speculative preferreds offering sound opportunities for capital growth.

A 200% stock distribution on the shares outstanding of Keystone High-Grade Common Stock Fund "S1" (currently 143,042 shares held by 1,643 shareholders). This Fund is fully invested in the securities of large and well-known American corporations with long established dividend records with the objective of securing "blue chip" common stock income.

A 100% stock distribution on shares outstanding of Keystone Income Common Stock Fund "S2" (currently 2,068,764 shares held by 15,354 shareholders). This popular Fund is fully invested in common stocks of good grade with established records of dividend payments for the purpose of securing generous income.

A 100% stock distribution on the shares outstanding of Keystone Speculative Common Stock Fund "S3" (currently 369,125 shares held by 3,534 shareholders). This Fund is fully invested in leading cyclical common stocks with the objective of capital growth in rising markets.

The total number of shares outstanding for the 10 Keystone Funds combined is 14,274,148, and represents total assets of more than $220,000,000 held by 47,800 shareholders. Of this number, 2,798,714 shares currently held by 23,841 shareholders will be affected by the stock distributions just announced.

THE 72nd consecutive quarterly dividend of approximately $199,000 will be paid on Dec. 15, 1953, to the shareowners of Financial Industrial Fund, Inc., Charles F. Smith, President of the corporation announced. The dividend will total three cents per share.

In making this announcement, Smith said that a dividend has been paid to shareowners every three months since Financial Industrial Fund, Inc. was established in 1935. Quarterly dividends of approximately $681,843, or 11½ cents per share, will have been paid to FIF shareholders in 1953. In addition, shareowners received on Sept. 15, 1953, a fiscal year-end distribution of $426,436

National Securities Gains $23 Million in Year

Net assets of the National Securities Series were $128.8 million as of Oct. 31, 1953 according to their Semi-Annual Report just released. This is an increase of $22.9 million from the figure of $105.9 million of one year ago.

According to E. Waln Hare, Vice-President, shares outstanding rose by nearly 7,000,000 to an all-time high of 26.5 million, while the number of shareowners were at a new peak of 75,000—a gain of 17,000 new shareowners in this period.

Retail Prices Continue To Rise in New York

Retail prices of goods and services bought by moderate income families in New York City averaged 0.1% higher in October than in September, it was announced today by Robert R. Behlow, Regional Director of the U. S. Department of Labor's Bureau of Labor Statistics. Food was the only major group to fall below the September level as the index of retail prices advanced for the sixth consecutive month. The New York City index on a 1947-49=100 base is currently 113.3.

The retail cost of food declined 0.4% during the one-month period. Contributing to the decline were susbtantially lower prices for the meats, poultry and fish group. Fruits and vegetables, fractionally higher in October, than September, are 6.4% lower than a year ago. Cereals and bakery products and dairy products increased fractionally over the month.

The composite Housing index advanced 0.3% between September and October. The Solid Fuels and Fuel Oil sub-group was up 2.0% as the result of higher prices for fuel oil. Gas and Electricity and Housefurnishings remained unchanged over the period. The Other Goods and Services group which includes tobacco, alcoholic beverages, legal services and banking fees advanced 1.7% to a level 4.1% above that of a year ago. The Apparel and Medical Care groups remained unchanged over the month. The New York City Consumer Price Index on a 1935-39=100 base is 187.5

Dividend Shares Reports New High

Net assets of Dividend Shares, a mutual fund managed by Calvin Bullock, at Oct. 31, 1953, the company's fiscal year-end, were $116,326,124 compared with $108,740,592 a year earlier. New records were established both in value of assets and number of shareholders, now more than 65,000.

Assets were equal to $1.80 a share, compared with $1.83 a share on Oct. 31, 1952.

The report states that the Fund's reserve of cash and U. S. Government bonds was increased moderately from 9% of net assets on April 30, 1953 to 12.7% on Oct. 31, and that adjustments were made in its investments to increase holdings of a more stable nature.

Diversification of holdings at the year-end included utilities 16.5%, oils 10.8%, chemicals 8.4%, retail trade 7%, railroads 6.1% and smaller holdings in a number of other industries.

Incoming orders of major manufacturing companies have shown a pronounced downtrend for the past four months and unfilled order backlogs have been reduced materially, the report states. This, together with the current high level of manufacturers' inventories, suggests the possibility of a further cut in the rate of industrial production. However, there are good reasons for expecting the readjustment now in progress to be of a relatively mild and orderly character.

Affiliated Gains In Latest Year

Affiliated Fund, second largest of the common stock investment companies, reports high records in net assets, number of shareholders, and shares outstanding, in its 20th annual report for the fiscal year ended Oct. 31, 1953.

During the fiscal year net assets increased from $223,470,374 to $248,744,204; shareholders from 110,486 to 121,089; and shares outstanding from 47,177,414 to 51,725,733. The company added $22,096,677 from the sale of additional capital shares, realized capital gains of $3,493,736, and its portfolio market value had increased by $3,207,499 as of Oct. 31, 1953. Net asset value per share climbed from $4.74 to $4.81, after a capital gain distribution of seven cents.

Capital growth was 163% and income growth was 216% with respect to each share outstanding 10 years ago. The ratio of expenses to net assets has been halved in the past seven years.

Issues added to and eliminated from the portfolio during the year ended Oct. 31, 1953 follow:

Shares	Additions
25,000	American Chicle Company
20,000	Deere & Company
32,000	Filtrol Corporation
19,000	H. L. Green Company
5,000	International Shoe Company
2,200	Lone Star Gas Company 4.75% cum. convertible preferred
10,000	McGraw Electric Company
10,000	Mississippi River Fuel Corp.
20,000	Oklahoma Natural Gas Company
26,000	Pacific Gas & Electric Company
20,000	Southern Natural Gas Company
23,000	Swift & Company
25,000	United Fruit Company
85,000	United Gas Corporation
	Eliminations
19,000	Allis-Chalmers Manufacturing Company
35,000	American Can Company
23,100	American Gas & Electric Co.
3,300	Chicago, Rock Island and Pacific Railroad Company 5% convertible preferred class A
16,000	Cleveland Electric Illuminating Company
5,000	Masonite Corporation
40,000	South Carolina Electric & Gas Company

CLOSED-END NEWS

The statements of The Equity Corporation for the nine months ended Sept. 30, 1953 show net assets at that date equivalent to $178.38 per share of $2 Convertible Preferred Stock (preference in liquidation $50 per share and accumulated dividends), and $3.55 per share of Common Stock. Figures for June 30, 1953 were $176.93 per $2 Convertible Preferred Share and $3.51 per share of Common Stock.

from security profits, at the rate of seven cents per share.

Financial Industrial Fund net assets reached an all-time high of $15,993,729 on Nov. 13, 1953, an increase of $3,573,411 over the same date a year ago, Smith said. The capital of the Fund, owned by more than 10,000 shareowners, is invested in the stocks of 74 of America's leading companies.

GUARDIAN Mutual Fund reported as of Oct. 31, 1953, total net assets amounted to $1,650,000 compared with $1,400,000 on Oct. 31, 1952. The net asset value per share on Oct. 31, 1953, amounted to $11.65, compared with $11.74 one year earlier.

With Kennedy-Peterson

(Special to The Financial Chronicle)

HARTFORD, Conn.—Sidney C. Clark is now with Kennedy-Peterson, Inc., 75 Pearl Street.

With A. M. Kidder & Co.

(Special to The Financial Chronicle)

CLEARWATER, Fla.—Douglas M. Deringer is now with A. M. Kidder & Co., 405 South Garden Avenue. He was previously with Florida Securities Company.

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Pressure Groups Disrupting Administration's Policies

so weakened our moral fibre that we will pitch personal liberty out of the window for a mess of pottage called security! When that takes place, progress is dead and the individual creative spirit that has made America grow will cease to live.

I am not telling you anything new. You know every word is the truth, and it will bear repeating to prevent recurrence.

A Resumption of "Managed Money"

How the pressure has altered the Administration's course, or tempered its decisions can be observed by the change in the money market. The Federal Reserve's "hard money" policy, which I think should have been termed "sound money," has given way to a resumption of a managed market. And who from the ranks of Private Enterprise raised the loudest protestations over letting interest rates seek their levels—the Bankers!

Another evidence of the Administration's altered course is the farm program. Secretary Benson has always recognized that farm price supports are basically unsound and planned their eventual abolishment. And the first proposal of such a course to those former strong believers in Private Enterprise — the farmers — raised such a storm of protest that it seemed political suicide to ignore it. The wheat farmers definitely voted for government controls and subsidized prices. The march of a few ranchers and stock raisers on Washington was politically inspired and promoted by some I have always classified as Socialist-minded. However, the price supports on farm products needed by the rancher and stock feeder to fatten his cattle, and the increased burden of drought have forced the rancher to either ask for supports or to have them rescinded on all products. If government income can afford handouts to Europe and Asia, says the farmer, why tighten up on us?

And if business should show an alarming slow-down, you can reasonably expect the government to take steps to stimulate it. We'll lose income from tax reductions—we'll enlarge deficits further. Maybe besides further tax cuts would come Federal works, road building, possibly even public housing—certainly it will be actively pushed. Don't overlook the fact that the advocates of a managed economy are fighting as never before to resume their place in the sun.

Whether this country halts Statism and remains a land of opportunity and personal freedom, or whether it goes down the road to Socialism, is the most important decision you will ever have the chance to make. It will do more than affect your life—it will determine the manner of living of your children and their children for generations to come. Will you always be alert to defend and fight for Personal Liberty under a representative Republican Government, with powers defined by a Constitution? Or will you selfishly concede one right after another for a false security under Socialism, a managed economy with ever bigger government?

Savings and Loan Operations

So much for the political outlook. Let's take a glance at our savings and loan operations and the Board's activity.

The savings and loan business has made an impressive gain in assets from $11 billion in 1947, when I was your President, to over $25 billion today. It's easy to project a $50 billion total by 1960. With growth, however, comes problems—we might correctly say we are experiencing growing pains. Under such conditions we must exercise care that our structure is soundly developed. Not necessarily in the order of importance, here are some of our problems:

Adequate Reserves

The law calls for reserves of 5% of all insured accounts in not more than 20 years from the date insurance was granted. By regulation, the Board could have shortened the term and established the year-to-year requirements. Currently the regulation calls for 2½% reserves in 13 years and 5% in 20 years.

Actually 1,000 associations are reaching their maturity during 1954 and 1955. The figures quoted are based on Dec. 31, 1952, savings capital. As of then, 630 have their required reserves and if we give allowance to reserves and undivided profits, only 54 associations are behind.

Analysis of trends of these 54 as of 1947 and 1952 indicates that 36 are in real doubt of making their 5%. The 54 experienced an average share gain of 175% in the six-year period. Of the 36 in doubt, 26 gained above this average.

The Board will call this condition to the attention of the affected associations. When an association reaches 20 years and fails to have 5% reserves, it automatically becomes a supervisory case. I doubt if any would require the drastic course of cancellation of insurance. Naturally their expense ratio and their reserve ratio will be carefully scrutinized and possibly a reduction in dividend rate may be required. The Board has determined that the most satisfactory time for computing the reserve ratio is the first semi-annual period following the insurance anniversary.

To meet the problem of associations that have an undivided profits account which, with their legal reserve, equals or exceeds 5%, the Board has ruled that such required part of the undivided profits account may be earmarked for loss purposes until the insurance reserve has been built up to meet requirements. A copy of this proposed regulation was submitted to your office with the suggestion it have the study of your counsel and tax consultant. I might say that we took similar precautions with our counsel.

A study of reserves should include some plan for building adequate reserves after 5% is reached. Frankly the current formula makes what I call a sound operation and rapid growth very difficult to accomplish without a decline in reserve ratios. If an association has an expense ratio of 30% of gross or more and is located in an area where interest rates are average and loan fees quite competitive, it becomes almost impossible to experience an annual share gain of 15% to 20% or more without a reserve ratio decline. When this study is advanced enough to permit a written proposal, the Board will gladly submit it for study and consideration.

Restraint on Liquidity

Liquidity is another important factor in the safe operation of a savings and loan. Is anyone satisfied that our present formula offers an adequate solution? Its principal merit is its lack of restraint. By regulation it has been set at 6% of share liability. All insured associations have an average currently of 15%, which shows the consensus of the need. As is always the case, averages include those who are below average and we have a few associations that must be prodded to maintain even the minimum. The law should be changed to currently cover our needs and to allow for a wider field of investments acceptable for liquidity reserves.

Out of our desire for growth has come another problem—advertising for savings in communities where dividends are low, placing undue emphasis on rate. Those few associations indulging in that practice point out that it assists in a normal flow of money from an area of over-supply to one of demand. There is some truth in that, but that is only part of the story. Where such practice is indulged in, local associations bitterly report their withdrawals increase and in time some local association, in an effort to stem the loss, increases dividends, in turn causing other local associations to do likewise. The victim associations protest frequently with considerable truth that the associations in areas paying the higher dividends do so at the expense of adequate liquidity and proper reserve allocation.

Incidentally, there are some few areas that do not advertise rate by local custom. They do a splendid promotional job here in Chicago, Washington, D. C., and Baltimore, to name three that I know about. I might refresh your memories that the reason folks do business with savings and loans is because of safety, convenience, availability, and rate, in that order. Too much reliance has been put on the magic pulling-power of rate alone.

Pressure From "Money Brokers"

Akin to rate advertising in other communities is the practice of some associations to accept money from brokers. These brokers may have an agency relationship to the association, are not under Board control, can advertise in any manner desired, and are constantly "pressuring" associations to increase dividend rates. Recently one such concern solicited attorneys nation-wide to send client investment funds to them, receiving in return a split commission. It might be added that it is against the code of ethics of the American Bar Association for members to accept commissions unless the client is first fully advised and consents thereto. A continuation of broker operations will mean an increasing volume of hot money seeking higher dividends and a repeat commission for the brokers.

We try not to jump to hasty conclusions, so you will be interested to know that a study of 150 associations using brokers disclosed: (1) that their loans exceeded savings capital substantially; (2) their cash and governments were below average, hence they possessed less liquidity; (3) their borrowed money was higher, not necessarily a bad practice, but indicative of the pressure to increase earnings; (4) their reserves were less than the average; and (5) their savings turnover showed a faster rate.

The Board is giving very careful consideration to the issuance of a regulation that will restrict rate advertisement and commission payments. This proposal also will be sent your organization for study.

Savings and Loan Competition

Competition is excellent and the mainspring of our American economy. Sometimes, however, our exuberance leads to practices that at first seem acceptable—certainly produce successful results, which finally turn out to be injurious. One such, in the opinion of many, is a merchandise gift program for savings. There would seem to be little objection to the presentation of an article of nominal value where new accounts are opened, but when the value of the gift increases as the amount of the account rises, it is closely akin to an increased dividend rate. Generally a program of this kind is very successful when it is first started. It will, however, increase withdrawals from other local associations and in the course of time some one of them will institute a similar campaign.

The second association must outdo the first. Finally it becomes a race between all local associations and the value of such a campaign is then completely lost. Certainly it will produce a group of people who will transfer accounts from one institution to another for the purpose of getting such prizes.

The opposition to such programs is so widespread and in some instances the abuses are so serious that, again, the Board is giving consideration to a means of curbing the practice.

You have already been told about the President's Advisory Committee on Housing so ably chairmaned by Albert Cole. The program for a Central Mortgage Bank has had my careful study. As proposed, I can see many advantages in it to us in the savings and loan business. The entire study should present the most important opportunity we have had in 15 years to effect needed and desired changes in the statutes covering our operations.

Though in my opening remarks I pointed to unpleasant political possibilities, let me add that I did so because I hold the belief that being forewarned of a danger frequently aids in averting it. The same principle is a good guide in the operation of our own business. Keep a weather eye open, but don't fear to carry a fair amount of sail.

Savings and loans are enjoying a fine year. Ample acceptable mortgages are available, while net savings show a 20% gain over last year. There seems to be some recent leveling off of the disturbing postwar trend toward more rapid turnover of savings. But this still points to the need for each manager to study the withdrawal characteristics of his own association.

The figures indicate that by December 31 we can look back on a peak business year, though to a substantial degree this has been produced by expansion of loans. Consumers and business are curbing the use of credit while the Federal government will attempt to do likewise. Consequently we can expect some small decline in the 1954 volume of business, probably involving less new home construction.

Some decline in employment and net personal income can be looked for. The lender's market will taper off to a more even balance with a borrowers' market. All of which leads to the conclusion that there will be more competition both for savings and loans.

This spells more effort from management — closer attention to daily operations — more careful supervision of expenses and collections.

The able and alert manager will try to be aware of any impending changes in our economy, major or minor. If more of us stand in this position of combat readiness, the coming year can become one of continued growth and broadened service to your public.

Continued from page 11

Stock Investments From the Savings Bank Standpoint

common stocks, on the other hand, are slightly lower than those of two years ago due principally to higher prices without offsetting increases in dividends.

Furthermore, during this period of about two years, federal taxation of the undistributed net earnings of mutual savings banks, of which the capital funds and reserves aggregate at least 12% of deposit liability, has been a factor increasing the attractiveness of equity securities to the savings banks. I have always looked with disfavor on any manifest distortion of investment policy based upon purely tax objectives, but I am convinced that as prudent management and trustees we should be remiss in discharging our responsibilities were we to fail in the avoidance of the burden of unnecessary taxation.

Surely it is unnecessary to stress before this group the basic investment factors involved in federal taxation of mutual savings banks. You are aware that considering the intercorporate dividend credit of 85% which applies, subject to limitations in the Internal Revenue Code, to all dividends except those on certain public utility preferred stocks, the combined normal and surtax rate of 52% is reduced to an effective rate of 7.8% with respect to dividend income.

It seems to me that in some ways inadequate recognition has been given the investment significance of the equity market from the standpoint of savings banks. Share ownership affords investment access to important areas of the country's industrial economy in which are to be found signally successful corporations with well-established earnings power, impressive dividend records, and favorable prospects for growth. It is true, of course, that in consideration of the major expansion in corporate borrowing during the last few years, the number of capital structures without funded debt has been signally reduced. Nevertheless, it is a fact that equity securities of leading corporations operating in major segments of the country's industry represent a high degree of quality and security.

Risks Involved in Stock Investment

There is no doubt that equity securities involve risks in addition to those ordinarily confronted in bond and mortgage investments. Equity securities are without contractual claim to a fixed rate of return and they involve no obligation for repayment. The position of the equity investor is purely marginal representing a residual interest in the earnings and assets of the issuer. In reflecting this marginal position such securities are characteristically subject to wide market fluctuations.

At any given time the market for a common stock usually reflects a current appraisal of the prospect for future earnings and dividends. High prices and generous earnings are characteristic of periods of prosperity, while periods of declining earnings and business contraction are marked by falling or depressed prices. These radical characteristics of junior equities should be given due recognition in judging the propriety of such securities for savings banks and obviously provision should be made to sustain such market fluctuations without concern.

Investment Objective of Savings Banks in Equities

I emphasize as strongly as possible that the sole objective of savings banks in seeking equity investments should be higher yields or, giving effect to federal income taxation, higher after-tax yields. Savings banks should have no primary interest in capital gains either as a means of augmenting income or in an effort to provide some protection against inflation. Our institutions are under no legal obligation or moral compulsion to protect depositors against erosion of the dollar through inflation. Mutual savings banks should seek only the higher yields from investments in equities with the objective of increasing the overall rate of return from earning assets.

Preferred Stocks: Most Attractive Equity Investment for Savings Banks at This Time

Among equity securities preferred stocks, and, of course, guaranteed stocks which are representative principally of railroad issuers, promise the greatest degree of dividend continuity and market stability, assuming proper emphasis on quality. These are obviously factors of signal importance to an investing institution such as a savings bank.

Other characteristics commend preferred stocks as a class to investors of conservative disposition. The cumulative dividend feature and the power frequently present to prevent the issuer from incurring funded debt without the approval of the preferred stockholders representing a stipulated percentage, usually two-thirds, of the outstanding stock, are additional elements of strength. A noteworthy feature that has become characteristic of preferred stock financing, particularly in the case of industrial issues, is the so-called sinking fund or capital retirement provision, under which, contingent upon the availability of earnings, a fixed percentage of the original issue is repurchased annually.

The market for high grade preferred stocks fluctuates in response to movements in long-term interest rates and to those factors which dominate the bond market, although it is somewhat less immediately sensitive to those forces and inclined to fluctuate over a greater yield and price range. Thus the factors which control the markets for preferred and common stocks are radically different. From a strictly market standpoint high-grade preferred stocks are unattractive under conditions pointing to higher interest rates and lower bond prices, while they are attractive when the outlook favors declining interest rates and rising bond prices.

Observation of the preferred stock market over a considerable period reveals certain approximate yield spreads that suggest the relative attractiveness of preferred stocks from a purely market standpoint. According to these criteria there should be an approximate minimum of 100 points in yield between an industrial preferred stock and a long-term bond of the same company (actual or hypothetical), whereas a spread of approximately 125 points in yield is indicated for public utility issues. The larger spread with respect to public utility issues is a reflection mainly of the relatively heavy debt and preferred stock capitalizations of public utility companies as well as the characteristic absence of capital retirement provisions. Presumably the foregoing differentials should be increased somewhat in the case of new issues, although it is obvious that market circumstances surrounding a new issue would be largely influential.

These yield spreads represent an arbitrary concept subject to change with controlling conditions. In fact, there is reason to conclude that they are at present in process of some revision. The advantage of preferred stocks to certain institutional investors under present income tax laws, as well as wider recognition of the strong investment position of many public utility as well as other preferred stocks, is suggestive of an influence that may tend to modify somewhat these yield spread criteria.

Under existing conditions, savings bank investments in equities, it seems to me, might well be confined largely to preferred stocks. To be sure these securities have been criticized occasionally for their allegedly amorphous nature. It has been pointed out that they lack the advantages of common stocks in periods of prosperity and that in periods of depression they may involve to a considerable extent the disadvantages of junior equities. In other words, they are neither fish, nor flesh, nor good red herring. This may have been true to some extent in the past, particularly with respect to issues of originally marginal quality. To me there is little doubt that a carefully selected portfolio of preferred stocks of investment grades will afford a measure of protection greater than that to be found in common stocks and that such investments, subject to proper timing, would fulfill a constructive purpose in the equity investment program of a savings bank.

At present, high-grade public utility preferred stocks can be purchased to yield within a fair range of 4¼% although in individual instances higher yields can be obtained. Various preferred stocks of public utility issuers, which embody the basic soundness of this industry, but which fall short of the highest statistical classifications, can be obtained, of course, to yield substantially more. While this market in recent weeks has advanced in sympathy with the high-grade bond market, it still offers what to me seem to be relatively attractive investment opportunities, particularly to those savings banks the undistributed net earnings of which are subject to federal income tax.

There is a cumulative evidence of impending contraction in business activity, although most economists reject the likelihood of more than a moderate fractional decline in over-all production—probably not more than the equivalent of a 10% to a 15% decline in the Federal Reserve Index. Such a recession, however, would be marked by a reduction in demand for both short and long-term credit and would undoubtedly be accompanied by a diminished emission of new corporate securities. Furthermore, as far as corporate capital requirements are concerned internal financing will undoubtedly play a conspicuously more important role as a result of higher charges for depreciation. Also, institutional accumulation of savings would continue with little if any abatement and the investment of these funds would probably exert a downward pressure on bond yields. Additionally, under such conditions it can be taken for granted that the official credit policy of the government would be appropriately liberalized.

Guaranteed Railroad Stocks

Guaranteed stocks of railroad issuers rank among the high grade railroad securities where the financial position of the guarantor corporation is strong, the property owned by the issuing corporation is strategically valuable and, of course, where the terms of the lease contract are satisfactory. These securities would seem to offer attractive senior equity investments for savings banks, particularly where, with Federal income tax considerations in mind, a substitution of dividend for interest income is desired.

The characteristics of guaranteed stocks are such that they should be analyzed more as bonds than as stocks. Dividends constitute a fixed charge of the guarantor corporation. Under accounting practice of the Interstate Commerce Commission rent for leased lines, including dividends on guaranteed stocks, ranks equally with interest on fixed interest obligations.

Guaranteed railroad stocks for the most part are closely held and their markets are relatively inactive. However, the lessee companies are usually in a position to purchase the issues covering the more strategically situated properties at reasonable prices. At present yields ranging from about 4¼% to 5% or more are available from guaranteed railroad stocks of recognized investment standing.

Common Stocks

Even a cursory review of the extensive field of common stocks, the collective identity of the usual reference to the stock market, would lead the prudent investor, it seems to me, to the conclusion that under prevailing conditions the so-called defensive issues, of which the public utilities are the most prominent example, should constitute the bulk of any investment in junior equity securities by a mutual savings bank. The defensive or protective characteristics of these securities would seem to be particularly outstanding, although the record is not without convincing evidence that they can suffer substantial price depreciation under conditions of severe depression and market weakness.

The pronounced growth trend characteristic of the electric light and power and the gas companies together with discernible areas of further expansion would seem to constitute reasonable assurance that earnings over the years will continue to rise, and that at least for the visible future any recessions in earning power are likely to prove both moderate and temporary. The foregoing statement is made with particular reference to operating companies of which residential and commercial distribution constitute a significant preponderance of the total, and, of course, it presupposes a continuity of constructive regulatory policy on the part of various responsible bodies. The distinctive features of this industry would seem to commend its junior equity securities to serious consideration by investors seeking relatively generous yields and a strong element of protection in the field of common stocks.

There are, of course, other industries of which the common stocks may properly be regarded as embodying defensive characteristics of varying degree. The relative stability inherent in such industries as food, retail trade, and containers, as well as some others, is now a matter of informed recognition. Common stocks representative of these so-called defensive industries subject to conservative limitation, proper selection and appropriate diversification would probaly be considered as suitable components of a soundly conceived junior equity portfolio for a mutual savings bank.

In view of the exposed and vulnerable position of the stockholder, it is unnecessary to emphasize the importance of a continuing study of economic conditions as well as an informed analysis of all pertinent factors bearing upon the position of an industry or a corporation within an industry in connection with equity investment. Frankly, in this connection, I question that the average savings bank is properly equipped to make the requisite analyses, to maintain the exacting standards of supervision, and in short, to perform the necessary functions of investment management.

It is my least intention to underrate the ability of savings bankers as investment managers, recognizing that in many instances savings bank officials possess outstanding investment competence and unusual conversance with investment processes. However, it seems to me that in many institutions of small to medium size constant pressure of other duties and obligations on responsible officers is likely to result in a denial to the equity portfolio of the intensive and specialized supervisory effort that it requires for satisfactory results. The importance of adequate knowledge of the many factors that must be taken into consideration in reaching equiy investment decisions and, further, the necessity for a continuing and competent supervisory effort involving trained personnel, suggest consideration of a mutual investment company through which savings banks in New Jersey could solve jointly their common stock investment problems at very moderate cost.

Timing

With the stock market at a historically high level, timing becomes an extremely important element in the accumulation of an equity portfolio. To avoid the accumulation of a large portion of such investments at relatively high prices should be a major objective of policy. Widely fluctuating markets which are radically characteristic of junior equity securities emphasize the necessity for appropriate care in determining the basis of accumulation to avoid unnecessarily high book costs.

It has always seemed to me that sound procedure in the accumulation of a junior equity position would almost of necessity require a considerable period reflecting different market levels, and successive periods of business activity. The most practical approach to this problem for the average savings bank is probably the operation known as dollar cost averaging. Under this procedure the investment of a specific sum of money representing presumably an approximate percentage of the common stock objective over a predetermined period, should result in fair average prices. Dollar cost averaging is particularly desirable in periods of declining prices since the specific amount invested periodically will purchase an increased number of shares as the market declines, with the result that the weighted average price is lower than the arithmetic average of the prices actually paid.

As all investment is ultimately a matter of judgment, it is not inconsistent with the sound principle of dollar cost averaging to point out that there may be times and conditions warranting a temporary departure from this principle. For example, an unexpectedly precipitate or extensive decline in prices might well justify some appropriate acceleration of the purchase program, while, *per contra*, a comparably sudden or extensive advance in the market might furnish the basis for a prudent decision to reduce or suspend purchases temporarily.

Within the last 20 years or so techniques known as formula timing plans have come into some general vogue among university, pension and other institutional endowment funds in connection with common stock investments. Obviously the purpose of such plans is to reduce significantly the element of judgment through providing a more or less mechanical procedure for controlling the acquisition and disposition of common stocks.

I shall not take the time to discuss the several generally recognized formula timing techniques more than to refer to their existence and to suggest the possibility of your interest in the various books and articles constituting a rather impressive bibliography on this subject. Basically, the dollar cost averaging procedure would seem to lend itself most appropriately to the requirements of savings banks under present conditions in operating toward their respective objectives in common stocks.

Valuation and Reserves

Some time ago the Investment Committee of the New York Association investigated reserve and valuation policies in various states in which savings banks are authorized to invest in equity securities. It was determined that in general the policy of periodically writing down such investments to market or providing adequate valuation reserves is favored officially and observed in practice.

The New York State Banking Department has issued no formal regulations covering valuation reserve procedure in connection with equity investments by savings banks and, as far as I know, has no present intention of doing so. The Department, however, has issued an official recommendation that each savings bank making stock investments establish a reserve of at least 1% of investment cost computed pro rata at the end of each accounting period; it further recommended that profits be transferred to a valuation reserve and that losses be charged against undivided profits or current earnings. No ceiling was specified in the recommendation.

Reflecting the admittedly lesser risk in preferred and guaranteed stocks, it has been suggested that a reserve of ½ of 1% annually accumulated to a total of 10% would suffice for such holdings. My own inclination is to favor a 20% reserve for the equity account accumulated at the annual rate of 1% recognizing that while it may be somewhat excessive with respect to preferred and guaranteed stocks, it would probably be commensurately inadequate for common stocks. Over all, it would probably meet the test of adequacy. Obviously such a reserve should be credited with profits resulting from sales and should likewise be charged with losses. Incidentally, in 1951 The National Association of Insurance Commissioners recommended that life insurance companies set aside reserves against preferred and common stock investments in amount of 1% of statement value annually until such reserves are equivalent to 20%.

It would seem sound practice until an adequate equity reserve has been accumulated to value holdings of such securities at cost less net depreciation. To the extent of the inadequacy of the reserve, the net sound surplus of the bank would be reduced. Ultimately, with an adequate valuation reserve, further provision for depreciation might be considered unnecessary. Under these conditions valuation would be cost less reserve. Whether this matter is one of law, regulation, or institutional determination, it must unavoidably be given the thoughtful attention that it deserves as an essential element in a soundly administered equity investment program for a mutual savings bank.

Commercial Bank Stocks

Commercial banks play an indispensable role in a modern capitalist economy. Inclusion of commercial bank stocks in the equity investment powers for savings banks recently enacted in the State of New Jersey evidences a justifiably constructive attitude toward this segment of the stock market. The investment experience of savings banks in other states has clearly established the desirability, subject to careful selection, of commercial bank stocks. In fact, these securities account for an impressive preponderance of all equity investments of mutual savings banks.

As of Dec. 31, 1952, the latest date for which composite figures are available, mutual savings banks of this country held equity securities at book value of $363.4 million, equivalent to 1.44% of assets. Of this total, stocks of commercial banks accounted for $280.3 million, or 1.11% of assets and 77.1% of total equity holdings.

In the New England states savings banks held stock investments in aggregate book value of $295.7 million, equivalent to 4.31% of assets, while holdings of bank stocks amounted to $276 million, or 4.02% of assets. Bank stocks held by the New England savings banks accounted for 93.3% of their total equity investments.

Equities of the commercial banks have long been recognized as among the highest grade stock investments principally because of established continuity and dependability of earning power. Earnings of capably managed institutions fluctuate less than earnings of other types of corporate enterprise, while banking as a whole is less acutely affected by the ebb and flow of business activity. Many institutions have long unbroken dividend records to their credit, while in some instances these records exceed a century. Assurance of satisfactory earning power and dividends commend the equities of the strong and well managed commercial banks to the conservative requirements of savings banks in equity securities.

Assets of banks are among the very soundest in the country's economy consisting mainly of cash, Treasury obligations and self-liquidating loans. In a period of receding business activity a decline in loans will be offset by an expansion in holdings of Treasury obligations, although the yields on such obligations will usually be somewhat less than the returns on loans. However, in periods of recession, Treasury deficit financing through the commercial banks will expand demand deposits and earning assets in the form of Treasury obligations.

Bank stocks do not have the volatility nor the potentialities for appreciation of most other junior equities. They possess a stronger defensive character, though, and consequently appear desirable for conservative investment in a period of historically high stock prices. Yields are relatively attractive. Average market yield on principal New York City bank shares approximates 4.6% which compares favorably with current returns from many high-grade industrial stocks. Dividend protection is indicated by the low average distribution of about 55% of net income, while available earnings suggest the possibility of increased dividends. Furthermore, as is the case with other equities, the advantage of dividend income for a savings bank the undistributed net earnings of which are subject to federal income tax is obvious.

Insurance Stocks

I note with approval that equity investment powers for savings banks in New Jersey include a provision covering stocks of insurance companies. While the dividend yields of fire and casualty company stocks as a class are relatively low, the pronounced stability of this business and its strongly established growth characteristics have long justified such yield relationships.

Insurance companies are primarily engaged in the underwriting business and in the investment and reinvestment of available funds. Apart from underwriting activities they are essentially investment companies. The predominant feature of the insurance business has been long-term growth. Underwriting volume is closely related to the expansion of industry and to the increase in capital values. Neither individuals nor corporations can afford to risk loss of assets through fire or other hazards with the result that growth of insurance in force will continue a secular trend in parallel with the rise of insurable values. In recognition of the vital importance of insurance, regulatory authorities have seen fit to adjust rates when necessary to maintain the industry in a sound financial condition.

Investment income of insurance companies has shown a steady growth accompanied by a rise in invested assets resulting principally from the reinvestment of underwriting profits and of investment income in excess of dividend payments. The retention of earnings has increased capital resources. Consistent reinvestment of underwriting profits and of earnings in excess of dividends has resulted in a compounding growth in stockholders' equity, or liquidating value—a cardinal reason for the favorable market action of insurance stocks over the years.

Institutional Investors Mutual Fund, Inc.

May 1, 1953 marked the initial offering of shares in IIMF, Inc., a mutual investment company providing a medium of joint investment in common stocks for savings banks in New York State. The Fund now amounts to more than $5 million with a participation of 61 savings banks. IIMF, Inc. was organized under the New York Stock Corporation Law, and in conformance with the Investment Company Act of 1940; it is registered with, and subject to the regulations of, the Securities and Exchange Commission, and it is also subject to regulations of the New York State Banking Board. The company is expected to qualify with the Bureau of Internal Revenue under the Internal Revenue Code as a regulated management company and as such to enjoy the special tax position accorded such companies. This provides in effect that if 90% of annual income computed without regard to capital gains is distributed to shareholders, the company will be taxed only on the income retained. As to capital gains, the company will be taxed only on the amount retained. Dividends and capital gains distributed on the shares of the company will be taxable to the shareholding banks to the same extent as any other corporate dividends received or capital gains realized.

Underlying the organization of this investment company was a recognition of the desirability of establishing a practicable and economical vehicle through which savings banks—particularly those of medium and small size—could benefit from a significantly diversified investment in leading common stocks supervised by a trained staff with specialized knowledge, and at the same time avoid many of the difficulties and risks associated with common stocks.

To put it bluntly and succinctly, the average savings bank would not as a practical matter provide, nor could it afford to provide, a quality of analytical and supervisory effort comparable with that which a mutual investment company would have to offer to justify its existence.

The collective approach to the problem of common stock investment by mutual savings banks offers the advantage of qualified supervision in a highly specialized field at a low cost per dollar invested. It is a device of which, it seems to me, the merits should be carefully appraised and the benefits duly weighed prior to embarking upon a program of investment in common stocks.

Final responsibility for operation of IIMF, Inc. is vested in a Board of Directors consisting of officers of savings banks. Investment advice and other services are furnished by Savings Banks Trust Company which is wholly owned by savings banks in New York State. Because of its close affiliation with savings banks and its conversance with the requirements and objectives of savings banks, it is in a unique position to perform the duties of investment adviser for the investment company.

Satisfactory income is obviously a major objective of policy in the operation of IIMF, Inc. Although principal emphasis has been placed upon well protected dividends representative of the so-called defensive industries, selective investments involving potentialities for growth and promise of higher returns have been included in the portfolio. The current book yield on holdings of common stock is 5.12%. Giving effect to a small holding of short term Treasury obligations the company's over-all defensive position would probably approximate 80%.

Conclusion

I have attempted to review the principal points that should be considered in approaching the equity markets from the standpoint of savings bank investment. Subject to initial selection and competent supervision an equity portfolio even within the limits of a small percentage of assets should prove a constructive factor in the investment program of a mutual savings bank. However, in this most sensitive and exposed area of the securities market necessary steps to cope with special problems and characteristic risks should be taken if a satisfactory record is to be a reasonable assurance.

I close with an appropriate reference to the profund observation of the Massachusetts court in the opinion in Harvard College v. Amory in 1830, which was the wellspring of the rule of prudent investment: "Do what you will, the capital is at hazard."

Public Utility Securities

By OWEN ELY

Virginia Electric and Power Company

Virginia Electric and Power operates in most of Virginia and in parts of West Virginia and North Carolina. It also distributes natural gas in Norfolk and Newport News. In the 12 months ended Sept. 30, 1953 electric business provided 95% of revenues and gas 5%. Electric revenues were obtained 92% from Virginia, 7% from North Carolina and 1% from West Virginia. The population served is estimated at 2,300,000, about two-thirds of whom reside in communities of 1,000 or more. The principal industries are tobacco products, ships, textiles, rayon, cellophane, nylon, food products, chemicals, paper, pulp, wood products, metal products, machinery, stone and clay products, and trunks and bags.

The company has 16 small hydro stations but these supply only about 4% of total output, while about 5% is purchased (net interchange including Southeastern Power Administration). There are a large number of steam units at nine locations, a few of the units being quite old. Of the present 828,000 kw. name-plate capacity, a little over half was built in the postwar period, and one-fifth in the early 1940's. The company has an additional 290,000 kw. capacity (including 100,000 hydro at Roanoke Rapids) scheduled for completion during 1954-55. On the basis of net plant investment (presumably after heavy write-offs on the older plants) 74% of the electric utility plant represents property installed in the last ten years.

In the five years 1948-52 the company expended $186 million for construction, including $48 million in 1952. Construction expenditures for this year are estimated at $42 million and the company tentatively expects to spend around $45 million next year. To finance this program during the period from Jan. 1, 1948 through Sept. 30, 1953, the company sold $92 million bonds, $20 million sinking fund debentures, and $20 million preferred stocks, and obtained $44 million from the issuance of 2,503,000 shares of common stock (in part through sale of convertible debentures that were later converted, and through issuance as part consideration for the East Coast Electric Company properties). In addition the company is currently offering 558,946 shares of common (to yield about $15 million) bringing the total number of shares up to 6 million. If construction proceeds in accordance with the estimates, 1954 financing may aggregate $35 million, which may include another common stock offering.

Pro forma capitalization, including current financing, is approximately as follows:

Funded debt	$173,000,000	53%
Preferred stock	49,000,000	15
Common stock equity (6,000,000 shs.)	*106,000,000	32
	$328,000,000	100%

*Excluding $4 million intangibles.

The company has enjoyed good growth, current revenues of $83 million being 65% larger than in 1948. Electric output is currently running about 10% over last year, with share earnings on common stock increasing at the rate of about 1½c a month. Earnings for the 12 months ended Oct. 31, 1953 were $1.92 on shares now outstanding, or $1.74 on a pro forma basis, and the latter amount would be increased to $2.10 if a pending rate increase is received as anticipated.

In its rate application the company used a net electric rate base of $360 million as of June 30, 1953. The increase requested would provide about $4.8 million additional revenue per annum, equal to about 36 cents a share after taxes on the increased number of shares. The company asked for the increase to become effective Jan. 1, but this now appears doubtful, since hearings may still be in progress at that time. Even with the increased rates, the return on the rate base is estimated at only about 5.75%.

The earnings record in recent years, on shares outstanding at the end of each period, has been as follows:

12 Mos. End. Sept. 30, 1953	Calendar Year 1952	1951	1950	1949	1948
$1.90	$1.74	$1.65	$1.86	$1.67	$1.19

At the recent price of 26¾, paying $1.40, the stock yields 5.2% and sells at about 14.1 times reported earnings.

Continued from first page

As We See It

to see what he can do about it. And the plaintiff will doubtless have much to say with truth about foreign dumping, or something about the equivalent thereof, and about various impediments which are placed in his path when he undertakes to ship his goods abroad. The obstacles to free international trade are worldwide, and they include many things besides tariffs. We should most heartily welcome efforts not only in Washington but in other capitals of the world to permit, not to say stimulate, much greater freedom in the movement of goods across national boundary lines. It is indeed imperative that ways and means be found to begin at an early date the removal of the multiplicity of barriers now blocking normal international economic relations.

But the resurgence of German competition is an integral part of a broad movement in that country that deserves much more attention than is generally accorded it. Western Germany is presenting a more formidable competition in foreign markets because of a production record at home which, so far as we know, has not been matched or even nearly matched anywhere in Europe since the war. Total industrial production in Western Germany in 1952 was more than two and a quarter times that of 1948! There was less than a 20% increase in the United Kingdom over the same period. The record in France is better than that of Britain, but far below that of West Germany. Nowhere among the so-called OEEC countries can we find a change even reasonably comparable with that of Germany—and these countries, of course, include Italy, Greece, and various others whose production suffered severely during the war and whose production rate had not reached a high level by 1948. This unique record of Germany is not one which results solely from an exceptionally low base period of calculation.

Progress Since 1950

West German progress since 1950 is also impressive. Industrial production in that country in 1952 was 28% above the 1950 rate. The nearest figure to that record among the OEEC countries are for Turkey and Luxemburg with 22%. None of the others reached 20%, and two of them, Ireland and Denmark, were not able to do as well in 1952 as they had done in 1950. Britain could do no better than match her 1950 record, The average for all these countries was 11% above 1950. In appraising these results one must not forget that by 1950 West Germany had already almost doubled its output as compared with 1948.

In its international relations, Western Germany enjoyed a credit balance on "current account" (that is an excess of exports of goods and services over imports of goods and services) of well over half a billion dollars—or the equivalent in marks at the official rate of exchange. As late as 1950, Western Germany ran a current account deficit in an amount substantially greater than her credit balance in 1952—and previous deficits were much larger. This, too, is an outstanding record unmatched anywhere else in Europe.

What is the explanation and the significance of this astonishing record? Here is what must be regarded as a territorial remnant of a country, perhaps, rather than a country. Located in this area were plants and establishments which were the targets of aerial bombardments unmatched anywhere else in the world. Territorial changes forced a great deal of industrial relocation as well as rehabilitation. Many other anatomical changes had to be made in both industry and trade. Throughout many of these districts early postwar visitors said they found populations weakened by malnutrition and related illnesses. Yet in a half dozen or so short years we find the land humming with productive activity — and with a record of economic achievement which is at once the envy and the fear of may other peoples.

What is the explanation? The answer given lately by one well-informed and exceptionally well qualified observer just back from West Germany was about this: Soon after the end of the war German leaders and many of the German people came to realize that they had no ground for hope of aid from generous America. Britain, France and other countries allied with the United States against Hitler might be able to count on help. Germany must save herself or go down. When this realization fully permeated the Tutonic mind, West Germans went to work to save themselves — and went to work with a will and with typical German skill in organizing to produce.

Something for Us to Think About

This may or may not be a full explanation of all that has taken place in West Germany, but no one can doubt that it explains a great deal of it. And if that is true, there is much in the fact which ought to be pondered most carefully in Washington. While Britain depending in substantial part upon our generosity experimented with socialism; while France, confident to help from the United States, indulged in the luxury of internal strife and flirtation with Communism; and while various other countries for various reasons waited, and hesitated and hoped, West Germans really went to work!

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The Security I Like Best

classified as a high profit-margin, chemical-industrial company, and should sell at 10 to 12 times earnings, at least, or currently, between 45 and 55.

Low Price, Relative to Bright Outlook for Future

There seems no sound reason why **Rayonier** should be down nearly 10 points from 1953 high of 35½, instead of up 10 points. Looking ahead, leading statistical and advisory services regard it as distinctly undervalued. **"Value Line"** places it with a mere dozen listed stocks (out of over 550 issues regularly reviewed) carrying a rating of "Especially Recommended for Purchase," and forecasts a price-level around 50 within a few years. Investment Funds regard it highly, and after careful study of its products, progress and profits, at least 24 institutional funds have invested in **Rayonier.**

It has been my privilege to meet President Morgan, and to discuss **Rayonier** with him, and I know that you have an organization here that is single-mindedly dedicated to the company's success. It is easy to see that **Rayonier** is one of our great companies that not only thinks, but acts in a way to insure lasting U. S. prosperity, a company of whose management, personnel, and achievements America can be proud. . . . Besides all this, the shareholder has a good chance of doubling his investment, while drawing an exceptional yield, over the next few years.

LAWRENCE S. PULLIAM

Vice-President and Resident Manager, Weeden & Co., Los Angeles, Calif.

Interstate Bakeries Corporation

I like Interstate Bakeries Corporation because it combines three essential factors for success: First, it is engaged in a basic industry —food; second, its operation is diversified over a nationwide growth territory; third, its management has demonstrated extreme capabilities.

Lawrence S. Pulliam

Incorporated in Delaware in 1937, and now employing 5,000 people, INTERSTATE BAKERIES operates 24 bakery plants located in 17 cities in 9 states across the nation. Nine bread plants and one cake plant are operated in the rapidly growing Southern California territory and account for 35% of total sales volume. Bread plants, in addition to Los Angeles, are operated in San Diego, Glendale, Long Beach, Santa Ana, Santa Barbara and El Centro. In Illinois, the Chicago area, with two bread and one cake plants, accounts for 20% of sales. Additional bread plants are located in Peoria and Springfield. Cincinnati, Ohio, with one bread and one cake plant, contributes 13% of sales, while Kansas City, Missouri, the home office of the company, accounts for 9% of sales with its one bread and one cake plant. They also have plants in Omaha, Nebraska, Des Moines, Iowa, Grand Rapids, Michigan, Milwaukee, Wisconsin, and Buffalo, New York.

Due to its quality advertising program, INTERSTATES' well known trade names are a household word throughout the territory it serves. The bread is known as "Weber's and "Log Cabin" in Southern California, "Butter Nut" in the East, "Mrs. Karl's" in Milwaukee, and "Blue Seal" in Buffalo. "Dolly Madison" is the company's trade name for cakes marketed through its territory.

The bread is 100% route distributed by the company through its delivery fleet of 1,656 trucks. All but 4% of the bread sales goes to grocery trade, the balance to restaurants. About 40% of the cake sales are through wholesalers, the remainder through the company's own delivery route distribution.

Over the past five years the company has spent $12,500,000 for modernization. More than $1,000,000 retained from earnings have been spent annually in excess of its yearly depreciation of approximately $1,500,000. The company is currently expanding its Glendale, California, plant at a cost of $1,000,000 to provide 100% increase in capacity. The Chicago North Plant is being increased 75% at a cost of $500,000, while modernization of the Springfield, Illinois, bread plant will be completed shortly. The heart of present day modernization is the traveling oven with continuous flow of 7,200 loaves per hour, which materially reduces the cost of manufacturing labor ratio to sales.

The balance sheet as of Dec. 31, 1952 shows total capitalization of $19,540,897 with long-term debt representing 29.6%, preferred stock 39%, and the common equity 31.4%. The latter totals $6,040,897, consisting of 610,884 shares common stock ($1.00 par) stated at $610,884 and earned surplus of $5,430,013. The 75,000 shares of outstanding $4.80 preferred stock (no par) is carried at the liquidating preference price of $100 per share. On Dec. 31, 1952 current assets totaled $9,559,000, including cash items of $5,500,000. The latter alone exceeded total current liabilities of $3,768,979. The net working capital was $5,800,000. The current ratio is 2.54 to 1.

Management attention to waste elimination and efficiency controls, have produced striking results in recent years. For 1952, net sales reached a new high of $79,319,519, or 13.3% higher than 1951, while earnings before taxes showed an increase of 47.32%. Net income after taxes at 66.3% of earnings, were $2,332,598, equal to $31.10 per share of preferred and $3.23 per common share for year 1952.

In the 40 weeks ended Oct. 3, 1953, sales were at the highest level in history for a three-quarter year period, totalling $65,252,264 or 8.25% above the comparable half-year period. Profit margin widened sharply with net before taxes up to $5,685,067 vs. $4,985,487. Sales volume for 1953 should approach a new high of $86,000,000. Earnings before taxes are estimated close to $8,000,000 with net income of $2,600,000 or $3.65 per share of common. Without EPT, the common per share figure would be $5.50 for 1953, which indicates the substantial benefit expiration of Excess Profit Tax December 31, 1953 will contribute to net earnings.

For those interested in a growth company in the basic and defensive food industry — sales of bakery companies are normally not affected by adverse economic conditions — **Interstate Bakeries** Common stock, available at about 6 times estimated net for 1953 and yielding slightly under 4½%, should have investment attraction, especially when consideration is given to the probable increase in the present $1.00 dividend. Next year with the demise of EPT, **Interstate Bakeries $4.80** preferred with earnings coverage in 1952 of $31.00 or 6½ times requirement, and selling to yield 6%, should appeal to those seeking income with safety. Both common and preferred stock of Interstate Bakeries Corp. are traded in the over-the-counter market.

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)	Dec. 6	§86.8	*86.8	93.0	105.0
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 6	§1,956,000	*1,956,000	2,096,000	2,180,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 21	6,259,150	6,219,250	6,224,350	6,662,550
Crude runs to stills—daily average (bbls.)	Nov. 21	¶7,066,000	6,951,000	6,830,000	7,076,000
Gasoline output (bbls.)	Nov. 21	24,710,000	24,540,000	23,615,000	23,842,000
Kerosene output (bbls.)	Nov. 21	2,312,000	2,364,000	2,277,000	2,946,000
Distillate fuel oil output (bbls.)	Nov. 21	10,622,000	10,044,000	9,900,000	10,857,000
Residual fuel oil output (bbls.)	Nov. 21	8,253,000	8,258,000	8,163,000	8,885,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 21	145,193,000	144,954,000	142,666,000	123,885,000
Kerosene (bbls.) at	Nov. 21	36,028,000	36,779,000	37,394,000	32,086,000
Distillate fuel oil (bbls.) at	Nov. 21	133,439,000	*134,769,000	132,767,000	117,834,000
Residual fuel oil (bbls.) at	Nov. 21	50,494,000	*51,194,000	52,633,000	52,081,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 21	725,732	727,058	804,413	811,073
Revenue freight received from connections (no. of cars)	Nov. 21	633,812	627,565	665,931	697,470
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 26	$145,096,000	$244,704,000	$358,366,000	$203,025,000
Private construction	Nov. 26	92,246,000	103,123,000	262,008,000	129,149,000
Public construction	Nov. 26	52,850,000	141,581,000	96,358,000	73,876,000
State and municipal	Nov. 26	44,334,000	107,074,000	87,888,000	40,426,000
Federal	Nov. 26	8,516,000	34,507,000	8,470,000	33,450,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 21	8,850,000	8,810,000	9,275,000	10,518,000
Pennsylvania anthracite (tons)	Nov. 21	588,000	597,000	682,000	821,000
Beehive coke (tons)	Nov. 21	71,100	*71,400	83,900	92,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 21	131	133	113	134
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 28	8,138,165	8,416,116	8,361,593	7,701,176
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 26	173	223	218	127
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 24	4.632c	4.632c	4.634c	4.376c
Pig iron (per gross ton)	Nov. 24	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Nov. 24	$34.83	$35.33	$34.17	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 25	29.675c	29.625c	29.625c	24.200c
Export refinery at	Nov. 25	28.925c	29.050c	28.675c	35.400c
Straits tin (New York) at	Nov. 25	86.250c	83.750c	80.000c	121.500c
Lead (New York) at	Nov. 25	13.500c	13.500c	13.500c	14.000c
Lead (St. Louis) at	Nov. 25	13.300c	13.300c	13.300c	13.800c
Zinc (East St. Louis) at	Nov. 25	10.000c	10.000c	10.000c	12.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 1	94.95	94.67	95.61	96.84
Average corporate	Dec. 1	106.04	106.04	106.04	109.60
Aaa	Dec. 1	110.70	110.88	111.07	113.89
Aa	Dec. 1	107.80	107.98	108.34	112.37
A	Dec. 1	105.69	105.86	105.69	109.06
Baa	Dec. 1	100.16	100.00	99.52	103.80
Railroad Group	Dec. 1	103.64	103.80	103.97	106.92
Public Utilities Group	Dec. 1	106.21	106.21	106.04	109.79
Industrials Group	Dec. 1	108.16	108.16	107.98	112.37
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 1	2.86	2.87	2.81	2.72
Average corporate	Dec. 1	3.39	3.39	3.39	3.19
Aaa	Dec. 1	3.13	3.12	3.11	2.96
Aa	Dec. 1	3.29	3.28	3.26	3.04
A	Dec. 1	3.41	3.40	3.41	3.22
Baa	Dec. 1	3.74	3.75	3.78	3.52
Railroad Group	Dec. 1	3.53	3.52	3.51	3.34
Public Utilities Group	Dec. 1	3.38	3.38	3.39	3.18
Industrials Group	Dec. 1	3.27	3.27	3.28	3.04
MOODY'S COMMODITY INDEX	Dec. 1	406.7	399.8	394.5	408.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 21	193,817	227,846	213,773	205,897
Production (tons)	Nov. 21	252,244	256,655	262,973	248,614
Percentage of activity	Nov. 21	95	95	97	98
Unfilled orders (tons) at end of period	Nov. 21	421,729	480,726	463,706	502,963
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 27	106.41	106.16	105.92	109.24
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Nov. 14	19,197	21,501	19,206	22,637
Number of shares	Nov. 14	565,869	639,953	564,675	648,337
Dollar value	Nov. 14	$25,189,730	$27,813,028	$24,127,498	$28,623,489
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 14	19,533	21,322	18,247	19,383
Customers' short sales	Nov. 14	168	179	183	119
Customers' other sales	Nov. 14	19,365	21,143	18,064	19,264
Number of shares—Total sales	Nov. 14	556,192	618,214	521,120	543,012
Customers' short sales	Nov. 14	5,729	6,075	5,896	3,949
Customers' other sales	Nov. 14	550,463	612,139	515,224	539,063
Dollar value	Nov. 14	$21,455,008	$23,400,649	$20,106,330	$22,128,328
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 14	184,710	192,500	153,190	144,590
Short sales	Nov. 14	------	------	------	------
Other sales	Nov. 14	184,710	192,500	153,190	144,590
Round-lot purchases by dealers—					
Number of shares	Nov. 14	190,780	230,400	226,120	271,040
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	Nov. 7	255,460	317,530	299,380	404,060
Other sales	Nov. 7	6,224,480	6,696,720	4,748,390	6,643,500
Total sales	Nov. 7	6,479,940	7,014,250	5,047,770	7,047,560
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 7	668,950	744,230	544,350	826,350
Short sales	Nov. 7	122,680	135,440	113,500	225,980
Other sales	Nov. 7	517,230	552,930	426,070	652,980
Total sales	Nov. 7	639,910	688,370	539,570	878,960
Other transactions initiated on the floor—					
Total purchases	Nov. 7	238,020	221,210	145,950	153,970
Short sales	Nov. 7	10,800	20,400	16,470	36,400
Other sales	Nov. 7	181,550	209,050	128,330	160,350
Total sales	Nov. 7	192,350	229,450	144,800	196,750
Other transactions initiated off the floor—					
Total purchases	Nov. 7	262,330	286,500	182,447	260,747
Short sales	Nov. 7	32,710	29,550	33,600	45,050
Other sales	Nov. 7	224,200	280,315	216,809	285,075
Total sales	Nov. 7	256,910	309,865	252,409	330,125
Total round-lot transactions for account of members—					
Total purchases	Nov. 7	1,169,300	1,251,940	872,747	1,241,067
Short sales	Nov. 7	166,190	185,390	163,570	307,430
Other sales	Nov. 7	922,980	1,042,295	773,209	1,098,405
Total sales	Nov. 7	1,089,170	1,227,685	936,779	1,405,835
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 24	110.0	109.8	110.0	110.0
Farm products	Nov. 24	95.0	93.2	94.3	101.7
Processed foods	Nov. 24	103.8	103.9	104.3	104.5
Meats	Nov. 24	84.8	84.5	87.0	96.2
All commodities other than farm and foods	Nov. 24	114.6	114.6	114.6	113.0

*Revised figure. ¶Includes 621,000 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
BANKER'S DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of October 31:			
Imports	$226,662,000	$237,182,000	$237,106,000
Exports	144,720,000	134,767,000	113,855,000
Domestic shipments	10,052,000	10,794,000	7,869,000
Domestic warehouse credits	45,477,000	28,826,000	32,348,000
Dollar exchange	55,708,000	65,703,000	30,393,000
Based on goods stored and shipped between foreign countries	34,103,000	37,669,000	27,858,000
Total	$516,722,000	$514,941,000	$449,429,000
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S.— U. S. DEPT. OF LABOR—Month of Aug.: (000's omitted):			
All building construction	$800,640	$884,063	$751,700
New residential	417,423	427,115	419,350
New nonresidential	275,264	332,523	232,996
Additions, alterations, etc.	107,954	124,425	99,354
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of September:			
New England	$20,873,692	$18,057,583	$15,982,982
Middle Atlantic	83,880,794	81,114,403	72,483,788
South Atlantic	43,973,129	45,990,216	35,742,737
East Central	76,911,547	96,190,676	91,666,219
South Central	67,283,622	50,434,647	58,270,660
West Central	31,000,477	29,246,394	32,199,308
Mountain	19,299,810	11,743,728	11,657,832
Pacific	66,337,155	87,422,481	72,057,462
Total United States	$409,560,226	$420,200,128	$390,060,988
New York City	42,701,615	38,704,044	34,304,009
Outside New York City	366,858,611	381,496,084	355,756,979
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE — Month of October (000's omitted)	$553,000	$1,235,300	$540,500
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of Oct. 31 (000's omitted)	$535,000	$475,000	$591,000
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Lint—Consumed month of October	872,128	702,425	915,568
In consuming establishments as of Oct. 31	1,506,192	1,296,811	1,300,832
In public storage as of Oct. 31	9,406,484	5,852,917	6,753,266
Linters—Consumed month of October	123,614	121,971	107,900
Stocks Oct. 31	1,156,487	1,041,594	711,173
Cotton spindles active as of Oct. 31	19,953,000	20,030,000	20,188,000
COTTON GINNING (DEPT. OF COMMERCE)— As of November 1	10,787,521	------	10,807,206
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE— As of November 1 (in thousands):			
Corn, all (bushels)	3,180,430	3,196,101	3,306,735
Wheat, all (bushels)	1,163,231	1,163,231	1,291,447
Winter (bushels)	878,331	878,331	1,052,801
All spring (bushels)	284,900	284,900	238,646
Durum (bushels)	13,424	13,424	21,363
Other spring (bushels)	271,476	271,476	217,283
Oats (bushels)	1,205,106	1,205,106	1,268,280
Barley (bushels)	237,476	237,476	227,008
Rye (bushels)	17,452	17,452	15,910
Flaxseed (bushels)	39,011	39,011	31,002
Rice (100 pound bag)	52,628	51,328	48,660
Sorghum grain (bushels)	116,621	114,590	83,316
Cotton (bales)	16,093	15,596	15,136
Hay, all (tons)	105,563	105,563	104,424
Hay, wild (tons)	12,477	12,477	10,935
Hay, alfalfa (tons)	43,462	43,462	42,438
Hay, clover and timothy (tons)	30,299	30,299	31,755
Hay, lespedeza (tons)	4,911	4,911	5,147
Beans, dry edible (100 pound bag)	17,557	17,730	16,777
Peas, dry field (100 pound bag)	3,347	3,347	2,610
Soybeans for beans (bushels)	252,276	259,483	291,682
Peanuts (pounds)	1,427,155	1,393,995	1,354,010
Potatoes (bushels)	370,856	373,939	347,504
Sweetpotatoes (bushels)	33,464	33,709	28,292
Tobacco (pounds)	2,045,875	2,032,557	2,254,855
Sugarcane for sugar and seed (tons)	7,525	7,525	7,599
Sugar beets (tons)	11,557	11,496	10,160
Hops (pounds)	41,752	41,752	61,263
Apples, commercial crop (bushels)	94,064	99,611	92,489
Peaches (bushels)	63,894	63,429	62,560
Pears (bushels)	29,135	30,374	30,947
Grapes (tons)	2,749	2,773	3,173
Cherries (12 States) (tons)	230	230	218
Apricots (3 States) (tons)	214	214	177
Cranberries (5 States) (barrels)	1,209	1,075	790
Pecans (pounds)	184,962	185,132	147,946
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of August:			
All manufacturing (production workers)	13,852,000	*13,656,000	13,069,000
Durable goods	8,050,000	*8,038,000	7,332,000
Nondurable goods	5,802,000	*5,618,000	5,737,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	112.0	*110.4	105.7
Payroll Indexes (1947-49 Average = 100)—			
All manufacturing	151.7	*149.1	134.2
Estimated number of employees in manufacturing industries—			
All manufacturing	17,253,000	*17,055,000	16,280,000
Durable goods	10,004,000	*9,991,000	9,142,000
Nondurable goods	7,249,000	*7,064,000	7,138,000
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of Oct.	£16,795,000	£8,011,000	£3,940,000
NEW YORK STOCK EXCHANGE—As of Oct. 30 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$1,640,628	*$1,625,074	$1,315,863
Credit extended to customers	31,100	33,553	30,640
Cash on hand and in banks in U. S.	288,619	295,404	343,722
Total of customers' free credit balances	674,408	673,578	692,017
Market value of listed shares	115,428,148	110,478,753	112,151,693
Market value of listed bonds	94,571,815	93,472,388	100,349,123
Member borrowings on U. S. Govt. issues	101,133	106,026	106,402
Member borrowings on other collateral	1,159,588	1,122,306	912,280
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of October:			
Net sales	------	------	------
Net purchases	$16,970,000	$38,406,800	$16,543,500

Continued from page 5

Economics and the Engineer

hammering it with a sledge hammer in anger? Having taken out three of the four spark-plugs of a four cylinder engine, by a 75% rate of tax upon efficient concerns, the machine of free enterprise limps badly.

Your Towne Lecturer in 1947, Mr. C. E. Wilson of General Motors Corp., mentioned the narrower definition of profit as "excess of returns over expenditure." In justice to the Honorable Mr. Wilson, it should be pointed out that he goes on to say this is only part of the definition because it "ignores the dynamic role that industrial profits play in the economy." But Mr. Wilson did not point out that the standard of value must be defined and fixed, if bookkeeping in dollars is to represent a true condition. For this purpose the gold standard throughout all history seems to have been the best time-tested standard.

Economic Considerations Govern Intelligent Action

Why should we engineers concern ourselves with economics and more particularly with monetary economics? It is because we live and work in a field where economic considerations govern intelligent action. Without a standard of value by which to compute the desirability of one course of action compared to other possible courses, the engineer is without guide or compass. It's as if the chemist were to be deprived of his balance, or the mechanic were to be deprived of his measuring scales. Is one particular process, tool or machine preferable to another? How do we decide? We do so by trial and error and assess the results by economic considerations. We total up the man hours of work, at the rates of pay to which the capacities of free workers entitle them, we add the other costs, such as electric power, fuel, lubricant supplies and materials used in each of the several processes to be compared. That sum is expressed in units of a common denominator, called the dollar in the United States. The products are compared in their values, expressed likewise in dollars. The length of life of the machines or other capital equipment required for each process is compared and the costs for replacement of the equipment when it becomes useless, by wearing out or by obsolescence, are all expressed in dollars. To those of us who have to deal with evaluation of risks the mathematics of probabilities must also be applied.

What happens, when as at present, the standard of value—the yardstick or measure of all wealth —is uncertain and for 20 years has been steadily deteriorating, having lost about half its purchasing power in the United States in the past 10 years and 90% or more in many nations abroad? And moreover, because of steeply graduated income taxes one dollar earned by one person or concern is not equivalent to a dollar earned by another person or concern because variable percentages of that dollar are taken away in income taxes? We mechanical engineers have all had experiences where we can show that a machine will pay for itself in five years in shop costs, but when earnings from the use of that machine are taxed at 70%, the management must take into consideration that it will require 16⅔ years to pay for the machine in 30-cent dollars retained after taxes. The equation then becomes affected by the laws of chance. What are the chances that taxes will be lowered during the period of useful life? Will Excess Profits Taxes be in effect during the years of useful life? What will be the most likely value of the dollar when the machine is worn out and another must be bought to replace it? If it is likely that the dollar will buy only half as much after 16⅔ years one must reckon on 33 years to repay the value needed to replace the machine; and if the folly be compounded by the dollar deteriorating to one-fourth its value in 33 years, earnings must be four times as much as would have been the case with a stable dollar.

Conversely, if distrust of the results of the continuation of the present domestic policy of politically managed credit and irredeemable paper currency prevails and produces economic distortions, paralysis and possible stagnation, the machine may be bought second hand later for a few cents on the dollar. Strange as it may seem to those who have not studied the history of paper money, bad times occur when people lack the confidence engendered by the gold coin standard. Good times are not ensured by a plethora of money and credit.

As economists say, you cannot push on a string. You can lead a horse to water but you can't make him drink, say some; but others add that you can hold his head under water until he drowns of liquidity.

The Greenback Period

The longest period of depression in the U. S. A. was from 1873 to 1879, when the threat of Greenbacks prevailed among businessmen. It was dispelled in 1879 when we resumed gold payments under John Sherman. In our own experience, since we were taken off the gold standard to try a "liberal" experiment in 1933, there were 13 consecutive years of budgetary deficits. Did that period encourage the activities of free men? No, on the contrary, between August, 1937 and March, 1938, the stock market index dropped nearly 50% and from May, 1937 to May, 1938, industrial production dropped nearly 33% in one of the sharpest declines in any 12-month period in our history. Commodity prices, on the eve of our participation in World War II (i.e., November, 1941), were only 92.5% of 1926 prices. This was despite the 41% devaluation of the dollar in 1934. This devaluation laid a base for our present great depreciation in the purchasing power of your dollar which in March, 1951, reached the lowest level in our history since 1914.

There is no valid basis for the widespread belief that irredeemable paper currency produces stability. The average number of unemployed in each year from 1934 to 1939, inclusive, never was less than 7,700,000 (in 1937) and even as late as 1939 the unemployment was still 9,500,000. Failure of more substantial recovery to occur for such a long period had not happened since the somewhat similar experience in 1873-79. Only the harsh remedy of war obscured those tell-tale lines on the charts of objective economists recording the failure of the paper money plan in peacetime conditions to reduce unemployment permanently and substantially.

Confused by all this, management and more importantly, the investors they represent, either refrain from making investments or wishfully gamble upon "something turning up" to improve their conditions. Gambling becomes a habit instead of sensible computation of calculated risks in business; unproductive gambling becomes a national abomination in countries undergoing monetary inflation. Meanwhile, only a few wise and honest men devote themselves to the fundamental necessity of re-establishing a sound currency before we come to the end of the road—total repudiation of all money and fixed investments. The French chemist, Lavoisier, Pierre Dupont, Condorcet, Desmeuniers and others having knowledge of the fallacies of irredeemable currency advised against the assignat of the French Revolution, even though based upon land taken from the Church ostensibly as security.

The Killing Effect of Unsound Money

Among us are engineers whose work is to protect the country in time of war. To them may I point out that efficiency of production and choice of what we should do requires a money calculus. To destroy a large animal it is only necessary to strike his nerve center, his brain, with a bullet, whereupon the creature no longer coordinates the actions of his organs and muscles. He then falls sprawling to the ground aimlessly twitching until he dies. As Karl Marx and Frederick Engles preached in 1848, to destroy a complicated civilized society it is only necessary to paralyze the nerve centers by which it coordinates its economic activities, namely its monetary standard and its free markets. France has been suffering from the effects of a deteriorating franc for more than a generation. Those who have relied upon repayments in francs have suffered the cruel loss of 99% of their value since 1914. No wonder that the conservative creative middle class there has been ruined with consequent loss of national power resulting in the present political anarchy in France!

Keynes reported Lenin as having said that the best way to weaken a capitalistic country, to take it over for communism, was first to debauch its currency. That is done by denying to the people the use in their exchanges of any fixed monetary standard expressed as a definite weight of precious metal. Napoleon, whose works are studied by military men, announced in 1797 when the policies of the Revolution had ruined the currency of France and had left her isolated and threatened by enemies, that he would never, so long as he lived, resort to the printing press. He, contrary to the common practice of dictators, returned to a metallic standard—silver and gold. It is as stupid in time of war or threat of war to abandon a sound standard of value as it would be to confiscate all calipers and micrometers in time of war on the grounds that we should not measure accurately what we are doing in war time. A recent Norwegian book by T. J. B. Hoff, "Economic Calculation in a Socialist Society," shows that even Socialist societies have to reintroduce prices and concepts of value in order to organize production and distribution.

What Happened to the Dollar Since 1933

Having mentioned a few of the difficulties arising from the kind of monetary and taxation systems under which we are living, let's get back to the fundamental unit, the dollar. At present and since March 6, 1933 it has been forbidden for Americans to own or use gold or gold coins for money. Yet we continue to make good to foreigners, through central foreign banks, redeeming their dollar credits on the U. S. Treasury at the fixed rate of $35 per ounce of gold as established on Jan. 30, 1934. On Nov. 10, 1953 our Treasury had lost $1,261,000,000 in gold so drawn out over the amount of gold acquired during the past 12 months.

It was on the advice of principal members of the Committee for the Nation, aided chiefly by the agricultural economist, George Warren, of Cornell University, that our Government, contrary to its platform pledge in 1932, went off the gold standard for its own citizens. It was contrary to advice of more than 94 of the qualified American monetary economists polled at that time. The Economists' National Committee on Monetary Policy was formed to warn the people of the eventually evil consequences of that policy. It was as if our Government had called in a group of farmers to establish standard gear designs for use in America, despite the objection of a committee of the American Society of Mechanical Engineers comprising the largest qualified group of engineers and manufacturers concerned with that subject. Doubtless the Administration then in power could not find a qualified monetary economist among the American stars of that science, who would not expose the fallacy of Keynesian economics for the long run. Keynes himself qualified his theory as suitable only for the special case. His ardent followers forgot to read attentively his complete theory as they were anxious to try the experiment of tampering with the standard of value. And also, facts now revealed show that among the advisors of the U. S. Government, close to the President, were many Communists in high positions.

We were not forced off the gold standard! The Roosevelt Administration deliberately abandoned it; and the resulting system met with the approval of and has been furthered by the Communists who have infected our Government particularly in the U. S. Treasury. There was more gold in the U. S. Treasury Jan. 1, 1933 than there had been in any month in 1929 (the range was from $3,828,000,000 to $4,094,000,000) when it had supported a very high amount of credit and sustained prices. There was very little drain on the U. S. Treasury by U. S. citizens' conversion of Federal Reserve notes or of gold certificates into gold coin. They wanted cash, not gold; they had faith that their currency was and would be redeemable in gold. The circulation of gold coins was 2.23% of the total stock in 1928; 2.05% in 1929; 1.68% in 1930; 1.81% in 1931; 3.64% in 1932. The biggest drain was in bullion withdrawals by foreigners in October, 1931 to June, 1932. Our action in going off the gold standard was the equivalent of fraudulent bankruptcy — the action of a solvent debtor concealing his assets to cheat his creditors.

Inconsistency of Our Monetary Policy

Why should we continue a policy which exposes us to drains of gold to foreign countries, while denying the same protection to the U. S. citizen whose toil, ingenuity and risk-taking caused the gold to be in the Treasury in exchange for the products of his work? Especially is there no sense in this discrimination when the evidence shows that the American citizen has shown more trust in his Government than have foreign central banks and governments. Their percentages of withdrawals during the period between October, 1931 through June, 1932 ranged from 8.15 to 15.83% of our total gold stocks and that involved a very high percentage of their total claims against our gold. Those in authority in any Administration who fear that the people would refuse to leave their money in the Treasury if they were free to convert it into gold coins are pointing the finger at themselves as contemplating actions of which the people would not approve.

Let's get back to the fundamental unit which appears as the right hand side of any economic equation which we engineers have to make; that figure is preceded by the dollar sign; it is half of the problem. It's high time we engineers took a look at it.

Functions Performed by the Dollar

What are the functions which a dollar has to perform? Let me list them briefly.

The unit of value, if good, is required to act (1) as a fixed common denominator and yard-stick for day-to-day transactions in our own country; (2) to serve equally well as a standard in deferred transactions, that is when one party does something in consideration of payment after a period of time has elapsed; (3) in the form of coin as a store of value upon which free citizens can rely; (4) as a common denominator and, in the form of coin, as a settler of balances of payments in transactions between persons in different parts of the world, that is in international exchange; (5) in the form of coin as asset reserves for central banks; and (6) most importantly as a check upon predatory governments who would otherwise build up political machines and take over the ordering of the economic lives of the citizens for the benefit of themselves and their political followers, by seizure and manipulation of the monetary standard and currency.

I shall not bore you with an analysis of reasons why the gold coin standard meets the requirements of each of the above six functions better than any other as all experience throughout history has shown.

It may be more heart compelling for oratorical purposes to relate only the circumstances under which the gold standard and a redeemable currency as a store of value protect our women and children. They need that protection. But so do the children of the mind. Our members know the birth pangs of invention.

How do new jobs come up in your town? Very often it's the result of an invention. Sometimes it is the consequence of what we may call an innovation, that is, trying something brand new. If the inventor or innovator has enough money on hand, already saved for such an opportunity, he is able to buy what is needed to operate the idea to see whether it works out and yields a profit. If he doesn't have enough money himself to start, he may take in a few partners who have enough money among them which they can risk.

A letter to the "New York Times," published Aug. 30, 1953 under the caption "Defining Inventions" says in part, "Inventions, after they are made, are of necessity obvious, for each step in their creation, when all the facts are known, must appear as a correct and logical step. An 'invention' which did not follow the laws of nature would not work. But before an invention has been made the steps were not logical; had they been so, someone else would long before have taken them."

When Henry Bessemer in 1856 believed it practicable to make steel by blowing air through molten pig iron he had already earned and saved considerable sums of money by use of his earlier inventions, notably the manufacture of bronze paint. He says in his Autobiography": "After a full and deliberate consideration of the whole case I resolved to continue my researches until I had made my process a commercial as well as a scientific success—there were duties which I owed to myself and to my family. Having thought thoroughly over the risks and powerful opposition I had to fight, I came to the conclusion that it was my duty to settle the sum of £10,000 ($50,000) on my wife, under trustees; so that I could not be ruined absolutely in further pursuit of my invention or by litigation in defense of my patent rights. After this investment I had still £12,000 ($60,000) to spend in perfecting my process if found necessary. My partner, Mr. Lonsdon, who had implicit faith in me, intimated his resolve to go heart and soul with me in bearing his share of the cost."

Bessemer came by his use of a store of value naturally. He describes how his father, a talented mechanical engineer in Paris, and inventor of the portrait lathe, caught in the disorder of the French Revolution, escaped during a lull in the hostilities, taking his family to England, bringing with them a vast quantity of paper money, assignats, which proved to be worthless, but more importantly a considerable sum in gold coins. With the latter he was able to establish himself as a die maker, and later made dies for the Caxton printing type. As a personal testament I can tell you, only because it is an example known to me, that a store of value of $71,500 in my hands in 1938 enabled me to try out my metallurgical idea of making hard carbide crystals under various molten metals, providing profitable employment for 12 men in 1938 and 1,300 men in 1953. I am sure that in this room are many who share my experience that good ideas don't grow without a store of value in the hands of those fathering the idea. If it's really new it is by definition not likely to be recognized by existing authority, least of all by a group of governmental planners. Developments of all sorts by free individuals, are facilitated by private use of money as a store of value. I know of none which serves so well as gold coins or gold convertible currency, in the protection of the individual against the follies of planners with paper money. To deny to the American citizen the use of monetary metal in which our dollar is defined, namely one ounce of gold being $35, is to deny to him the best type of a store of value.

It is not a mere coincidence that the curve of patent applications as an index of the birth rate of new ideas fell sharply after 1933. Centers of initiative require centers of private capital to be effective.

I shall skip over other functions of the money of which a good standard unit is made, important as they are, to the sixth. The sixth is a check upon predatory governments who would otherwise build up political machines and take over the ordering of the economic lives of citizens for the benefit of themselves and their political followers by seizure and abuse of the monetary standard.

A Good Monetary Unit

In a free country a good monetary unit is expressed in terms of a metal—gold or silver—having intrinsic value independent of the ruling politicians. Before 1933 our dollar had been that kind of money. Throughout our history since 1792, except for the relatively short periods of suspension of redemption by our banks and the suspension by our government from 1861 through 1878, our paper currency was redeemable or convertible into a certain weight of gold (or gold or silver so long as we had bimetallism) at the free option and choice of the holder of paper money. Our years of redeemable currency brought us great prosperity. The 17 years of irredeemable currency during and following the Civil War were ended by the resumption of specie payments in 1879. That ended the depression of 1873 to 1879 and ushered in the era marked on the economists' charts as the "Gold Standard Resumption Prosperity." Strange as it may seem to many of us it is probable that more, rather than less credit may exist when we have the confidence engendered by the gold standard, than when the "promises men live by" are threatened by destruction of the bridges between man and man. That was our experience following resumption in 1879. Persons in various countries or over various stretches of time can make exchanges facilitated by the gold standard. Investment can go on with greater confidence.

Those espousing one or another of the monetary theories offered in defense of irredeemable currencies are ill advised in trying to attain their objectives by those means. The paper money and credit resting upon a gold standard require a degree of management too, but such management is restrained by the requirement that the currency be kept redeemable or convertible on demand of the holder into the standard of money at a fixed legal ratio.

The electrical fuse is a necessary part of an electrical system. It warns us when we are overloading the circuit. The gold standard redeemable currency people merely wish to put back that useful measure of precaution before we burn the house down by overheated wires. Someone in political circles said that we shouldn't throw on the brakes suddenly on a 20-ton truck going down hill at 60 miles per hour. The gold standard is like the best set of hydraulic brakes man has devised. It slows us down at dangerous times, gradually and steadily. Then we can resume speed when it's safe. At present the car is without brakes until we have resumed the redemption of currency in gold for American citizens. I ask you, whether we can make greater average speed, up hill and down dale, in a day's run with a car lacking good brakes, or with a car having effective brakes? What do you do when you find your brakes are not working? I slow down and creep along to the nearest service station to get the brakes repaired. Yet a theoretical view might be that because brakes hold a car back, retarding the forward movement at times, that we are better off driving without them. On the contrary, we can make better progress in a car with good brakes, and with a monetary and credit system which we can trust not to run wild.

The Republican party platform included a pledge to "restore sound money freely convertible into gold coin." Hearings on the Bridges - Reece Gold Standard Bill may be expected this winter. We are taking the car into the service station to install the brakes so that America may resume its rapid progress with safety.

If the engineering profession in its practical designing were to become endangered by political tampering similar to that forced upon us by an irredeemable paper currency do you think that the engineering societies should sit idly by? If your high standards of engineering were to be cut merely because of the present shortage of competent engineers would you think it a satisfactory solution to your problems? Your answer would be a definite "No." No more is the inconvertibility of the dollar a solution of our monetary problems.

My remarks have been designed to direct your attention to the striking parallels between the present perils of false thinking in monetary policy and those engineering problems with which we are familiar. I have attempted to trace the connection between our liberty and a currency convertible into gold at a fixed rate. There is much work to be done to get America on the road again. Let's do it! We should be people who recognize and understand the importance of acting in accordance with tested experience.

It has been an honor and a pleasure to have been your Towne Lecturer for 1953.

COMING EVENTS

In Investment Field

Dec. 18, 1953 (Los Angeles, Calif.)

Security Traders Association of Los Angeles Christmas Party at the Hotel Statler (Buffalo & New York Rooms).

Jan. 14, 1954 (New York City)

Advertising in Action Conference at the Waldorf-Astoria Hotel.

Jan. 22, 1954 (New York City)

New York Security Dealers Association 28th annual dinner at the Biltmore 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.

Halsey, Stuart Group Offer Pipe Line Bonds

Halsey, Stuart & Co. Inc. and associates are offering $25,000,000 first mortgage pipe line bonds, 4% series due 1973 of Tennessee Gas Transmission Co. at 101.379% and accrued interest. Award of the bonds was won by the group at competitive sale yesterday (Dec. 2) on a bid of 100.51%.

This issue has a sinking fund provision which calls for the retirement of $23,500,000 principal amount of these bonds (94% of the issue) before maturity.

Regular redemption of the bonds may be made at prices ranging from 105.38% to par, while sinking fund redemption prices recede from 101.34% to par.

Tennessee Gas Transmission Co. owns and operates a natural gas pipe-line system. The line begins in the Rio Grande Valley of Texas and extends in a northeasterly direction across Texas. Louisiana, Arkansas, Mississippi and Tennessee to a point in eastern Kentucky where the system divides. One branch extends into West Virginia to a point near the City of Charleston, and the other branch extends across Ohio, Pennsylvania and New York to the New York-Massachusetts state line near Pittsfield, Mass. The company's principal deliveries of natural gas are made to subsidiaries of the Columbia Gas System, Inc. and of Consolidated Natural Gas Co. Other customers include a wholly-owned subsidiary, Northeastern Gas Transmission Co., a pipe-line system serving certain areas of New England.

Consolidated net income of the company and its consolidated subsidiary for the 12-month period ended Sept. 30, 1953 was $18,812,302.

With American Securities

William Rosenwald, Chairman of the Board, and E. F. Connely, President of American Securities Corp., 25 Broad Street, New York City, announce that Courtlandt B. Parker has joined the staff in the sales department.

Continued from page 13

Our National Stake in Convertible Currencies

free enterprise which is quite hostile to and inconsistent with the view sometimes held elsewhere that it is the duty and responsibility of the state to plan the economic activities, the financial and commercial operations, of its citizens. It is this powerful resilient and dextrous American system of individual enterprise that gave succor to the world in its time of need.

It would be imprudent for us to attempt to fashion the economic, social and political pattern of other countries in our own special and worthy image, but there are few who can successfully refute the proposition that, as the domain of state planning is extended and the area within which governments substitute their dicta for the economic decisions of the marketplace grows larger, it becomes increasingly difficult for this country to remain faithful to its traditional creed, an inconvertible currency is an indispensable tool of the state planner. There is nothing which may advance designed and premeditated state planning further than the exercise by the sovereign of the power to tell its citizens where they must use their moneys, for what purpose they must be employed, and for what commodities and in what amounts they can be expended. It is for this reason that we should extend the hand of symathy to those governments whose clear abition it is to reestablish the economic freedom which wars and the dislocations caused by wars have so successfully suppressed.

Time does not permit an elaboration of the view that progress toward a much more unfettered exchange of currency is as much an indispensable bond uniting the members of the free world as it is a stimulant to the growth of trade and the development of economic and political stability among our allies, and few there are who can successfully deny the assertion that the economic and political strength of our allies is indispensable to the restoration of that sort of balance of power upon which a lasting peace may tediously be established.

Concerted Action of National Governments Needed

A prudent program toward more freely convertible currencies can be had only by the concerted action of national governments. No violent and heroic measures that might seriously damage our own internal economic health are parts of a program fit for us to adopt. Advances toward economic liberty and more freely convertible currencies can be materially assisted by us if we would take but two relatively simple steps. If we would make it clear that the present highly complicated, intricate maze of regulations governing the classification of imports into the United States and the tariff rates which apply to them were to be made simpler and certain so that an importer would know into what category his imports would fall and what tax he would have to pay, an important step would have been taken. The second important measure is for this country to make it clear that there will be no increase in the restrictions, in addition to those which already exist, on imports into the United States. These two measures alone would give importers an assurance that if they succeed in selling to American consumers commodities of a quality which make them attractive and at a price which is appealing, the government will not interfere to compel the importer to retreat and to incur the loss which government intervention forces him to sustain.

Many industries in this country have been protected from foreign competition for a very long period of time. It is fair to say that the doctrine of protection, in its fullness, probably did not become imbedded in the American economic system until about the turn of the century and it was not until after the close of World War I that a distinguished Senator, who influenced American economic foreign policy so greatly during his tenure of office, said on the floor of the Senate that he cared not whether a tariff rate were 20% ad valorem or 5,000% ad valorem, the important thing was that a foreign commodity be excluded from our market. The policy of protection, which commenced toward the end of the last century, has tended to become, over the course of five decades, a policy of exclusion.

It is not easy to reverse this trend. To upset violently and to inflict, without notice an injury upon the interests associated with protection, might have adverse consequences not only for ourselves, but for the whole community of nations of which we are a part. But this is not to say that we cannot devise a scheme which contemplates a slow, modest reduction of our barriers—a scheme which might project itself forward into the future for a period of as much as even half a century. I am reminded that it took the world more than five decades to recover from the restrictionism, mercantilism and intense economic nationalism of the eighteenth century. What is important is that we move, even though the movement be slow, temperate and wise, for those who have grown up behind the policy of exclusionism are entitled, in all justice, to be on notice as to what they can expect and to have at their disposal a sufficiently long period of time to make adjustments and to carry out plans for a profitable future.

I do not want to leave the impression that it is for us and for us alone to take measures which may give us the benefits of a freer exchange of currencies. There is much for other countries to do. Already great advances have been made by them, markets have been restored, a part of the inflationary material has been stripped from their internal systems and many other healthy and salutary steps have been taken. But the course has not yet been fully run and it must not be interrupted. The role that we should play is one of encouragement, a stimulant as it were to further progress. The movement toward economic liberty in Britain and elsewhere on the continent has gained strength, pace and momentum. It would be unfortunate for us if, by refraining from doing the things which we legitimately and wisely can do, this strength should weaken, this pace should slacken and this momentum should wane. In many respects the year 1953 is reminiscent of July, 1933. Let us hope that the opportunity which we then missed will not be missed again.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

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.
Nov. 3 filed 150,000 shares of convertible preferred stock (par $5) being 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**—$22.25 per share. **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. 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.

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.

★ **Armstrong Rubber Co., West Haven, Conn.**
Nov. 27 (letter of notification) 1,000 shares of class A common stock (no par). **Price**—$21 per share. **Proceeds**—To James A. Walsh, the selling stockholder. **Underwriter**—Gruntal & Co., New Haven, Conn.

Atomic Development Mutual Fund, Inc. (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.

Beverage Franchises Inc., New York
Nov. 16 (letter of notification) 198,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To repay loans, to establish bottling plants and for working capital. **Underwriter**—Richard & Co., Newark, N. J.

★ **Boren Oil & Gas Corp., Wichita Falls, Tex.**
Nov. 11 (letter of notification) 748,000 shares of common stock (par 10 cents). **Price** — 40 cents per share. **Proceeds**—For working capital, etc. **Office**—Oil & Gas Bldg., Wichita Falls, Tex. **Underwriters**—Hunter Securities Corp., New York, and N. R. Real, Nutley, N. J.

Bridgeport Gas Light Co.
Nov. 12 filed 60,500 shares of 5.28% cum. convertible preferred stock, being offered for subscription by common stockholders at rate of one preferred share for each three common shares held as of Nov. 27; rights to expire on Dec. 22. **Price** — At par ($25 per share). **Proceeds** — For construction program. **Underwriters**—Smith, Ramsey & 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.

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.

★ **Calray Petroleum Corp., Reno, Nev.**
Nov. 20 (letter of notification) 125,000 shares of capital stock. **Price**—$1 per share. **Proceeds**—To drill four wells. **Office**—139 No. Virginia St., Reno, Nev. **Underwriter**—None.

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.
Oct. 30 filed 70,400 shares of common stock (par $15) being offered for subscription by common stockholders at rate of one new share for each 10 shares held on Nov. 19; rights to expire Dec. 8. **Price** — $24.50 per share. **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.**
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; rights to expire Jan. 18. **Price**—At par ($50 per share). **Proceeds**—To reimburse treasury for expenditures made for extensions, additions and improvements to plant. **Underwriter**—None.

★ **Commercial Discount Corp., Chicago, Ill.**
Nov. 23 (letter of notification) 3,500 shares of $3.50 prior preferred stock. **Price**—At par ($50 per share). **Proceeds**—For working capital. **Office**—105 W. Adams St., Chicago 3, Ill. **Underwriters** — Julien Collins & Co. and Cruttenden & Co., both of Chicago; and The First Trust Co. of Lincoln, Neb. **Offering** — Scheduled for today (Dec. 3).

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.

★ **Dallas Power & Light Co., Dallas, Tex.**
Nov. 23 (letter of notification) 672 shares of common stock (no par) to be offered for subscription by minority stockholders on basis of one new share for each 10 shares held. **Price**—$130 per share. **Proceeds** — For new construction. **Office**—1506 Commerce St., Dallas, Tex. **Underwriter**—None.

NEW ISSUE CALENDAR

December 3 (Thursday)
Southern Pacific Co.____Equip. Trust Ctfs.
(Bids noon EST) $5,925,000

December 4 (Friday)
Jamaica Water Supply Co.____Common
(Blyth & Co., Inc.) $200,000
Kopp Scientific, Inc.____Common
(Gearhart & Otis, Inc. and McCoy & Willard) $125,000

December 7 (Monday)
Duquesne Light Co.____Preferred
(Bids 11 a.m. EST) $5,000,000
Firth Sterling, Inc.____Debentures
(McCormick & Co.) $1,600,000
Indusco, Inc.____Preferred and Common
(Prudential Securities Corp.) $280,500
Mohawk Business Machines Corp.____Common
(Bache & Co.) about 160,000 shares
New England Electric System____Common
(Bids noon EST) 125,000 shares
Tri Dent Corp.____Common
(Charles J. Maggio, Inc.) $300,000

December 8 (Tuesday)
Atomic Development Mutual Fund, Inc.____Common
(Atomic Development Securities Co.) 90,000 shares
Ludman Corp.____Debentures
(Courts & Co.) $750,000
North American Acceptance Corp.____Preferred
(J. G. White & Co., Inc.) $250,000
St. Louis-San Francisco Ry.____Equip. Trust Ctfs.
(Bids noon EST) $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 noon EST) $6,600,000

December 10 (Thursday)
Erie RR.____Equip. Trust Ctfs.
(Bids noon EST) $5,400,000
Philadelphia Electric Co.____Bonds
(Bids 11 a.m. EST) $20,000,000

December 14 (Monday)
Continental Transportation Lines____Common
(Shields & Co.) 250,000 shares

December 15 (Tuesday)
Fruehauf Trailer Co.____Debentures
(Lehman Brothers and Watling, Lerchen & Co.) $10,000,000
Texas Natural Gasoline Co.____Common
(Carl M. Loeb, Rhoades & Co. and Dallas Rupe & Son) 209,000 shares
Trad Television Corp.____Common
(Tellier & Co.) $300,000
Western Maryland Ry.____Equip. Trust. Ctfs.
(Bids to be invited)

December 16 (Wednesday)
Lewiston, Greene & Monmouth Telephone Co.____Common
(F. S. Moseley & Co.) $121,360
Narragansett Electric Co.____Preferred
(Bids noon EST) $7,500,000

December 17 (Thursday)
Chicago, Milwaukee St. Paul & Pacific RR.____Equip. Trust Ctfs.
(Bids noon CST) $7,650,000
Union Wire Rope Corp.____Common
(P. W. Brooks & Co., Inc.) 21,000 shares

January 6 (Wednesday)
Consumers Power Co.____Common
(Offering to stockholders—bids 11 a.m. EST) 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

★ Dealers Discount Corp., Darlington, S. C.
Nov. 25 (letter of notification) 23,765 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For working capital. **Office**—105 Exchange St., Darlington, S. C. **Underwriter**—G. H. Crawford Co., Inc., Columbus, S. C.

Delaware Power & Light Co.
Oct. 28 filed 232,520 shares of common stock (par $13.50) being 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**—$24 per share. **Proceeds**—For construction program. **Underwriters**—W. C. Langley & Co. and Union Securities Corp. (jointly).

Duquesne Light Co. (12/7)
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**—To be received up to 11 a.m. (EST) on Dec. 7 at the office of Standard Gas & Electric Co., 15 Broad St., New York 5, N. Y.

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.

Federal Pipe & Foundry Co. (N. J.)
Nov. 16 (letter of notification) 39,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For purchase of land and machinery, to erect buildings and for working capital. **Underwriter**—A. Kalb & Co., Trenton, N. J.

Firth Sterling, Inc., Pittsburgh, Pa. (12/7)
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.

★ Florida Towers Corp., Clermont, Fla.
Nov. 23 (letter of notification) 50,000 shares of preferred stcok (par $4) and 50,000 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$5 per unit. **Proceeds**—For construction. **Underwriter**—None.

Florida Western Oil Co.
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.

Fruehauf Trailer Co. (12/15)
Nov. 23 filed $10,000,000 of convertible subordinated debentures due Dec. 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—To retire short-term indebtedness and to increase working capital. **Underwriters**—Lehman Brothers, New York; and Watling, Lerchen & Co., Detroit, Mich.

● General Acceptance Corp.
Nov. 10 (letter of notification) 12,000 shares of $1.50 series preferred stock (no par) being 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 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.
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.
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), being 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. **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.

★ Great Southwest Fire Insurance Co., Phoenix, Ariz.
Nov. 30 filed 750,000 shares of capital stock (par $1) to be offered to policyholders in National Reserve Insurance Co. (Phoenix, Ariz.) and to present and future directors, officers and employees of both the Great Western and National Reserve companies. **Underwriter**—None.

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.

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.

★ House of Better Vision, Inc., Miami, Fla.
Nov. 25 (letter of notification) 299,500 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—268 E. Flagler St., Miami, Fla. **Underwriter**—Curlette & Co., Inc., Miami, Fla.

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.

● Indusco, Inc. (Del.) (12/7)
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 subsequent commercial exploitation in the field of ion exchange chemistry. **Underwriter**—Lee Higginson Corp., New York and Boston (Mass.). **Offering**—Date indefinite.

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.

● Jamaica Water Supply Co. (12/4)
Nov. 18 (letter of notification) approximately $200,000 aggregate market value of common stock (no par). **Price**—At market. **Proceeds**—Together, with other funds, to repay bank loans totaling $2,000,000. **Underwriter**—Blyth & Co., Inc., New York.

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.

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.

● Kopp Scientific, Inc. (12/4)
Nov. 16 (letter of notification) 125,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To repay bank loans and other debt and for working capital, etc. **Underwriters**—Gearhart & Otis, Inc., New York; and McCoy & Willard, Boston, Mass.

★ Laboratory of Electronic Engineering, Inc.
Nov. 25 (letter of notification) 17,523 shares of class A common stock. **Price** — At par ($10 per share). **Proceeds**—For working capital. **Office**—413 L Street., N. W., Washington, D. C. **Underwriter**—None.

Lewiston, Greene & Monmouth Telephone Co., Winthrop, Me. (12/16)
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. (12/8)
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.

★ MacKinnon's, Inc., Seattle, Wash.
Nov. 24 (letter of notification) $100,000 of 6% 10-year convertible coupon debentures due Jan. 1, 1964. **Price**—At par (in denominations of $500 and $1,000 each). **Proceeds** — For working capital. **Office** — 127th St. and Bothell Way, Seattle 55, Wash. **Underwriter**—First Washington Corp., Seattle, Wash.

Maine Public Service Co.
Nov. 2 filed 35,000 shares of common stock (par $10) being 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**—$20.25 per share. **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.)
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.

★ Midland Uranium, Inc., Salt Lake City, Utah
Nov. 23 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For drilling and prospecting. **Office**—504 Felt Bldg., Salt Lake City, Utah. **Underwriter**—Harrison S. Brothers & Co., Salt Lake City, Utah.

Midvale Co.
Nov. 16 (letter of notification) up to but not exceeding 3,600 shares of capital stock (no par). **Price**—At market (about $15.50 per share). **Proceeds**—To Baldwin Securities Corp. **Underwriter**—Drexel & Co., Philadephia, Pa.

★ Minerals Refining Co., Murray, Utah
Nov. 27 (letter of notification) 113,000 shares of common stock. **Price**—At par ($1 per share). **Office**—5221 So. Major St., Murray, Utah. **Underwriter**—None.

Mohawk Business Machines Corp. (12/7)
Nov. 20 (letter of notification) approximately 160,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—To buy machinery and inventory and for working capital. **Underwriter**—Bache & Co., New York.

Montreal (City of)
Nov. 19 filed $14,854,000 of series 1953 debentures for local improvements and $8,000,000 of series 1953 debentures for public works. **Price**—To be supplied by amendment. **Proceeds**—For improvements, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders may include: Shields & Co., Savard & Hart and Halsey, Stuart & Co. Inc. (jointly); Kuhn, Loeb & Co. and Glore, Forgan & Co. (jointly); Lehman Brothers; White, Weld & Co.; Smith, Barney & Co.; The First Boston Corp. **Bids**—Not expected until after Jan. 1, 1954.

★ Moore (John B.) Corp., Nutley, N. J.
Nov. 25 (letter of notification) 200 shares of 7% cumulative preferred stock (par $100) and 2,000 shares of common stock (par 10 cents) to be offered in units of one preferred share and 10 common shares. **Price**—$110 per unit. **Proceeds**—To pay bills and obligations and to purchase raw materials, etc. **Office** — 349 Franklin Ave. (P. O. Box 3), Nutley 10, N. J. **Underwriter**—None.

★ Mutual Finance Co., Tampa, Fla.
Nov. 24 (letter of notification) $300,000 of 10-year 6% convertible subordinated debentures, series A. **Price**—At par. **Proceeds**—For investmnet capital. **Office**—Wallace S. Building, Tampa, Fla. **Underwriter** — Louis C. McClure & Co., Tampa, Fla.

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 up to 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.
Nov. 6 (letter of notification) 5,955 shares of common stock (par $20) being offered to common stockholders on basis of one new share for each ten shares held on Nov. 27; rights to expire on Dec. 14. **Price** — $31.50 per share. **Proceeds**—To finance construction. **Office**—152 Thames St., Newport, R. I. **Underwriter**—Stone & Webster Securities Corp., Providence, R. I.

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• North American Acceptance Corp. (12/8)
Nov. 20 (letter of notification) 50,000 shares of 35-cent cumulative convertible preferred stock (par $5). **Price**—$5.75 per share. **Proceeds**—To increase receivables and to reduce bank loans. **Office**—765 West Lancaster Ave., Bryn Mawr, Pa. **Underwriter**—J. G. White & Co., Inc., New York.

★ Northern Natural Gas Co., Omaha, Neb.
Dec. 1 filed a payroll savings and stock purchase plan for employees of this company and of three subsidiary companies, viz: Northern Natural Gas Producing Co., Independent Natural Gas Co. and Permian Basin Pipeline Co.; as well as employees of any other subsidiary companies which may be designated. **Underwriter** — None.

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.

★ Oil Financing & Development Corp. (Del.)
Nov. 25 (letter of notification) 29,986 shares of 50-cent cumulative preferred stock (par $1) and 89,958 shares of common stock (par 10 cents) to be offered in units of one preferred and three common shares. **Price**—$10 per unit. **Proceeds**—For working capital, etc. **Office**—52 Wall St., New York City. **Underwriter**—East Coast Securities Corp., New York.

★ Orange Crystals, Inc., Oakland, Calif.
Nov. 19 (letter of notification) 5,452 shares of 6% cumulative preferred stock (par $50) and 54,520 shares of class A common stock (par 50 cents) to be offered in units of one preferred and 10 class A shares. **Price**—$55 per unit. **Proceeds**—For plant equipment and working capital. **Office**—c/o Vacu-Dry Co., 950-56th St., Oakland 8, Calif. **Underwriter**—Goodbody & Co., New York.

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. (12/10)
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**—To be received by company up to 11 a.m. (EST) on Dec. 10.

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.

• Quebec Hydro-Electric Commission
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. **Offering**—Date indefinite.

Rochester Telephone Corp.
Oct. 30 filed 156,250 shares of common stock (par $10) being offered for subscription by common stockholders of record Nov. 19 at the rate of one new share for each four shares held; rights to expire on Dec. 7. **Price**—$12.50 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — The First Boston Corp., New York.

★ Royal Appliance Manufacturing Co., Cleveland, O.
Nov. 24 (letter of notification) 2,940 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To acquire properties and for working capital. **Office**—1825 Union Commerce Bldg., Cleveland, O. **Underwriter**—None.

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.

Sams (Howard E.) & Co., Inc., Indianapolis, Ind.
Nov. 12 (letter of notification) 1,000 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—2201 East 46th St., Indianapolis, Ind. **Underwriter**—None.

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.
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.
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.

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.

★ Stephens (E. W.) Publishing Co., Columbia, Mo.
Nov. 24 (letter of notification) $86,250 of deferred obligations (non-interest bearing). **Purpose** — To liquidate 1,725 shares of preferred stock presently outstanding. **Underwriter**—None.

Strategic Materials Corp., Buffalo, N. Y.
Aug. 31 filed 198,500 shares of common stock (par $1) being offered for subscription by common stockholders at rate of one new share for each share held on Nov. 9; rights to expire on Dec. 7. **Price**—$5.25 per share. **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.

Texas Natural Gasoline Corp., Tulsa, Okla. (12/15)
Nov. 24 filed 209,000 shares of common stock (par $1), of which 134,000 shares are for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—From sale of 75,000 shares, for new construction and general corporate purposes. **Underwriters**—Carl M. Loeb, Rhoades & Co., New York, and Dallas Rupe & Son, Dallas, Tex.

★ Texo Oil Corp., Ardmore, Okla.
Nov. 23 (letter of notification) 85,320 shares of common stock (par one cent). **Price**—At market (estimated at 45 cents per share). **Proceeds**—To Harris T. Smith, Vice-President. **Underwriters** — Farrell Securities Co., New York; Alexander Reid & Co., Newark, N. J.; and others.

Three States Uranium Corp.
Nov. 13 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For drilling, surveys and working capital. **Office**—354 Main St., Grand Junction, Colo. **Underwriter** Tellier & Co., Jersey City, N. J. **Offering**—Not expected until after Jan. 1, 1954.

★ Thunderbird Ranch, Palm Springs, Calif.
Nov. 19 (letter of notification) 1,000 shares of capital stock (par $100). **Price**—$200 per share. **Proceeds**—For working capital, etc. **Address** — P. O. Box Y, Palm Springs, Riverside County, Calif. **Underwriter**—None.

★ Titanium Ores Corp., Silver Spring, Md.
Nov. 27 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For new equipment. **Office**—8007 Takoma Ave., Silver Spring, Md. **Underwriter**—Mitchell Securities, Inc., New York.

★Trad Television Corp., Asbury Park, N. J. (12/15)
Nov. 25 (letter of notification) 2,400,000 shares of common stock (par one cent). **Price**—12½ cents per share. **Proceeds**—For working capital. **Underwriter**—Tellier & Co., Jersey City, N. J.

• Tri Dent Corp. (N. J.) (12/7)
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.

★ Union Wire Rope Corp., Kansas City, Mo. (12/17)
Nov. 27 filed 21,000 shares of capital stock (par $5). **Price**—To be supplied by amendment. **Proceeds** — To Mahlon G. Ensinger, President. **Underwriter** — P. W. Brooks & Co., 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)
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**—$23.75 per American share. **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. **Offering**—Scheduled for today (Dec. 3).

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.

★ Van Camp Sea Food Co., Inc.
Nov. 19 (letter of notification) five-year 5½% bonds to be offered in exchange for 119,385 shares of preferred stock and 66,983 shares of common stock of West Coast Packing Corp. at the rate of 80 cents per bond, plus 23 cents in cash, per preferred share, and $3 per bond for each common share. **Office**—772 Tuna St., Terminal Island, Los Angeles Harbor, Calif. **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.

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.

● Atlantic Refining Co.

Nov. 24 it was reported that proposed debenture issue early next year will be around $60,000,000. The exact nature and timing of the financing are still to be determined. **Proceeds**—To be used to help pay for a $100,000,000 construction program. **Underwriters**—Smith, Barney & Co. may head group.

Aztec Oil & Gas Co.

Aug. 11 it was reported company's common stock (held by Southern Union Gas Co.) may be offered to stockholders of the parent company on a pro rata basis under a proposed divestment plan.

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.

★ Chicago, Milwaukee, St. Paul & Pacific RR. (12/17)

Bids will be received by the company up to noon (CST) on Dec. 17 at Room 744, Union Station Bldg., Chicago 6, Ill., for the purchase from it of $7,650,000 equipment trust certificates, series RR, to be dated Jan. 1, 1954, and mature in 30 equal semi-annual instalments of $255,000 each. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

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 early next year.

● Commercial State Bank & Trust Co. of New York

Nov. 24 stockholders of record were offered 11,000 additional shares of capital stock (par $25) on a 1-for-5 basis held with rights to expire on Dec. 10. **Price**—$45 per share. **Proceeds**—To increase capital and surplus.

● Commonwealth Edison Co.

Nov. 25 Northern Illinois Gas Co., a subsidiary, was incorporated in Illinois to acquire the gas properties of Edison's Public Service Company division. This unit plans to issue and sell $60,000,000 of mortgage bonds early in 1954. **Underwriters** — The First Boston Corp., Halsey, Stuart & Co. Inc., and Glore, Forgan & Co.

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 up to 11 a.m. (EST) on Jan. 6.

★ Continental Transportation Lines (12/14-18)

Dec. 2 it was announced company plans to issue and sell 250,000 shares of common stock, subject to approval of Interstate Commerce Commission. **Price**—$8 per share. **Underwriter**—Shields & Co., New York.

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.

● Detroit Edison Co.

Nov. 30 directors announced that company plans to offer to its stockholders $43,358,000 of 15-year convertible debentures on the basis of $100 of debentures for each 25 shares of capital stock held. **Proceeds**—For new construction and to repay bank loans. **Underwriter**—None. **Offering**—Expected in January.

Eastern Utilities Associates

Feb. 20 it was announced company plans sale of $7,000,000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp., White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

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.

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.

Illinois Central RR.

Nov. 20 it was reported company may sell an issue of bonds or debentures, the proceeds of which will be used, in part, to redeem on Feb. 1, next, the outstanding $34,743,000 4¾% debentures due 1966. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Harriman Ripley & Co. Inc., and Union Securities Corp. (jointly).

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.

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. **Prcoeeds** — 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.

Mystic Valley Gas Co.

Sept. 21 it was reported company plans issuance and sale of about $6,000,000 of bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.

● New England Electric System (12/7)

Dec. 1 the U. S. District Court authorized Bartholomew A. Brickley, trustee for International Hydrox-Electric System, to sell 125,000 shares of NEES common stock before Jan. 1, 1954 in order to establish a tax loss. **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). **Bids**—To be received up to noon (EST) on Dec. 7.

New York, New Haven & Hartford RR. (12/9)

Bids will be received by the company up to noon (EST) on Dec. 9 for the purchase from it of $6,600,000 equipment trust certificates to mature in 1-to-15 years. 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 Shore Gas Co.

Sept. 21 it was reported that company plans issuance and sale of about $3,000,000 bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.

● Northern Illinois Gas Co.

See Commonwealth Edison Co. above.

Northwest Natural Gas Co.

March 23 it was reported that this company plans to finance its proposed 1,300-miles pipeline from Canada to the Pacific Northwest by the issuance and sale of $66,000,000 of 4½% first mortgage pipeline bonds to insurance companies and other institutional investors and $9,000,000 of 5% debentures and 1,400,000 shares of common stock at $10 per share publicly in the United States and Canada. **Underwriter**—Morgan Stanley & Co., New York.

Ohio Edison Co. (1/13)

Nov. 19 company sought SEC approval to offer for subscription by its common stockholders of record Jan. 1[illegible] 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)

Nov. 19 company applied to SEC for authority to issue and sell $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.

Otter Tail Power Co.

June 25 FPC authorized company to issue a maximum of $4,000,000 unsecured promissory notes to banks, the proceeds to provide funds to temporarily finance the company's 1953 and 1954 construction programs prior to arranging for long-term financing. **Underwriters**—May be Glore, Forgan & Co. and Kalman & Co.

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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.

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).

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 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.

• St. Louis-San Francisco Ry. (12/8)
Bids will be received by the company at 120 Broadway, New York 5, N. Y. up to noon (EST) 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 at 165 Broadway, New York 6, N. Y., for the purchase from the company of $5,925,000 equipment trust certificates, series LL, to mature in 15 equal annual instalments. 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.

Suburban Electric Co.
Sept. 28 it was reported company plans issuance and sale of about $4,000,000 bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.

Utah Power & Light Co.
Nov. 13 it was reported company plans to offer around March, 1954, about 225,000 shares of common stock and in May or June, 1954, approximately $16,000,000 of bonds. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler. Previous common stock offering (in 1952) was made to stockholders, without underwriting.

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.

★ Western Maryland Ry. (12/15)
Bids are expected to be received on Dec. 15 for the purchase from the company of an issue of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

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 new issue market, at the moment, is suffering from a rather severe case of indigestion. Recent emisssions have not been received in a manner destined to cheer those engaged in the task of distribution.

Quite the reverse, potential buyers remain adamant and even though a number of such issues have been turned loose, the subsequent mark-up in indicated yield has not brought any rush of interest.

The underwriting fraternity, however, is not quite as glum as might be expected under the circumstances. It has recognized since General Motors, a fortnight ago, announced plans for floating 300 million of 25-year sinking fund debentures, that this project would loom as a roadblock for other borrowers until it is out of the way.

Set tentatively for the middle of next week, the big GM issue has aroused wide investor interest and the disposition apparently is to hold off other offerings in the hope of getting substantial allotments of the new debentures.

GM has no other funded debt so that this issue offers a "gilt-edge" name for many portfolios, if as expected, the terms are right. An attractive sinking fund gives added zest.

With a nationwide syndicate of some 270 houses, plus distributing dealers, slated to handle the business, full coverage of the investment field appears assured.

Hollywood vs. Office

Everybody will be back home in time to help with the task of selling General Motors' debentures next week. But somebody evidently didn't look far enough ahead when the Investment Bankers Assn., a year ago, sat this week for its annual convention.

With 1,200 or more of its members soaking up words of wisdom, and the Florida sunshine, the business of making a market for some $130,000,000 of new corporate securities fell heavily on the backs of those who stayed at home.

Bankers on the job had to take on six new bond issues ranging from $10,000,000 to $50,000,000, plus Virginia Electric Power's block of 558,946 shares of additional common stock. This plus 20 small issues of municipals.

Estimated Backlog

Those who keep a close ear to the ground on the trend of things in the new issue market were making some estimates of unsold balances remaining in the hands of underwriters and dealers at the turn of the week.

And their calculations did not make pleasant reading, that is right off. It was calculated that there is somewhere between $60,000,000 and $65,000,000 unsold in the hands of those groups which sponsored such issues.

The big hope is, of course, that if the General Motors offering moves out with celerity numerous investors who have been counting on this one will have to start looking over the field.

More Equity, Less Debt

If corporations planning to raise new capital would accept the advice of the industrial securities committee of the IBA, they would seek to obtain such funds through the sale of equities rather than debt securities.

Reporting to the association's convention, this week, the committee noted that of a total of $9.7 billion of financing done by industry in 1952 only $1.4 billion, was in the form of equity capital, and what's more this year it promises to be barely half of that amount.

The report noted, however, that high taxes generally, plus double-taxation of dividends, are among the elements which are discouraging to efforts to secure capital from such sources.

Business Man's Bookshelf

Commission Rates of the New York Stock Exchange — New commission rate booklet—Association of Stock Exchange Firms, 24 Broad Street, New York 4, N. Y. (paper), 60¢ (quantity prices on request).

Credit Manual of Commercial Laws, 1954 — National Association of Credit Men, 229 Fourth Avenue, New York 3, N. Y. (cloth, $10.00).

Dangers of Treaty Law—Frank E. Holman — Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. (paper); no charge for single copies; quantity prices on request.

Motor Truck Facts, 1953 Edition—Automobile Manufacturers Association, New Center Building, Detroit 2, Mich. (paper).

What Is Hard Water—Dr. Cornelia A. Tyler — Water Conditioning Research Council, 111 West Washington Street, Chicago, Ill. —$1.75.

Saunders, Stiver Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — John F. Chaney has been added to the staff of Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

With R. S. Dickson

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Philip T. Withers, Jr. is now with R. S. Dickson & Co., Inc., Wilder Bldg.

DIVIDEND NOTICES

Allegheny Ludlum Steel Corporation

Pittsburgh, Pa.

At a meeting of the Board of Directors of the Allegheny Ludlum Steel Corporation held today, November 23, 1953, a dividend of one dollar nine and three-eighths cents ($1.09375) per share was declared on the $4.375 Cumulative Preferred Stock of the Corporation, payable December 15, 1953, to Preferred stockholders of record at the close of business on December 4, 1953.

The Board also declared a dividend of fifty (50c) per share on the Common Stock of the Corporation, payable December 30, 1953, to Common stockholders of record at the close of business on December 4, 1953.

The Board also declared an extra dividend, payable in Common Stock on the basis of one share for each fifty shares of the Common Stock outstanding. Fractional shares will not be issued, but arrangements will be made for the Mellon National Bank and Trust Company to act as agent for the shareholders in the sale of fractional interests in shares or for the purchase of an additional fractional interest required to make a full share. This dividend is also payable December 30, 1953, to Common stockholders of record at the close of business December 4, 1953. Brokers should advise Mellon National Bank and Trust Company, Dividend Agent, Pittsburgh 30, Pennsylvania, on or before December 11, 1953, as to denominations in which certificates should be issued.

S. A. McCASKEY, JR.,
Secretary

AMERICAN ENKA CORPORATION

DIVIDENDS

The Board of Directors has declared the following dividends on the common stock:

A YEAR-END EXTRA dividend of 40c per share, payable on December 22, 1953 to stockholders of record at the close of business December 10, 1953.

A REGULAR QUARTERLY dividend of 40c per share, payable on December 22, 1953 to stockholders of record at the close of business December 10, 1953.

GAYLORD DAVIS,
Vice President and Treasurer
December 1, 1953

ENKA RAYON
TEXTILE and TIRE YARNS
1928 25th Year 1953

BENEFICIAL LOAN CORPORATION

DIVIDEND NOTICE

Dividends have been declared by the Board of Directors, as follows:

CUMULATIVE PREFERRED STOCK

$3.25 Dividend Series of 1946
$.81¼ per share
(for quarterly period ending December 31, 1953)

COMMON STOCK

Quarterly Dividend of $.60 per share

The dividends are payable December 29, 1953 to stockholders of record at close of business December 15, 1953.

B. P. FRYE
Treasurer
December 1, 1953

OVER 800 OFFICES — Beneficial Loan System — IN U. S. AND CANADA

BRILLO MANUFACTURING COMPANY, INC.

Dividend No. 95

A Dividend No. 95 of Forty Cents ($.40) on the Common Stock has been declared, payable January 2, 1954 to stockholders of record December 15, 1953.

M. B. LOEB, President
Brooklyn, N. Y.

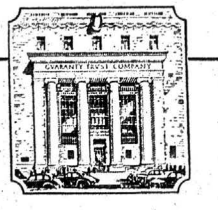
IRVING TRUST COMPANY

One Wall Street, New York

November 25, 1953

The Board of Directors has this day declared a quarterly dividend of 30 cents and an extra dividend of 10 cents (total 40 cents) per share on the capital stock of this Company, par $10, payable January 2, 1954, to stockholders of record at the close of business December 4, 1953.

STEPHEN G. KENT, *Secretary*



New York, December 2, 1953

The Board of Directors has this day declared a quarterly dividend of Seventy-five (75) Cents per share on the Capital Stock of this Company for the quarter ending December 31, 1953, and an extra dividend of Fifty (50) Cents per share, both payable on January 15, 1954, to stockholders of record at the close of business December 15, 1953.

STUART K. BARNES, Secretary

Guaranty Trust Company of New York

CANADA DRY

DIVIDEND NOTICE

The following dividends have been declared by the Board of Directors:

Preferred Stock

A regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock, payable January 1, 1954 to stockholders of record at the close of business on December 7, 1953.

Common Stock

A quarterly dividend of $0.15 per share on the Common Stock, payable January 1, 1954 to stockholders of record at the close of business on December 7, 1953.

Transfer books will not be closed. Checks will be mailed.

WM. J. WILLIAMS
Vice-President & Secretary

COMMERCIAL SOLVENTS *Corporation*

DIVIDEND No. 76

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on December 28, 1953, to stockholders of record at the close of business on December 9, 1953.

A. R. BERGEN,
Secretary.

November 30, 1953.

THE West Penn Electric Company

— (Incorporated) —

Quarterly Dividend on the COMMON STOCK

55¢ PER SHARE

Payable December 29, 1953
Record Date Dec. 11, 1953
Declared December 2, 1953

WEST PENN ELECTRIC SYSTEM
Monongahela Power Company
The Potomac Edison Company
West Penn Power Company

RAYMOND CONCRETE PILE CO.

AROUND THE WORLD — FOUNDED 1897

140 Cedar Street, New York 6, N. Y.
Soil Investigations • Foundations
Heavy Construction

The Board of Directors has this day declared an extra dividend of 50¢ per share on the Common Stock, payable on January 2, 1954, to stockholders of record on December 20, 1953.

M. M. UPSON, *Chairman of Board*
G. F. FERRIS, *President*
November 30, 1953

International Minerals & Chemicals

Mining and Manufacturing
Phosphate • Potash • Plant Foods • Chemicals
Industrial Minerals • Amino Products

★

Dividends were declared by the Board of Directors on Nov. 19, 1953, as follows:

4% Cumulative Preferred Stock
47th Consecutive Regular
Quarterly Dividend of One Dollar ($1.00) per Share.
Payable Dec. 30, 1953.

$5.00 Par Value Common Stock
Regular Quarterly Dividend of Forty Cents (40c) per Share
Payable Jan. 2, 1954.

Both Dividends are payable to stockholders of record at the close of business Dec. 11, 1953.

Checks will be mailed.

Robert P. Resch
Vice President and Treasurer

★

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

General Office: 20 North Wacker Drive, Chicago 6

NATIONAL STEEL *Corporation*

96TH CONSECUTIVE DIVIDEND

The Board of Directors at a meeting on November 25, 1953, declared the regular quarterly dividend of seventy-five cents per share and an extra dividend of twenty-five cents per share on the capital stock, which will be payable December 14, 1953, to stockholders of record December 4, 1953.

PAUL E. SHROADS
Vice President & Treasurer

NATIONAL UNION FIRE INSURANCE COMPANY of PITTSBURGH, PA.

128th DIVIDEND DECLARATION

The Board of Directors of this company today declared a cash dividend of Fifty Cents (50¢) a share on the capital stock. This cash dividend will be paid December 29, 1953 to stockholders of record at the close of business December 8, 1953.

William MacLean
Vice President-Treasurer

December 1, 1953

Pullman Incorporated

87th Consecutive Year of Quarterly Cash Dividends paid by Pullman Incorporated and predecessor companies

A regular quarterly dividend of 75¢ per share will be paid on December 14, 1953, to stockholders of record November 30, 1953.

An extra dividend of $1.00 per share will be paid on January 6, 1954 to stockholders of record December 15, 1953.

CHAMP CARRY
President

PULLMAN-STANDARD CAR MANUFACTURING CO. — KELLOGG — TRAILMOBILE

WICHITA RIVER OIL CORPORATION

On November 27, 1953, at a special meeting of the Board of Directors of Wichita River Oil Corporation, a dividend of Ten Cents (10¢) per share on the $1.00 par value Common Capital Stock of the Corporation was declared payable on January 7, 1954, to stockholders of record as at the close of business on December 11, 1953.

JOSEPH F. MARTIN,
President.
November 27, 1953.

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.

November 24, 1953

A year-end dividend of seventy-five (75¢) cents per share has been declared, payable December 22, 1953, to stockholders of record at the close of business December 9, 1953.

A special dividend of fifty (50¢) cents per share has been declared, payable January 5, 1954, to stockholders of record at the close of business December 9, 1953.

JOHN G. GREENBURGH,
Treasurer

TENNESSEE CORPORATION

November 17, 1953

CASH DIVIDEND

A dividend of fifty (50¢) cents per share has been declared payable December 23, 1953, to stockholders of record at the close of business November 27, 1953.

EXTRA CASH DIVIDEND

An extra dividend of thirty (30¢) cents per share has been declared payable January 6, 1954, to stockholders of record at the close of business November 27, 1953.

STOCK DIVIDEND

In addition, a 5% stock dividend has been declared payable December 23, 1953, to stockholders of record at the close of business November 27, 1953.

Cash will be paid in lieu of the issuance of fractional shares.

The above cash dividends will not be paid on the shares issued pursuant to the stock dividend.

JOHN G. GREENBURGH
Treasurer.
61 Broadway
New York 6, N. Y.

PENNSYLVANIA COAL & COKE CORPORATION

STOCK DIVIDEND

The Board of Directors has this day declared a stock dividend of 10% on the Capital Stock of the corporation, payable December 31, 1953 to shareholders of record at the close of business December 28, 1953.

Cash will be paid in lieu of the issuance of fractional shares, based upon the closing price of the corporation's Capital Stock on the New York Stock Exchange on December 28, 1953.

L. D. Silberstein
President
November 23, 1953

Washington . . . And You

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

WASHINGTON, D. C.—There are said to be two things to keep in mind about Senator Prescott Bush's endeavor to bring about some improvements in the SEC set-up.

The first of these is that the scope of reform must necessarily be limited.

Second, the deal which the Connecticut Senator is working out in conjunction with outstanding representatives of the securities exchanges, securities dealers, the invesment bankers, and officials of the SEC looks at this time like it has a better chance of becoming effective than any similar attempt in years.

(The text of Senator Bush's statement of his conferences on possible amendements to the Securities Acts appears on page 16 of this issue of the "Chronicle".)

Senator Bush is Chairman of the Senate Banking Subcommittee on Securities, Insurance and Banking. In other words, it is the subcommittee initially responsible for securities legislation. The word was passed out near the close of the 1953 session that the Senator was interested in bringing about some improvements in SEC. What has become apparent is that Senator Bush has really been following through.

Because of the probable circumstances of 1954, any changes in the SEC must inevitably be limited in scope. The Congressional docket next year literally will be choked, and the outlook is for one of the hottest political seasons in years.

Congress will have no time to consider anything of a controversial nature unless it is "major" legislation. In this case a major issue is not necessarily one which is important in itself, but one which occupies major attention in the oratory. In the ordinary course of events, SEC legislation probably would be smothered in the crush. That is, it would be unless something popped out of Bush's committee which could be fought over by the political wolves, but that wouldn't do, either.

So the reforms in the Securities Acts and/or SEC regulations must be limited to those which are not controversial. They must not give Fair Deal Democrats any raw meat for the political tables. They must not involve a possible scrap between any two groups which are merchandising, buying, selling, or dealing in securities.

For this reason Prescott Bush is said to be shooting at a package which will gain the unanimous consent of the Senate Banking Committee. In this case it probably can be passed in the Senate without debate.

On the other hand, reforms of far-reaching importance to the securities and investment industries can be put through if there is pretty general all-around agreement and if these reforms are, as it were, demagogic proof.

Hope for House Approval

So far as can be learned, not a wheel really turned in the House in the past session on what to do about making the SEC look more like an instrumentality of the 50's instead of one of the 30's.

On the other hand, if Mr. Bush and the repesentatives of industry can get together on such a program as the Senator is seeking, there is no reason why it should have any especial difficulty sliding through the House also, perhaps even by unanimous consent.

The objective will be to have a minimum program upon which all branches of finance agree, and which the SEC will back enthusiastically. In such a case, only pride of authorship would stand in the way of prompt House acceptance of what it is hoped the Senate will approve.

Details of possible agreement, beyond the general outlines of Senator Bush's statement, are not encouraged. Until the package is wrapped up, premature speculation might set up criticism of specific proposals.

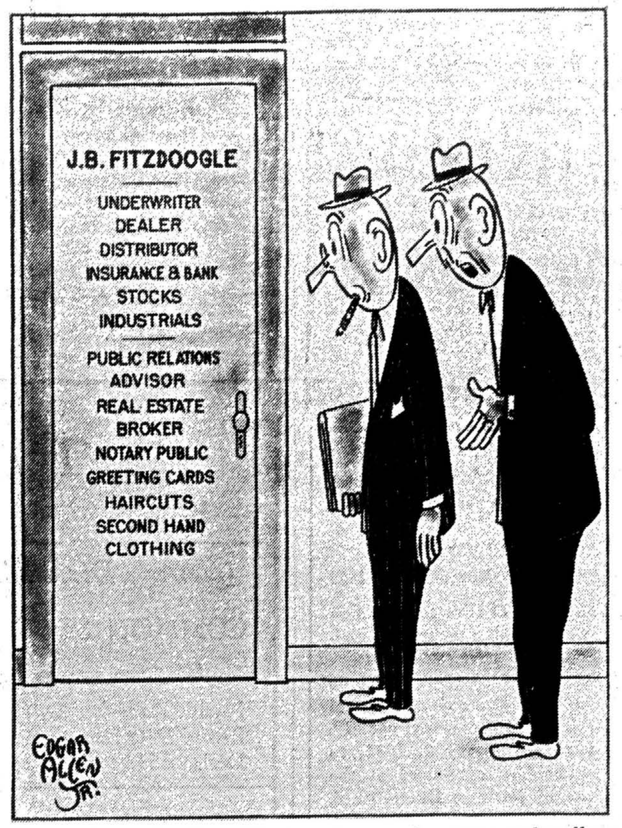
It is said that some of the objectives of the program under study may very well be achieved within the SEC by regulations or amendments to regs, without involving legislation.

Is Novel Approach

The time to sing hymns for the movement launched by the Senator will be, of course, when it becomes a achievement. Nevertheless, the approach of the Senator seems to look as though it were ideally fitted to the peculiar political and other circumstances of the day.

Senator Bush is employing Joseph P. McMurray of the staff of the Banking Committee to assist him in his conferences with not only the industry but the SEC. As a matter of fact, Mr. McMurray is said to have put into words the tentative agreements on principles and objectives with respect to modifications of law and regulations.

BUSINESS BUZZ



"Ever get the feeling Fitzdoogle may be over-extending himself a trifle?"

Mr. McMurray's ability is rated highly by the Banking Committee. He was relied upon heavily by Senator Burnet R. Maybank (D., S. C.) the former Democratic Chairman. He is also regarded most favorably by the "liberal" wing, including such Senators as John Sparkman (D., Ala.). And the new Chairman, Senator Homer E. Capehart (R., Ind.) has come to place equal confidence in Mr. McMurray's abilities.

By employing Mr. McMurray at the center of these negotiations, Senator Bush has enlisted not merely a staff member upon whom members of both parties rely, but has enlisted the sympathy of an individual whose advice is likely to be taken not only by Senator Capehart, but also by those "liberal" elements from whom trouble might be expected for anything from the securities industry, just because it came from such an industry.

Will Be Housing Report

It is now said that the President's Advisory Committee on Government Housing Policies and Programs WILL submit a report to the White House. This is due some time around the middle of the month. It will be some kind of a concensus of how much the diverse elements in the housing, home-financing, and "public interest" groups can agree on some things. And of course it will reflect disagreements as well.

This report, however, will NOT be what many persons have assumed, incorrectly or otherwise, it will be. It will not necessarily be the President's program. It will be the program of the Advisory Committee as such and it may or may not amount to anything else.

This report is likely to get a lot of space in the newspapers as the holiday approaches. However it will not commit either the President, the housing officials of the government, or the Republican party to any given program of housing law changes.

After this report is released, widely printed, and much discussed, then housing officials will get together with Congress, and write a proposed program of housing legislation. It is reported that this endeavor will have the blessing of the White House.

This joint program, however, may bear a great or only a little resemblance to the Advisory Committee's recommendations. In that case Congress will do with it what it did with the Hoover Commission report. When something is advocated in line with the Advisory Committee recommendations, the committee report will be cited in support thereof. When something is put forward contrary to the committee's recommendations, the latter will be ignored.

So it will be January or February before Congressional leaders and housing officials have got together to ascertain what they finally think they will want in housing legislation.

Sees Poor Outlook On Fee System

Budget Director Joe Dodge has entered on a valiant undertaking in attempting to get all government agencies rendering a service to industry or the professions to charge higher fees so that collections therefrom will bear a nearer relationship to costs of rendering these services.

Thus, for instance, he asked the Civil Aeronautics Board what it would recommend to provide that the cost of maintaining airways should come closer to expenditures for this service. A memo to all agencies asking for such suggestions for their services has been circulated.

Presumably the FCC would charge more for granting permits and licenses to radio stations, the Interstate Commerce Commission larger fees for certificates, and so on.

The problem of the CAB represents a typical case problem of this venture. In order to raise $25 million of the cost of maintaining the airways, the government presumably would have to raise the aviation gasoline tax, already two cents per gallon, by another two and one-half cents. Or it would have to raise aircraft registration fees according to a graduated scale.

However, one of the largest single users of the airways is the military services. Would Congress appropriate money to the military for a gasoline tax or for such registrations? If so, this would negate much of the economy. And if Congress did not tax the military, then the howl from the civilian industry would be the greater.

Furthermore, setting up new taxes and fees would require additional governmental personnel.

The vulnerability of Joe Dodge's program is political. It would require that Congress set up a system of fees or taxes for scores of industry at the same time. This would unite all the enemies of Dodge's program into one single lobby against the thing in an election year when Congressmen want to make friends and influence people.

(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.)