As We See It

It is conceivable that today, tomorrow and the next day will mark the beginning of a train of events destined to ensure the Republican party a high and honored place in history. It is likewise conceivable that these three days will mark the beginning of a retrograde movement of the party leading ultimately to the reestablishment of the New Deal, the Fair Deal or some other all-Republican deal so firmly in power that the future of the country would be imperiled for decades, even centuries to come.

There are, of course, other possibilities, but this opportunity and this danger are both so great and so real that they should dominate the deliberations of all those in conference with the President about the conduct of the party for the coming year. These consultations begin today, and while there have been various reports about what the Administration will ask of Congress, nothing really official has been forthcoming—and it is quite likely that some of the rumors have been “leaked” for bargaining purposes or for determining the drift of public opinion. Some of the reports which have been in circulation are heartening in one degree or another; some of them are not. The future must disclose authoritatively and precisely what the President and his advisers have decided—that is, if the public is ever to know exactly what takes place at the White House during these fateful days.

Standards with which to measure the real success of these talks are, however, readily available. At the head of the list of essential requirements is, perhaps, the need for a broad constructive program for the coming session of Congress, a

Continued on page 96

Productive Capacity and Business Performance

By EDWIN G. NOURSE*

Former Chairman,
President's Council of Economic Advisers

Former government economist, commenting on Washington statements that there is no danger of a serious business setback, and that government has means to ward off recession and keep it from snowballing, says he has “a sneaky feeling that Washington talk gossips over some real difficulties in creating an inflationary boom whose base has been too tenuously maintained.” Stressing importance of private business performance as element in maintaining prosperity, and declaring “prosperity simply means full utilization of productive resources.” Concludes, crucial issue of 1954 is what policies big business management and organized labor will follow.

Just three months ago I made an address to representatives of the Clearing House banks of the Memphis Clearing House Association. My title was “Recession Fears and Depression Safeguards.” Some people seem to have interpreted those remarks as entailing me in the ranks of the pessimists about 1954 or as a prophet of dearth and depression for our economy in the future.

It is true that in that speech I expressed the optimism of those who are confidently predicting that 1954 will be as prosperous as 1953—or at least only some 5% below that glowing record—and that this will all come about as the result of the spontaneous outcome of forces and circumstances inherent in our present situation; all we have to do is to refrain from breathing any chill wind of doubt or even business prudence into public thinking. Now these glowing proph-

Continued on page 90

IRA PICTORIAL SECTION—Pictures of incoming Officers and Governors of the Investment Bankers Association of America, also candid shots taken during course of the Association’s recent Annual Convention at Hollywood, Fla., appear on pages 49 to 61 incl.

The Investment Bankers Association of America Holds 42nd Annual Convention

Meeting at Hollywood Beach Hotel, Hollywood, Fla., Nov. 29-Dec. 4 is attended by retiring President, Ewing T. Bolles, and incoming President, T. Jerrold Bryce. Torey also by Seryl, of the Treasury George M. Humphrey; Ralph H. Demmler, William White, Ernest R. Beech, Raymond J. Saulnier, Capt. Edward V. Rick-enbacker, and David M. Wood. Test of these addresses, also Committee Reports and other activities, given in this issue.

The Forty-second Annual Convention of the Investment Bankers Association of America was held at the usual place, the Hollywood Beach Hotel, Hollywood, Fla., from Nov. 29 to Dec. 4 inclusive. The Association elected as President for the coming year, T. Jerrold Bryce, senior partner of Clark, Dodge & Co., New York City, who succeeded Ewing T. Bolles, President of the Ohio Company, Columbus, Ohio. The Vice-Presidents elected were Robert H. Craft, Bly & Co., New York City; Edmund T. Breslow of O.T. Breslow & Co., Chicago; Ralph E. Phillips, of Dean Witte & Co., Los Angeles, Calif.; Walter A. Schmidt, of Schmidt, Pool and Parke, Philadelphia, Pa.

Mr. T. Jerrold Bryce, the newly elected IBA President, has been in the investment banking business for almost 40 years—his entire business career. Upon completing formal education in the United States Navy, he joined the Illinois Mer-

Continued on page 88

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Dr. Pal Yi reviews the European Defense Community situation and argues for a 17-country proceeding under joint control of developments. Of course, the proposal can be revised, but it will take either too many years to American pressure and consideration of major Russian behavior. Thus, the order of the day—will the Big Three refusal to meet where the Three Little Pigs refuse to bring about a revival, let alone at all in sight?

What started the EDC into a blind alley was its inherent unrealism (pointed out by the writer in the time edition). The German Thorn in the French Flesh

The French, and not only the French, are not going to accept a purely Continental (six-nation) Union. They are determined to reorganize, notoriously "aggressive" Germany, which would become potentially dangerous. Such misgivings are well founded on the fact of Germany's undersized economy (since 1945—in contrast to France's stagnant economy) even if one fears her potential (military) aggressiveness may be unfounded. In any case, Paris has a point when it makes its consent to EDC dependent on the condition of Britain's and/or America's commitment to stay permanently on the Continent. So far as Mr. Khrushchev is concerned, the most he could offer at Bermuda—and take to Congress—is a "firm assurance" that means that he does not intend to withdraw from NATO.

The Saar is another sore point. Economic control over that small and scarce territory is vital to France, for she gains in World War II, significant for the future of the Saar. The Saar potential. The majority of the Saar population does not seem to feel strongly on the subject. Adenauer may be willing to settle the issue on French terms if it would result in full-fledged Franco-German cooperation. But it is not likely to mean much; and in any case, no German government could stand the nationalistic resentment of its voters if it were to "give up" the Saar. Internationalization is the one solution. As Mayer observes, the Saar conflict defies solution.

India-China makes things much more dangerous than the long war goes on, they can settle the Sino-Tibetan issue or man divisions in Europe. But match they must. If they keep supporting Viet Nâm—which is as much a part of the Six as it is of EDC, it is in part to use that support to deter France and Britain against Germany's rearranging. Also, part of the problem is the image of India. A China is paying the French deficit in the European Payments Union. (France is losing in for- eign trade notwithstanding a 20% 25% subsidy to every export.)

The Dynamics of a Deadlock

France is supposed to be the number One obstacle to a new defense preparations. She takes the whole blame—very unjustly, of course, for her government's inner workings of French foreign policy should improve.

Given the weakness of France when it comes to EDC, the British have it that it is a matter of contemporary financial interest to EDC project. France's acceptance of the EDC project from the outset was a guarantee to be with it, or even commit troops to the Continent. The U. S. accepted this refusal without such as an assurance. But what is in for the British goose should be sauce for the French gander. London's motives are hidden behind the ex- cuse: that it has an Empire which implies obligations transcending the European score. The French can easily say that they have an Empire, and it is just as important to them. (And they are not willing, as the British were, to have an Empire, and it is just as important to them.) Churchill plays the EDC game on both sides of the fence, so to speak. He does his best to collaborate in order to achieve the ultimate scrapping of the proj- ect, in order to come to some understanding with Germany, but on his hand, pays lip service to the plan and even gives verbal lashes to the French, in order to please the Americans to stop many's competitive progress. The British make no bones about it: that it is to the Federal Repub- lic's tremendous recovery in inter- national financial terms and the strengthening Britain in her own export bulwarks, to balance which would carry heavy armament costs. This is a spurious theory, of course, which ignores the fact that if it means that French prices are back to pre-Korean levels while British prices are some 24% (French prices 40%?) above. And it overlooks the likelihood of Adenauer's getting the lion's share in America's 15% of the 12 divisions and the commen- surate reserves.

However, the problem goes much deeper. Having been acci- dentally cited on the Marshall Plan principle—that "we owe them a living") the EDC was deeply re- sent the new tenant; that they owe us a living by.Indeed, it is only in the form of armism in a co-opera- tion

Continued on page 54
Calculated on the current easier mortgage money, Mr. Stein presents the price table of U. S. Government bonds, showing lower prices since June 1. Lists among factors contributing to easier mortgage money, continued full employment and further increase in purchasing power, which may result in a reduced capital due to subsidence in rate of business expansion.

Mortgage money is easier—relatively lower than it was during the money period previous to this in the mortgage market through the September-August early summer months, when the re- gulation was a resort to classical financial tools to convert the hightight money into bid debt into l-ter-ter debt.

The indications in early August were 'wet' for a continuation of the tight money during the Full months. Then came a modification of government policy. The sharp rise in Federal Reserve credit which was permitted to increase over a period of time leading to a large degree, this rapid recovery was maintained in the face of a substantial decrease in demand for Federal Reserve credit.

A simple change in the rate of business activity would result in a sharper easing of terms in securities matters, in the face of a substantial decrease in demand for Federal Reserve credit. A simple change in the rate of business activity would result in a sharper easing of terms in securities matters. A simple change in the rate of business activity would result in a sharper easing of terms in securities matters. A simple change in the rate of business activity would result in a sharper easing of terms in securities matters.

(3) Removal of the 3% Savings Bank rate ceiling restriction on thrift accounts in New York State, after a lapse of 20 years. Many banks will declare 'extra' to their depositors due to improved earnings. In order to maintain this pace, they will be looking for quality mortgages.

(4) A slowing down in the rate of inventory accumulations; new orders booked recently in some instances returned to the lower level of the first quarter type of credit.

(5) The most recent developments in the rate of business activity were reported yesterday by the Treasury Department.

(6) A decline in the demand for capital, particularly bank capital, by moderate sized firms from insurance companies. Sub- stantial amounts were absorbed in this manner and this money was thus made unavailable to the housing market.

(7) Elimination of the Excess Security Reserve Account. The new account will permit corporations to retain more of their earnings, thus lessening their demands on the money market.

Should the recent 'Big Three' conference in Bermuda further al- low a stabilization of the market, the price of gold, which was $45.00 or more in the free market two years ago, and is now slightly above $35.00 an ounce, will not doubt go still lower. Once this price dips below the $35.00 figure, our Treasury will be the only pur- chaser. This will have the effect of further enhancing the gold's credit base and increasing the po- tential of easier money.

The over-all national con- struction outlook for 1954 presents a cheerful picture. Projected re- dential housing starts are esti- mated about 5% under this year's total.

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<th>% Bonds due</th>
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<th>June 1 1957</th>
<th>June 1 1958</th>
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<td>94.90</td>
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A few points of interest:

- Banks for bidding the money for the next few days are more willing to hold the money for the next few days.
- The money market is experiencing a slowdown in the rate of business activity.
- The gold price is expected to decline further, which will reduce the potential of easier money.
- The over-all national construction outlook is expected to remain strong, with projected residential housing starts estimated about 5% lower than this year's total.

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The price table shows the changes in the price of Canadian National Railway stocks for the specified dates. The table indicates that the prices have remained relatively stable, with minor fluctuations. This stability is typical of the market for railway stocks, which tend to be less volatile than stocks of other sectors.

The State of Trade and Industry

Some improvement was noted in total industrial production in the week ended Wednesday, when the weekly slowdown of the prior week but output continued to be slightly below the level of a year ago.

While labor-management disputes were more common in recent months the total number of man-hours lost in 1953 from strikes was reported to be lower by 7% than in 1952. The report was in a variety of industries including telegraph, rubber, textiles and other fields. That said, labor relations in these major industries were expected to affect economic expansions within a fortieth.

The employment in November, according to the Bureau of Labor Statistics of the United States Department of Labor, dropped to 15,700,000, off 290,000 from October. This decline, six times as great as usual for the period, was accompanied by a dip in factory workers' average weekly hours to 29.8, from 30.3 in October, dropping below the 30.0 average for October. This year.

Steel Employment

Steel employment for the latest week was reported at 2,551,000, off 8,600 from the previous week. This amount was not more than offset by declines in factory and outdoor jobs.

Business is still not even.

Steel suppliers are trying to fatten their orders books by offering discounts and credits. Mills report that the market when the market was tight, according to "The Iron Age," national metals report. Mills report that the market was tight, according to "The Iron Age," national metals report.

Some producers have also been taking steps to increase production by acquiring water cooled and improved rolling equipment, which may be in the future.

Another factor in the market is the expected increase in the number of new orders for steel products. The expected increase in the number of new orders for steel products is expected to result in increased demand for steel products.

The mills are being pressed for delivery promises well within the normal pro- duction cycle. One customer recently placed an order to receive delivery in 30 days. This can be done but it plays hob with production schedules, observes this trade magazine.

Pressure to win additional concessions on freight absorption continues to exist. Several large mill owners have been fatten by their competitors. Some are trying to state their case for lower steel costs. Some are trying to state their case for lower steel costs.

Premium prices of high cost steel have been slashed right and left. And some mills have been forced to give ground on extra charges but regular mill base prices have not yet been seriously challenged, this trade authority points out. That will come in 1954. But steel firms will be loath to change base rates until they find out what it will cost them to sign a new wage contract. This should be known by midyear, it continues.

Placing of February orders for Ford and General Motors caused both pleasure and gloom among steel makers. It was stimulating to find these big customers backing their big pro- duction talk with orders. But these first February orders from the major capital remained steady sales people that the auto industry would be included. Other auto makers were still trying to chew up inventories, and in some cases production schedules had been cut, this trade publication reports.

Steel prices continue to slip in a depressed market and this week "The Iron Age" steel scrap composite price fell $1.33 to $20.66 per gross ton. This is a new low for the year, also the lowest scrap has been since the first half of 1950 before Korea.

In the automotive industry output last week suffered a 14% reduction from the week before due mainly to changesover at the Ford Motor Company's Ford plant.

Production for the latest week stood at 82,827 cars and 18,465 trucks as against 97,018 cars and 19,947 trucks in the prior week. In the same week of 1952 production was 87,526 cars and 27,839 trucks.

So far this year United States production has been 5,858,602 cars and 1,142,101 trucks. Last year to this date it was 4,995,017 cars and 1,135,115 trucks.

Continued on page 100
Air Conditioning

By ROGER W. BABSON

Mr. Babson, pointing out the need of new industries to provide work for the rapidly growing population, predicts air-conditioning as "an important new industry, not inferior to radio's."

Will you take a few minutes and discuss with your family what your community would be today if there were no automobiles or radios? What would be the condition of real estate, employment, and general business if we were driving only horses and buggies? It is estimated that 25% of the business today is due to the automobile, industries, from the making of steel and the refining of oil to the thousands of factories, gas stations, automobile agencies, and new roads, etc., today because of this industry. The automobile industry (especially the self-starter), plus the installment credit business, plus new home building, plus modern advertising, must be thanked for the high wages, full employment, and general prosperity of today. Unfortunately, however, now that the economic setup accepts the automobiles industry as her stay, some other new industry must be found to keep the prosperity ball rolling.

More New Industries Needed

The radio industry, including broadcasting, has prolonged prosperity. Television has also been a success. But now industry has yet equaled in economic importance, however, the internal combustion gas engine. This is now being used not only for automobiles and trucks, but for boats, ships, farm machinery, airplanes, and even Junior's lawn mower!

Some big business men now develop to provide work for the rapidly growing population and to take up the slack caused by the labor-saving machinery which employers are installing to offset labor's demands for higher wages and fewer hours. Furthermore, such is needed to enable the Federal and state governments to reduce taxes, which basically depend upon profits.

Consider Air Conditioning

Looking over the field, I believe that air-conditioning may partly fill the need. People in the United States now do not need as many clothes, or more transportation, or more entertainment, or more automobiles. Some do need more homes and furniture. But the demand for these necessities of life is smaller today than it was a generation ago.

This makes me bullish on the air-conditioning business. I believe that, in a few years, there will be more air-conditioning plants than there are coming out which will look like furniture and not depend upon an open window. The demand for them will increase until every room of most houses and offices will have its own air conditioner. Labor unions are already calling for air-conditioned factories.

Opportunities for Positions and Profits

I suppose that most of the models will be made by a few large manufacturers. Their sale, stallation, and maintenance will, however, give employment to thousands of people. Any young man who is determined to know more about his community about air-conditioning has a great opportunity.

One more thought. We must not forget the possibilities of solar and gravity energy—also of atomic power. Just now the latter is handicapped because of the limited supply of uranium. But with that supply increased, Uranium or its equivalent will be "crested" or made partially sympathetic. This could provide cheap power, available everywhere, which would revolutionize this industry and foreign trade, and perhaps eliminate war. This is really the best bet of all. Get into step with the coming Atomic Age.

1953 Retail Sales May Reach $171 Billion

As in previous months of this year, the value of retail sales in the United States in September last year, the year-to-year gain of 1953 was smaller than in the earlier months. As is indicated by the fact that velocity has increased, this could provide cheap power, available everywhere, which would revolutionize this industry and foreign trade, and perhaps eliminate war. This is really the best bet of all. Get into step with the coming Atomic Age.

Looking ahead to...

CANADA IN 1963

WHAT are Canada's prospects, and on what is Canada's present prosperity based?

An informative address on this subject was given recently by Rt. Hon. C. D. Howe, Canadian Minister of Trade and Commerce and Defence Production and former Minister of Munitions and Supply and Minister of Reconstruction.

Mr. Howe is unique in his power to evaluate Canada's present position and future prospects.

It has been his privilege to point out the opportunities for positions and profits.

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What to Expect from Agriculture in 1954

BY THOMAS K. COWDEN
Head, Department of Agricultural Economics, Michigan State College

Holding 1954 will see a continuation of but a less rapid decline in farm incomes than in 1953, agricultural economist says in a new development.

1954 will mark a return to more normal conditions for agriculture, after the period of abnormally high prices which, when farmers contracted high indebtedness during an inflationary period were "in trouble." Says this is not a "disastrous situation" for agriculture, and an efficient, well-organized farmer will be able to hold his present 90% of capacity, and, in addition, we have a number of techniques which should help in the depression situation. Reveals distribution of declining farm prices is that they are taking place in period of high consumer incomes. Does not expect a depression.

This topic, "Economics of Agriculture," is very broad. There are thousands of people who are vitally concerned with the various phases of it throughout the United States. It is difficult to know just where to start and how to bring it to a broader topic. I am sure we will try to do two things. First, I will give you some of the basic factors and why we have this severe agrarian problem. Second, present some broad economic principles which govern agriculture and the banking business.

It seems to me that following a talk on the politics of agriculture we should first try to determine why we have some of the agitation and confusion that we have today. We have been called to this gathering by the leadership of the nation and there was government concern over agrarian problems. Also the Granger Movement and other protests in agriculture in the last half of the 19th century illustrated and confirmed the fact that there was a tendency for discontent among the farming population at that time. It is very important that we can remember the discontent in the 1920's and the agitation that sometimes was done by the government. This culminated in the establishment of the Federal Farm Board in 1929. The farm programs in the 1930's were familiar to all of us. Many of these programs were continued during the 1940's even though we experienced the highest agricultural prices on record. The present Administration has not given any real indication that it plans to do away with farm programs. It is my guess that farm programs will be continued as long as any of us in this room remain alive. Now, what do we look at just for a little bit at what might be called the basic underlying economic factors which effect agriculture. I am going to list briefly 12 items in this conclusion.

(1) The economy is the unstable. We have a cycle of booms and wars accompanied by inflation by deflation by depression. This has a marked effect on the prices of farm goods and the prices farmers have received for their products. Inflation results in falling prices the farmers keeps on buying because he knows less by cutting back his production. In addition, many other business curtail production, cut prices and loss less.

(2) Weather. It has a basic necessity. Economists are often asked why farmers are being left without work. The prices of agricultural products are about the same. We have not been able to explain this. One theory is that the world has too many farmers. This is certainly not the case. The downward trend in agricultural products is explained by a decline in the world's demand for agricultural products.

(3) The prices of farm goods. The price of farm goods is determined by the demand for and supply of these goods. The demand for farm goods is determined by the demand for and supply of the products of agriculture. The supply of agricultural products is determined by the production of farm goods. The production of farm goods is determined by the number of farmers and the technology of agriculture.

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The TV industry is experiencing some growing pains and prospects are that this period of discontinuity will continue for another six months or so. According to the United Business Service of Boston, the outlook for 1954 is clouded by the approach of color TV. One result of this development has been to make consumers wary of buying black and white sets. The industry faces a period of hard competitive selling. Nevertheless, the Service forecasts output in 1954 will run 53 million sets, as compared with 23.5 million in 1953. Opening of new television stations will aid sales—especially as it becomes apparent to the public that reasonably-priced color TV receivers are available in quantity. More than 200,000 color sets will be produced in 1954. Early models will have only 12 by 14 inch screens and will cost $800 or more. Larger and somewhat lower prices will be offered as time goes on. But color sets have two times the number of tubes found in black and white sets—and the number of component parts. Advertisers will want the time before they assume the price for color programs, and most telecasts will continue to be in black and white for some years to come. Color telecasts will be limited to larger urban stations for some time due to the equipment costs involved. Note that 70 of movies are still in black and white. All foreign nations will be limited to the full generation after the advent of technicolor. Black and white TV is thus not become obsolete, and sales will pick up when the public begins to realize that the color for the mass market is still not ready for the future.
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<th>GROUP 1</th>
<th>GROUP 2</th>
<th>GROUP 3</th>
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<tbody>
<tr>
<td>2% Bonds</td>
<td>$2,500,000</td>
<td>Osaka, Nbr.</td>
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<td>$2,050,000</td>
<td>Watertown, N. Y.</td>
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<td>2½% Bonds</td>
<td>$6,475,000</td>
<td>Atlanta, Ga.</td>
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<td>$2,875,000</td>
<td>Peoria, Ill.</td>
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<td></td>
<td>$355,000</td>
<td>Framingham, Mass.</td>
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<td></td>
<td>$7,239,000</td>
<td>Kansas City, Mo.</td>
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<td></td>
<td>$5,210,000</td>
<td>Troy, N. Y.</td>
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<td></td>
<td>$9,343,000</td>
<td>Memphis, Tenn.</td>
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**MATURITIES AND YIELDS**

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<th>Group</th>
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<tr>
<td>1954</td>
<td>2.05%</td>
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<td>1963</td>
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<td>1964</td>
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<td>1968</td>
<td>3.45%</td>
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The bonds of each issue will be redeemable at any interest payment date on and after ten years from date of the bonds as a whole, or in part, in reverse numerical order, at a redemption price of par and interest accrued to date of redemption plus the following premiums: 4½% if redeemed on or before 15 years from their date; 3½% if redeemed thereafter but on or before 20 years from their date; 3% if redeemed thereafter but on or before 25 years from their date; 2½% if redeemed thereafter.

These bonds are offered and sold subject to prior sale and approval of legality by David Counsel.

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**Descriptive Circular upon request.**
Points for Planning an Investment Program

By EDWIN J. SCHLEISNER
Investment Counsel, New York City

Mr. Schlesiner outlines 23 points to be considered in connection with the planning of an investment program for 1954.

Concludes "It pays to be bullish on the future of the U.S.

The following 23 points are submitted in connection with planning the investment program for 1954: (1) Some economic measures as are taken by the Washington Administration may be expected by what is politically expedient.

(2) If taxes are promptly adjusted to conform to changes in the economy, over-wide fluctuations may be avoided.

(3) A well-rounded foreign trade and a prosperous railroad industry should keep the economy on an even keel.

(4) The country's growing population, presently over 160 million, should have a standing influence on the nation's business.

(5) Artificial price supports for agricultural products, if too long in force, are bad for the economy.

(6) Desirable merchandise, properly priced, should sell promptly at all times and keep employment up.

(7) A sound economy calls for a balanced budget and a gradual reduction of the national debt.

(8) The relationship between the Treasury and the Federal Reserve warrants careful watching, as it should prove helpful in revealing whether inflation or deflation has the upper hand.

(9) A portfolio should be sufficiently flexible to cope with foreign and domestic uncertainties, and be in a condition to take advantage of buying opportunities.

(10) To anticipate lower prices for prime corporate bonds and better preferred, even though interest rates may for a time decline.

(11) In deciding on the advisability of buying or selling securities, remember that conditions are better now as good as bad as they are pointed.

(12) While the volume of business is likely to be less than in 1953, net earnings after taxes and dividends of soundly managed companies should not fall much below the 1953 level.

(13) The exercise of patience in buying and selling securities is good, it is important to remember.

(14) Dispose of weaker securities during advancing markets, especially those enjoying temporary popularity.

(15) Buying stocks with eyes directed at possible capital gains can prove very costly.

(16) The purchase of growth stocks is desirable but not at fancy prices.

(17) The state of the investor's emotions has a great influence on the prices of stocks.

(18) When the best stocks decline during poor markets but usually stage a satisfactory recovery back.

(19) To average the over-all loss of 1953 important to remember it should be spaced with the heaviest buying during poor markets.

(20) To keep a portfolio in vigorous shape, some calculated risks will have to be entered.

(21) Since yardsticks used to measure the desirability of stocks and bonds change continuously, it is essential to have a forward-looking investment policy able to handle new situations as they arise.

(22) Important for a portfolio to consist of the right percentage of government securities, preferred stocks, bonds and cash.

(23) It pays to be bullish on the future of the United States.

Farm Income Down for 2nd Consecutive Year

Returns for September provided further evidence that cash income received by the farmers in the United States during 1953 would show a decrease for the second consecutive year, according to the Alexander Hamilton Institute. Their income in September was 7.6% smaller than in the same month of last year, while the year-to-year decrease in the total for the first nine months was 4.9%.

The latest estimate indicates that the farmers' cash income, including government benefit payments, for all of 1953 will amount to more than $3,450,000,000 and may be less. This will compare with $2,646,000,000 in 1952 and with the record high of $3,085,000,000 in 1951. A further decline in the farmers' income seems to be in prospect for 1954 in view of the fact that the prices of farm products are now 9% below the level of a year ago.

John C. Lee Partner
In Goodbody & Co.

John C. Lee, Manager of the cotton department, will be admitted to partnership in Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1.

$48,300,000
Western Maryland Railway Company
3% Equipment Trust Certificates, Series R
(Philadelphia Plan)

To mature $72,000,000 annually from December 15, 1954 to 1968, inclusive.

To be guaranteed unconditionally as to payment of principal and dividends by endorsement by Western Maryland Railway Company.

MATURED AND YIELDS
(Annual interest to be added)

1954 2.215% 1959 2.96% 1964 3.075%
1955 2.245% 1960 2.95% 1965 3.10
1956 2.25% 1961 3.00% 1966 3.13
1957 2.70% 1962 3.025% 1967 3.15
1958 2.80% 1963 3.05% 1968 3.18

Issuance and sale of these Certificates are subject to authorization by the Interstate Commerce Commission. The offering Circular may be obtained in any State in which this announcement is circulated from any of the underwriters and other dealers as may be authorized to sell these securities in such State.

HALSEY, STUART & CO. INC.
R. W. PRESSPHIC & CO. L. F. ROTHSCCHILD & CO.
IRA HAUPT & CO. WM. E. POLLOCK & CO., INC.
GREGORY & SON McMASTER HUTCHINSON & CO.

December 16, 1953

Dealer-Broker Investment Recommendations & Literature

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

Atomic Energy in Industry—Review—Thomson & McKinnon, 1 Wall Street, New York 5, N. Y.
Canada—Monthly business review—Bank of Montreal, 64 Wall Street, New York 5, N. Y.
Capital Gain Program—Free trial subscription—Homer Fahrner, Corning, Calif.
Chemicals—Analysis—David L. Babbon & Company, Inc. 49 Broad Street, New York 4, N. Y.
Farm Chemicals—Illustrated brochure—E. L. du Pont de Nemours & Company, Wilmington, Del.
Federal and State Stock Originals and Transfer Tax Rates—Booklet of current rates—Registrar and Transfer Company, 59 Church Street, New York 7, N. Y.
Food Machinery & Chemical Corp.—Analysis—Francis P. Pont & Co., 1 Wall Street, New York 5, N. Y. Also available in book form, bound volume of T. F. Mallory & Co. and a selected list of Low Priced Stocks.
Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks series and the over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to field and performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 13.
Natural Gas Producers—Analysis—Fridley & Hess, First National Bank Building, Houston 2, Tex.
Poor's 1954 Register of Dividends and Executives—Contains corporate listings of nationally known companies, titles and dates of thoseinidad and addresses of those officials, technical personnel, traffic managers, sales managers, purchasing agents, etc.; includes histories of 80,000 executives; breakdown of 207 classifications of industry, with a products index of over 2,500 commodity and service items.—For examination copy write Dept. AT33127, Standard & Poor's Corporation, 345 Hudson Street, New York 14, N. Y.
Stock Transfer and Registrar Services—Booklet—Stock Transfer Services, 111 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1.

Quality Stocks
American Enka Olin Industries
M. A. Hanna Time Inc.
Grinnell Corp. Valley Mold & Iron

Primary Markets
TROSTER, SINGER & CO.
HA 2-2400
74 Trinity Place, New York 6, N. Y.

Members: N. Y. Security Dealers Association

NY-1-376

Continued on page 110
Air Conditioning — Recession Proof Industry

By MATTHEW M. LAWER
Vice-President, Worthington Corporation

Stressing air conditioning as a recession-proof business, Mr. Lawer suggests several key points: (1) the increasing volume of sales will force more and more to store air conditioning in larger and more modern homes; (2) manufacturers will be seeking ways to lower costs and improve quality of products; and (3) modern homes will require air conditioning.

Let me tell you what you the air conditioning industry is facing today as we see it. It is the res-
ci- denti al air conditioning market is the hottest to date. 
You'll pardon the pun—let's get right to the point.

The American Institute of Electrical and Gas Engineers, and their forecast of sales of central air conditioning for the five years is as follows:

| Year | Sales
|------|------|
| 1954 | 120,000
| 1955 | 240,000
| 1956 | 360,000
| 1957 | 500,000
| 1958 | 700,000

Within ten years, according to the Institute, the new air conditioned home will be obsolete in seven years. The year around air conditioning will be standard equipment in practically every home.

Now you may well ask: what is the reason for this? How is this the justification for any such optimistic sales figure? Let me give you some facts and figures about American homes.

Some have been built at the rate of one million a year for the last seven years. That's the growing end of the home market.

Twenty-five million of U.S. homes have central heating, and more than half of these— about 14 million— are equipped with air conditioning. Thus, we believe there is a market for air conditioning.

About 7½ million of these are equipped with gas, and of these, we believe, will require completely new air conditioning and heating units, plus modernization of the duct work. Some 2½ million are using electric air furnaces more than five years old, and can be considered as prospects for replacement. That's about 10 million units.

Central Station Systems—One reason for the forecast of the increase in the market holds —for business, commercial and industrial establishments—is one of the fastest growing business. But our guess is that the potentialities in this field are still enormous. Only a fraction of the number of buildings and industrial establishments of the country are air-conditioned.

Real estate experts tell us that once the amount of air conditioned offices—5,000 square feet in our city reaches 15% of the total, the owners of the remaining space are forced to modernize in order to retain their rent levels and keep their tenants.

If this rule is correct, then it means what it to your business— and ours.

Take a look at the office building situation in New York City. For example, New York has had a postwar construction boom involving some 351 new buildings completed, under construction or to be completed before the end of 1955. These buildings contain more than 10 million square feet of air conditioned prime office space.

But in the business districts of New York there are 343 reasonably modern buildings, not air conditioned, containing 67½ million square feet of rental area

These buildings are in various stages of a 1,000 square feet of air conditioned prime office space.

The prospects may be obtained in any State in which this announcement is circulated from only such of the underwriters and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.
BLAIR, ROLLINS & CO.
BAXTER, WILLIAMS & CO.
WEEDEN & CO.
BACH & CO.
SMITH, WILLIAM E. INC.
W. E. POLLOCK & CO., INC.
THE ROBINSON-HUMPHREY COMPANY, INC.

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

$20,000,000
Philadelphia Electric Company

First and Refunding Mortgage Bonds, 3½% Series due 1983
Deed December 1, 1953

Price 99.517% and accrued interest

The Prospects may be obtained in any State in which this announcement is circulated from only such of the underwriters and other dealers as may lawfully offer these securities in such State.
Railroad Credit Boosted
By More Efficiency

By HENRY LYNE, Jr.*
Assistant Director, Security Research Bureau.
Philadelphia.

Mr. Lyne stresses fact that although railroads since the depress¬
ion of the '30s have been losing traffic, the country's nation¬
ation's transportation business, traffic has been increasing,
and economy and efficiency of operations have improved.

Notes capitalized of railroads increased by
much lower fixed charges in relation to revenues, and points
out, throughout postwar years, emphasis in the railroad indus¬
try has not been on expanding plant but on making existing
plant more efficient.

"Credit" is a somewhat intangible thing and may not be mea¬
surable in specific financial terms. However, for the purpose of my
comments today, I will define "Rail¬
road Credit" as the product of the rela¬
tion between the earning power of the railroad industry and the size of its financial obligations.

The greater the earning power of the industry in relation to the size of its financial obligations, the greater the degree of assurance is that these financial obligations will be met in the future.

"Earning power" is dependent first upon the volume of railroad traffic and second upon the ability to transfer dollars of gross business so that net earnings available to meet fixed charges and other financial obligations.

Railroad Traffic Volume

Ever since the beginning of the severe depression of the 1930s, it has been a well known and much publicized fact that the railroad industry's proportionate share of the country's total traffic (as measured by ton-miles and passenger-miles) has been steadily declining. However, this unfavorable proportionate trend provides a misleading impression of the actual growth of railroad traffic during the postwar period. While the railroad industry suffered severely from both competition and war-time interruption, it has not only recovered and even made up deficit miles during the 1930s but also has continued to increase.


42% lower and freight car own¬
ership was 21% lower. Funded Fixed Charges 36% lower than in 1929. In other words, the railroad industry is now handling a very considerably larger volume of traffic than it was in the peak year, with smaller physical plant, smaller capitalization and considerably smaller Fixed Charges.

Railroad Net Earning Power

The greatest single problem the railroads have faced in the post¬
war years has been the constantly rising unit costs of labor and ma¬
terials. While this has been a problem faced by industry in general, the impact on the rail has been greater than average because wages make up about 40% of total costs. Like other industries, the rail¬
roads have offset part of their higher unit costs by charging more for their products through increasing rates and fares. These increases have been limited in this respect, however, both by the considera¬
tions of competition and by the regulation over rates imposed by the Interstate Commerce Com¬mission. The slowness of the rate revisions in 1953 was 12% lower and rates to offset higher costs had also an unfavorable effect on railroad earnings.

Since railroad wage rates in¬
dexed about 10% and fuel and material costs material about 125% be¬
tween 1940 and 1932, compared with an increase of slightly higher than 80% in freight rates and about 20% on the average in pas¬
genre rates, it is obvious that the industry had to seek other methods of making up the difference.

Again, as in the case of many other large industries, the solu¬
tion to the problem lay in in¬
creasing the productivity, for instance, by the use of engines, and also accomplishing this, large new invest¬
m ents in more efficient motive power, machinery and other equipment and the adoption of improved operating methods were required. The improved effi¬
ciency is most clearly illustrated by the fact that the number of man-hours and the amount of materials required to perform a unit of transportation has been greatly reduced in the past decade. Since the third less than the amounts re¬
quired in 1929 in the amount of fuel required was about one-

The performance of a good many industrial securities has been very much better than that of the industry as a whole. In fact, the performance of the railroads as a group is weighted down by the results of the Class I railroads operating in the North¬

The discussion of the future of the railroads goes far beyond the scope of this talk; however, some of the general conclusions as to the railroad's role in the postwar years and the need for time and capa¬
bility to adapt itself to new situations is important for all of us to understand since postwar railroad earnings have improved very significantly at the end of the postwar decade.

Performance of Many Individual Railroads Better Than Industry

The performance of any railroad is based on the performance of its operating subsidiary, and this is often the result of management effort. However, any railroad is a part of the country economy and its performance will be affected by general economic conditions and by the performance of other industries and businesses as well.

Some Future Possibilities

Long Term Prospects: Railroad earning power would, of course, be better or it might not be, if it is a sufficiently healthy but profitable, long term traffic had not been lost or reduced by the transporta¬
ation media—most particularly the air industry. The long haul truckers are still gaining traffic at the expense of the railroads and have been increasing sharply. Truck labor is becoming more and more unionized and has been gaining labor awards and working agreements en¬
tailed with costly fringe benefits. Demands for "make work" rules are also on the increase. Due to state taxes and fees have been increasing in recent years, because of the need of the states for more high¬

way revenue and a wider recog¬

Izited for FRASER. fraser.stlouisfed.org/
Foreign Trade—Key to World Peace and Prosperity

By S. C. ALLYN
President, National Cash Register Co.

Ascertaining most important single factor in promoting world trade is to keep the American economy prosperous, prominent industrialist stresses trade among nations as one of the keys to world peace and political stability. Holds U. S. can develop a more harmonious world trade through roadblocks as exchange controls, non-convertibility of currencies, import and export controls and tariffs. Says tariff elimination would enable the country to keep its U. S. companies operating profitably.

There can be no doubt that for¬
eign trade is a key to world peace and prosperity. The U. S. today is the world's greatest trading nation. We can, I believe, testify that with a little acquaintance from manufacturers, wholesalers, retailers, and other countries we can make the a few dollars profit that might disrupt our economy. U. S. can extend our trade to the rest of the world.

We are the world's greatest economy, in the sense that we have the largest agricultural, manufacturing, and mining industry. We have a wealth of natural resources, and our industries are able to produce a wide variety of goods. We have a well-developed system of transportation and communication, which allows us to reach all parts of the world. We also have a strong dollar, which makes our goods competitive in the international market.

If we could magnify that feeling of inter-dependence in a global sort of way, I believe the chance for lasting peace and world prosperity would be substantially enhanced. The feeling that we can all work together to satisfy their separate needs and wants?

Roadblocks to Foreign Trade

A few of these roadblocks are exchange controls, non-convertibility of currencies, import and export controls, tariffs and quota restrictions. These roadblocks to global trade have largely resulted from the inability of many nations to get along with each other. Trade is the lifeblood of nations, and the road to that desirable objective is full of obstacles and hurdles.

In recent years, and on the average, we have been selling about $27 billion worth of goods in excess of what we buy from other countries. This has meant that we have been selling more abroad than we have been buying. The result is a trade surplus.

This trade surplus is a good thing, because it means that we are producing more than we need to meet our own needs. It also means that we are able to export goods to other countries, which helps to promote world peace and prosperity.

However, there are some drawbacks to this trade surplus. One problem is that it puts pressure on the dollar, which can make it difficult for other countries to buy our goods. Another problem is that it can lead to a trade deficit, which can be a cause of economic instability.

It is important for us to continue to promote world trade, but we must do so in a way that is beneficial to all nations. This requires cooperation and understanding among nations, and it requires a commitment to free and fair trade.

One way to do this is to work towards reducing trade barriers, such as tariffs and quotas. These barriers make it more difficult for goods to be sold in other countries, and they can lead to higher prices for consumers. Another way is to work towards improving the value of the dollar, so that it is more attractive to other countries.

In conclusion, world trade is essential to peace and prosperity. We must work towards reducing trade barriers and improving the value of the dollar, so that we can promote world trade in a way that is beneficial to all nations. This requires cooperation and understanding among nations, and it requires a commitment to free and fair trade.
Cold Facts About Steel

By IRA U. COBLEIGH

Some reflections on the current financial strength of steel companies,
and their neglected position in respect to market earnings, and (2) depreciation and amortization. A number of applications are made of the prepared postwar studies of these several companies in calculating the technical capacity of the steel industry to head off the crisis. Compare these items with today's results, and the picture clearly
emerge that the steel industry is strong, and can have bought oil stocks with the money.

Cassandra-like to industry to$$

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emerge that the steel industry is strong, and can have bought oil stocks with the money.
Status of Television in Europe

Ernest A. Marx, Director of its International Division, Allen B. Du Mont Laboratories, Inc., describes progress of television in Europe following an extended trip on that continent.

The Allen B. Du Mont Laboratories trip was prepared by Ernest A. Marx, Director of its International Division, on television and electron tubes, and on progress, following his trip to these nine countries on the European continent.

The report of Mr. Marx follows:

West Germany

"This country is forging ahead rapidly in television. Very shortly there will be transmitters and the on the air in the following cities—Munich, Stuttgart, Hanover, Hamburg, Weih, and others. These will be connected into the lengths which are now extended. Eventually, all 20 stations will be in use."

"Eventually, 20 stations will be in operation. It is very likely that Germany will go to ultra-high frequency when this occurs. Presently the television receivers are being made by about 30 German manufacturers. In September of this year a large television exhibition was held at Dusseldorf, from which some programs were originated and others were received. One day there was at attendance of 30,000 people at this show."

"The Germans are presently using in Germany 625 transmission and there are receivers in screen sizes of 14" and 7 1/2". In addition, there are manufacturing transmitting and receiving equipment and are well ahead of the rest of the world in development of transmitters. The television manufacturing industry in Germany is located just outside of Berlin, Munich and Danzig. These people are now producing manufacturing television receivers in the following cities with German and American cathode-ray tube manufactured by the Lummis and Allen companies. They are presently exporting to nations like England and the United States."n
"It is most probable that the Germans will make advances in television in the future, and it looks very likely.

France

"French television is somewhat handicapped by the fact that it differs from the rest of European television in that it uses a 519 line system. In addition to the transmitters at the Eiffel Tower, there is a station at Lille, Lyons and Strasbourg. It is expected that new stations will be installed on the Eiffel Tower station in the near future."

"Other cities in France which will eventually have television are Nice, Montpellier, Bordeaux, Toulouse. Eventually there will be probably be stations in each of these cities."

"France is now 13 and 14" television receivers in France which will have television. But the planning of the stations has been started. There are several transmitters in the works for the time being.

"The only French television show was held in Paris and considerable interest was shown. The number of 15 or 16 French television receiver manufacturers in France and the number of cathode-ray tube manufacturers. This number may increase considerably in the future."

"Programs are both live and on film from Europe, and similar types of U.S. programing in its early stages. Most of the television receiver models in France are 14" and 17" with few 21"."

Belgium

"This country unfortunately has a four system television system. They consist of the normal French system which is received from Lille in France, the Belgium French system which develops from Brussels to the CBB French system which is received from Holland and Germany. The Belgium German system which uses the same 625 line system but in AM sound. As a result of the confusion, television receivers in Belgium are being made with a four-point switch to receive all four systems.

"Broadcasting is coming along very well in Brussel from the Palais de Justice. There is no exist in the so-called "NTV" building, the national radio broadcasts originate and is connected to the length to the transmitter. With the language barrier it is rather confused, the entire television picture in Belgium is too complex to analyze and make predictions about its future."

"Eventually, the French in Belgium will have television. The television is not in Brussel, the French and the French broadcast on the modified system from Belgium. The French will have television."

"Eventually television will be broadcast from Paris on the French but in AM sound. As a result of this confusion, television receivers will in Belgium."

Holland

"Presently, there is a single television studio located in Borum near Hilversum, outside of Amsterdam. The studio uses all-borrowed equipment, including two television cameras, a transmitter, a transmitter and an American cathode-ray tube manufactured by the Lummis and Allen companies. They are presently exporting to nations like England and the United States.

"There is considerable talk in Germany at the present time of television stations in the future and it looks very likely.

Italy

"Italy television has made considerable strides in this country and stations are presently operating in Rome, Livorno, Milan and Bologna. Between Rome and Milan, eventually there will be an additional station in Rome. The Vatican will have its own station as well."

"These stations have been connected by microwave lengths and eventually will be hooked up to the European network through Switzerland and Germany. There are now 30 television receiver manufacturers in Italy. The number of American receivers have also been reported in the country. However, customs duties and other taxes on imported receivers are very high. As a result of this, a good many imported receivers are still in Italian Customs.

"In September there was a television show held in Rome which attracted people from all over Europe. The entire number of imported receivers were permitted to be shown at this show; a considerable number of American exhibits were exhibited in Italian television receivers."

"The prices of receivers in Italy are higher than in the United States. The unit cost runs about $250 to $450. Some Cathode-ray tubes are being manufactured in Italy.

The Social Security Administrator runs the social security program.

The funny thing about this one is that the Republicans are trying to broaden the coverage of Social Security to embrace about 10 million additional people. There seems to be a difference of opinion between the Administrator on the one hand and Chairman Dan Reed and Representative Curtis of the House Ways and Means Committee about what to do with the income of pay- ments on the part of both employer and employee that is to be consumed. Reed and Curtis don't, surprisingly enough, basically agree. But right on, social Security is one of those things like TVA, that is here to stay. It is deeply imbedded in the economic structure. It would take more of a revolution than the one that Roosevelt proposed to get it out.

About that "fear of depression" of which Stevenson speaks—who does he think is spreading that? He should look to his followers. And while the stuff about TVA and Social Security might be good, it is also rather dirty, clean political campaigning for a depression is dangerous and a disservice to the country.

From Washington

Ahead of the News

By CARLISLE BARGERON

Adlai Stevenson, the darling of the intellectuals and to my mind, the greatest candidate is in the running since the Lew Doctor Tidman

"Eventually, the French in Belgium will have television. The television is not in Brussel, the French and the French broadcast on the modified system from Belgium. The French will have television."

"Eventually television will be broadcast from Paris on the French but in AM sound. As a result of this confusion, television receivers will in Belgium."

Holland

"Presently, there is a single television studio located in Borum near Hilversum, outside of Amsterdam. The studio uses all borrowed equipment, including two television cameras, a transmitter, a transmitter and an American cathode-ray tube manufactured by the Lummis and Allen companies. They are presently exporting to nations like England and the United States.

"There is considerable talk in Germany at the present time of television stations in the future and it looks very likely.

Italy

"Italy television has made considerable strides in this country and stations are presently operating in Rome, Livorno, Milan and Bologna. Between Rome and Milan, eventually there will be an additional station in Rome. The Vatican will have its own station as well."

"These stations have been connected by microwave lengths and eventually will be hooked up to the European network through Switzerland and Germany. There are now 30 television receiver manufacturers in Italy. The number of American receivers have also been reported in the country. However, customs duties and other taxes on imported receivers are very high. As a result of this, a good many imported receivers are still in Italian Customs.

"In September there was a television show held in Rome which attracted people from all over Europe. The entire number of imported receivers were permitted to be shown at this show; a considerable number of American exhibits were exhibited in Italian television receivers."

"The prices of receivers in Italy are higher than in the United States. The unit cost runs about $250 to $450. Some Cathode-ray tubes are being manufactured in Italy.

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December 13, 1955

$1,500,000

Storer Broadcasting Company

Cumulative Convertible Preferred Stock

($100 Par Value)

Reynolds & Co. Oscar F. Dooly & Co.

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THE MARKET... AND YOU

By WALLACE STREET

For all but the holders of a handful of issues, it was another disappointing week for the stock market. The technicalians, searching vainly for a vigorous year-end rally to start about now, instead had to add up the unfavorable factors while the list held at roughly dead center of its range for the year. *

* * *

An unusually large number of traditional market leaders did virtually nothing and for a large group of others that did move a bit wider, it was a case of up one day and down the next with little net result.

* * *

As a matter of fact, even from a technical standpoint the market through most of the Fall has been afflicted by a fairly evident lack of follow-through whenever moves normally considered important were made. Even the September lows were achieved almost as a one-day wonder when breaking the signal levels had generally been expected to generate some widespread liquidation. Similarly the recovery top of 285.20 was achieved in the middle of a trading session and didn't even hold by the end of that day. Since then the list has fluttered downward each day with a meager rally at the end of trading, except that the late rallying tendency disappeared this week.

* * *

No Sympathetic Following of Tobaccos

One of the few cheering aspects of the market was that the near-panic over the tobacco shares, as a result of the latest controversy over the cancer possibilities in tobacco, failed to cause any sympathetic ripples elsewhere. The tobaccos, in fact, showed some signs of trying to stabilize in this week's dealings. American Tobacco continued to be a shade weaker than the pack, plopping into new low ground, while Philip Morris, which put on a superior performance throughout the sell-off, was the best acting in the group.

* * *

Automotive issues did little in the face of all the uncertainties facing the industry and the impending unveling of their new models failed to spark any hopeful buying. Steels likewise did little despite a fairly general opinion that at least among brokers, that they are logical candidates for good action in any year-end rally. E. B. E. M. in Steel traveled over a rather wider range than most of the others, the group, probably showing the signs of year-end evening up, but it was pretty aimless nevertheless.

For the oils it was also a case of little action either way generally. Monterey Oil ran out of its recent strength, at least momentarily, and Deep Rock was sufficiently unpopular to join the new lows. Cities Service was somewhat erratic but weakness one day was pretty well canceled out by a rebound the next. High-priced and normally wide-moving Amerada decided to cut its daily gyrations down to fractional moves.

* * *

Among the few issues able to make substantial progress were some odder ones, notably the air conditioning issues like Carrier Corp. and York Corp., and other stocks far more popular in the hot weather, like Canada Dry. The "seasonal" shares of the year popular at this time, such as department stores and toy makers, were either inactive or weak including H. H. Maec which posted a new low in midweek.

Looking for Splits

Other of the diverse issues popular included Gillette, National Dairy, Union Carbide, Procter & Gamble, the latter showing evidence that the traders are starting to call the list for split possibilities. It was something of a surprise in the case of P & G since the stock has been one of those that were in the runup in the averages last year. In fact, its price in 1951 of 60, which was the peak of the trading range of 277-285 that is regarded as normal until it makes up its mind to some decisive action. It is a notch higher than dead center for the year since the high was 285 and the low 85 approximately. Here again it is only a surface picture because one pastime a bit popular with the brokers has been to root out dozens of issues that are still selling around the same level they reached when the September lows were set and for a good part of the year, even the September lows weren't too far from the lows recorded in the earlier decline of last June. They are added proof that after the initial retreat from the highs at the start of the year, what has followed since in many spots has been no better than a standoff.

[Unclear discussion]

The views expressed in this article do not necessarily at any time coincide with those of the editors. They are presented as those of the author only.}

$100 Million Bonds of World Bank to Reach Market in January

Eugene R. Black, President International Bank for Reconstruction and Development, issued the following statement concerning a proposed bond issue by the Bank:

The International Bank for Reconstruction and Development offers on or about Jan 12, 1954, $100,000,000 issue of its 3% 20-year notes.

Eugene R. Black

Chief Underwriting Syndicate

[The First International Bank]

New York Stock Exchange

No "Counter" Issues

New York Security Dealers Association protests discrimination against over-the-counter securities as loan collateral.

At a General Meeting of the membership of the New York Security Dealers Association held in the Boardroom of the National City Bank of New York on Dec. 9, Resolution No. 1 of the Federal Reserve Board was discussed. The opinion was expressed, it was announced by Executive Secretary Edward J. Johnson, that the restriction in the regulation affecting Over-the-counter issues is now obsolete. A resolution was unanimously adopted by the Association to the effect that the Association would appoint a special committee to study the application of the regulation in its present form against the extension of credit by brokers and dealers in all securities exempt from margin standards, not traded on exchanges.

The suggestion was made that a category of certain Over-the-counter issues and various other categories, which have a well established market, be set up and recommendation made to the Federal Reserve Board that they be made available as collateral for purposes similar to listed securities.

NEW ISSUE

300,000 SHARES

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The Commercial and Financial Chronicle... Thursday, December 17, 1953
The Control of British Firms
By PAUL ENZIG

Dr. Enzig, noting recent efforts of some financiers to control the centralization of the British firm, has made a note of the remarkable progress that has been made in Britain in the centralization of industry. Although the centralization of industry in Britain has been largely voluntary, the efforts of some financiers to control the centralization of industry have been quite successful. This is evident in the fact that the centralization of industry in Britain is now a common occurrence.

LONDON.—During recent months, the efforts of some financiers to control the centralization of industry in Britain have become subject to much discussion and controversy. The financiers are attempting to control the centralization of industry in Britain in order to maintain their own financial interests.

The British government has taken a number of steps to control the centralization of industry in Britain. These steps include the imposition of a minimum wage for workers in industries that are centralizing, the imposition of a maximum wage for workers in industries that are not centralizing, and the imposition of a minimum wage for workers in industries that are centralizing in order to maintain their own financial interests.

The control of British firms is a complex issue, and it is not easy to see how the centralization of industry in Britain can be controlled. However, the efforts of some financiers to control the centralization of industry in Britain are a positive step in the right direction.

Giles Inequities in Income Tax

Peter Gay Evans, New York Attorney and Former Acting Chairman of Excess Profits Tax Council, tells accountants income tax changes should be enacted to give individual taxpayers more equitable tax treatment.

Speaking to the Richmond County Chapter of the New York Bar Association, Mr. Evans pointed out that the current tax laws are discriminatory and inequitable. "The individual taxpayer," he said, "is not treated equally under the tax laws. The government should be responsible for the collection of taxes, and the government should be answerable to the people." Mr. Evans also pointed out that the tax laws are a "giant" which Britain is free of tax. He said that the "giant" object without much regard for the long-range interests of the firms and without any regard for the interests of the employees.

The methods employed by both sides in these struggles for control reflect the American capitalism in the 19th Century. In order to scale the struggles between Jay Gould and Vanderbilt, with their money and influence, the attitude of British opinion in the middle of the 20th Century is radically different. Since the Second World War the ruthless principle of the survival of the fittest has been at a discount. The prevailing conception is that those in control of the market have the advantage of production and distribution and must have regard for considerations of public interests and that if they have no regard for the public interests, then it is up to the government to take the necessary steps to induce them to control their interests, employees, and the nation's safety.

Together with the development of the large firms in Britain there arose, however, a type of financier and businessman independent of government influence. Before the Second World War, when there was a great depression brought to bear on business by the government or even by public opinion, most business financiers in Britain paid much regard to society's welfare and considerations of public interest in general. They paid little regard to any pressure but of their own free will under the influence of tradition. In many instances control of business concerns had been in the hands of the same family for generations. Long before the change in the balance of power between capital and labor compelled the proprietors to pay more attention to the welfare interests of the employees and consumers, they had very little free will to a relatively considerable extent.

The old type of businessman and financier is dying out in Britain. One after another the "beneficial" attitude toward public capital control as a result of the financial crisis is more and more even appreciated by the public.

A new type of capitalists arose in the majority of them made fortunes largely by the use of their brains and brains and brains and brains and brains and brains. The wealth of some of them originated from war profit, and from the taxation authorities. Others have been fortunate due to involvement in operations in the black market. With the following attitude to take advantage of their scarcity.

The majority of new capitalists have no traditions and customs and are not restrained by considerations of public interest or checked by the public. The majority of them make on the market by fair means or foul. They secure control of well-to-do companies not only in order to expand them for the majority of them but also to make a quick profit, without any long-term consequences. Their activities are faciliated by the artificially low prices of the companies. Due to the voluntary limitation of the financing of the government, large companies have been ploughing back into the production of the majority of them. This practice has increased the intrinsic value of the shares. Their Stock Exchange quotations are largely on their inadequate dividends. As a result the new type of financiers has an opportunity of buying shares well below their intrinsic value.

Most people realize that some steps should be done about the take-over bids. In one or two instances the government felt impelled to institute inquiries to ascertain the identity of persistent buyers of shares. In many instances, however, the government was not able to get at the source of the funds. In many instances the government had to rely on its own resources to go against undesirable transactions without penalizing also legitimate transactions. Any difficulties imposed on the transfer of shares is bound to hurt all companies, and in many instances change of ownership may lead to the company concerned.

The task of finding the borderline between constructive and obstructive bids for control is difficult if not impossible. It may be observed that the rules which would be suitable for one company may not be suitable for another. It will be necessary for the government to judge each instance individually according to its specific circumstances. This task will place no guarantee on the shoulders of the responsible Minister, Mr. Thorneycroft, President of the Board of Trade. In few instances an ideal solution be found. His task will be to balance different kinds of disadvantages against each other and to adopt the solution which appears to be the least evil. He will probably find a solution before the control of too many companies fall into wrong hands.

Giles increased Investor Confidence in Stock Outlook

The market is showing signs of renewed investor confidence and there is a growing realization of the increasing possibility of a cut in the income tax, the end of the excess profits tax, a change in the capital gains tax, a shortening of the holding period, a reduction in the double taxation of dividends, a hope for a cut in the New York City business tax, according to Col. Herbert G. King, member N. Y. Stock Exchange. If there is, added, increased talk of more inflation and government spending, low interest rates and continued defense spending.

With this change in the investor's psychology, the stocks of strongly entrenched leading companies are receiving more public favor and the attitude now on the upside, says Col. King.

Loeb, Rhodes to Admit

Carl M. Loeb, Rhodes & Co., 42 Wall Street, New York City, members of the New York Stock Exchange and other members of the New York Stock Exchange, will admit Stanley Grant to partnership on Jan. 1.

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Connecticut Brevities

Of the total of 240,672 shares of common stock of the Brash Mill offered at 21½ to stockholders through rights, 229,896 shares, or 95.16 percent, were called for and accepted. A total of $7,500,000 was raised.

The Fallensbee Steel Corporation, presently located in Fairfield, has purchased a 69-acre site, now under construction, in Wallingford. The site will be used as the location for a warehouse-style building with surrounding area that will provide for a total of 50,000 square feet of warehouse space at Galt, Ontario, and will begin operations early next year.

Bankers Trust Group Submits Top Bids for $80,555,000 Housing Authority Bonds

Reoffered to Public at Prices to Yield 4.61% to 2.75%

A 24 member underwriting group headed by the Bankers Trust Company of New York was the successful bidder for $80,555,000 out of a total of $121,255,000 local housing authority bonds offered at competitive sale on December 15.

In December of the 29 issues offered, the group's tenders named were awarded in the range of 2½%, 3½% and 4% for bonds maturing from 1984 to 1994. The bonds are being sold at par to public at prices to yield from 1.10% to 2.73%.

This was the eighth sale of government-guaranteed housing bonds since the U. S. Housing Act of 1937, as amended, since the program to finance slum clearance and low-cost public housing got underway in mid-1951. Interest on the bonds is exempt from all Federal income taxes and is generally exempt from local taxes in the states or territories of the issuer. Although the bonds are the obligations of the issuing authorities, the payment of the principal and interest is provided for by the annual contributions by the U. S. Government through the Public Housing Administration.

The bonds are callable 10 years after their date, at the option of the issuer, at a redemption price of 104½ if redeemed not less than 10 years from their date and thereafter at declining percentages; however, the lowest price at which the bonds may be redeemed is at par.

The bonds are payable in two annual installments.

The Stockholders Comm. for Puget Sound Pr.


The Stockholders Committee of the Puget Sound Public Power Company has further the merger of Puget Sound with Washington Water Power Company. On Nov. 12, 1953, the Puget Sound corporation consented to extend the closing date under the merger agreement, allowing for a submission to stockholders despite the approval of the Washington Public Service Commission. The Stockholders Committee is still continuing its efforts to bring about a satisfactory merger to investors of the Puget Sound stockholders. Holders of approximately 25% of the Puget Sound stock have already authorized the stockholders to act on these objectives on their behalf.

Nadler Favors Lower Corporate Tax Rate

In report on "The Importance of Savings," published by The Hanover Bank of New York City, N. Y. University economist points out a lowering of tax rates in a greater market would lead to lower prices.

Corporate normal and surtaxes rates should be permitted to drop to the 4½% rate as provided under present law, Dr. Nadler said.

"Corporate savings," he said, "are a potent factor in the post-war economy and were an important factor in providing corporations with the necessary wherewithal to meet the very high demands of new capital expenditures."

Business Man's Bookshelf


Poor's 1954 Register of Directors and Executives—Contains corporate listings of nationally known companies, titles and duties of officers and directors, and personal information.


Public Housing in New York City—New York Chamber of Commerce, 65 Liberty Street, New York 8, N. Y. (paper) $1.00.

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BILLY TELETYPE R 187
Securities Salesman's Corner

BY JOHN DUTTON

The following letters have been used by banks and brokerage firms and we are happy to pass them along to you if you are interested in the current state of the market and are making the necessary arrangements for new clients. The first letter is to a young man who does not know much about the market and the second letter is to a young man who is interested in making a new investment in the city. The salesman can be reached by telephone in a few days with a friendly phone call. It is important that you understand all the risks and the profit potential of your investment. If you are not sure whether or not the stock is suitable for your needs, you are recommended to consult a stockbroker or a personal financial advisor.

If you feel too big for your

Rites, remember to be reasonable.

SOMETIMES, when you're feeling important,

SOMETIMES, when your ego is high,

Letter to Purchasers of New Home

Dear Mr. and Mrs. -

Quite often people move to new homes and get a new house. But what about a young man who has been working hard for a new home? We have been in the investment business for many years and we consider our clients to be interested in listed stocks, bonds, over-the-counter securities, mutual funds, municipal bonds, and above all, in conscientious service in handling personal and institutional accounts.

If you are a stranger in our community, or a long-time resident, the personal service you receive will be to the advantage of all of us. We have been in the investment business for many years and our clients include people who are interested in listed stocks, bonds, over-the-counter securities, mutual funds, municipal bonds, and above all, in conscientious service in handling personal and institutional accounts.

Telephone me, write, or call in person. Please understand that I will have the pleasure of meeting you soon and will be pleased to give you a fair, straightforward view of your personal and institutional accounts. If you desire to see me, please call in person. I will be glad to assist you.

I. DeCoursey

With Merrill Lynch

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FLASH ANNOUNCEMENT!

1954 Register of Directors and Executives
Just Coming Off The Press

- Gives 21,000 corporate listings of names, titles, and addresses of all officers, directors, and executives of the world's major companies.
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“Why don’t you talk to the people at Chase?”

“More than 750 companies are now using Chase as their stock Transfer Agent or Registrar.”

“Bill, how can you think of business on a trip like this?”

“Sorry, Ed. Can’t get the office off my mind. You know, we put our stock on the market last year after 30 years of private ownership. Now it seems I spend half my time writing letters to stockholders. Never realized what a nuisance stock transfers could be.”

“Believe me, Bill, I’ve got the answer to that one—take your troubles to an expert. Chase National Bank has handled our stock transfer job for a long time now, and we’ve never had a worry.”

“Doesn’t it take longer to have an agent do the job?”

“Why, Bill, it takes Chase far less time to handle our transfers than it used to take us. Chase is within a couple of blocks of both the Big Board and the American Stock Exchange. Chase is geared for the job on a big scale. Most of our transfers get through in 24 hours.”

“How much does this cost, Ed?”

“Surprisingly little! As a matter of fact, we actually saved money when we stopped trying to do the job ourselves.”

“That sounds good, Ed. I think I’ll look into it.”

“Do that, I’ll bet you’ll find, as we did, that it pays to do business with Chase.”

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It pays to do business with Chase

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Getting Federal Budget Under Control

By HON. GEORGE M. HUMPHREY
Secretary of the Treasury

Secretary Humphrey, after stating objectives of present Federal Administration, reviews public debt, tax burdens and budget situations, and concludes, despite difficulties and delays, "we are on our way toward getting the budget of the Federal Government under control." Points out prospective current deficit has been cut from $11 billion to $4 billion, but says present estimates indicate a deficit of $9 billion for 1955 fiscal year unless government can cut expenses or raise additional taxes. Concludes "it is high time for expenditures to be controlled."

First, to reduce the planned deficits of the previous Administration and then at the earliest possible time balance the budget by reducing Federal expenditures to the very minimum within the limits of safety;

Second, to meet the huge costs of our defense;

Third, to properly manage the burden of our inheritance of debt and obligations;

Fourth, to check the menace of inflation;

Fifth, to work toward the earliest possible reduction of the tax burden, remove inequalities, cover omissions and reconstruct the tax laws to lessen their restrictive effect upon the vigorous growth of our economy;

Sixth, to remove the strait-jacket of wage, price, and other controls and directives which then held the country hide-bound and make constructive plans to encourage the initiative of free citizens.

Some very substantial progress has been made toward the accomplishment of these objectives in the 10 months this Administration has been in office.

But before considering this progress, let's look at some of the inheritances to which this Administration fell heir, which made our tasks more difficult in the fiscal and economic fields.

Among the more serious of the legacies we inherited last January were (1) the huge public debt, (2) the restrictive debt limit, (3) the $81 billion in C. O. D. orders, (4) extravagance in government, (5) the staggering tax burden, (6) a rigidly controlled economy, and (7) on top of it all, an unending costly war of stalemate in Korea.

A brief look at each inheritance will develop the difficult conditions confronting us when our start was made to reach the objectives set forth in the State of the Union Message.

The Public Debt

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.

As you well know, nearly three-quarters of the debt we inherited in January 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 affect the supply of credit. They are inflationary. They have contributed to increasing the value of the dollar.

Pegging the price of government securities and the manner of refinancing and placing of new issues by the past Administration have been important contributing causes to the inflation which resulted in the tremendous leak of hard-earned savings from millions of Americans as the dollar declined from 100 cents to 22 cents in purchasing power in the short span of only the last 14 years.

And 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 carry and eventually pay than we would otherwise have been the case.

The Debt Limit

This is a financial inheritance which gives us great concern. The present law requires the payment of the great bulk of corporation taxes in the first half of the calendar year. When first enacted a few years ago, this law substantially increased government receipts in the first half of the particular calendar year. This was the last half of the then current fiscal year, and so this disproportionately larger collection of taxes was used to substantially reduce a budget deficit in that year.

The practice then began 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. This means that government borrowing temporarily goes up in the fall and comes down in the spring, and so automatically forces increased borrowing in the first half of the fiscal year.

This fixed inherited deficit limit too restrictive.

When we asked Congress last summer to raise the debt limit, we pointed out that the change would enable the government to handle its fiscal affairs in more orderly, businesslike fashion, do...

Continued on page 80

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Underwriters and Distributors of Securities
NATIONWIDE
Progress of IBA in 1953

By EWING T. BOLES* Retiring President, Investment Bankers Association of America

President, The Ohio Company, Columbus, O.

In reporting on changes in the affairs of the IBA and the investment industry, Mr. Boles says though advances have been encouraging, much remains to be done. Points out, in field of finance and membership, “we have had one of our finest years, and, in addition, progress is being made toward needed visions of the SEC Acts.” Calls for support of Administration’s tax program, and urges more enlightenment on public securities industry.


Railroad Securities: Chas. L. Bergmann, R. W. Peck & Co.

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Stock Exchange Relations: J. F. Bruce, Jr., Bruce, .. & Co.


The Halp Murray Hanson, General Counsel; Robert Stevenson, 3rd, Secretary & Treasurer; Duley C. Smith, Municipal Secretary; Erwin W. Boehmker, Educational Director, and Calvin A. Assistant to General Counsel; Mary R. Lincoln, Assistant Secretary; Blain Holmes, Secretary to General Counsel; Mary Lou Courte, Special Secretary.

There is little to be served in chronicling for you the regular Board and Group meetings that have been held and to tell you that every group was visited — this you expect of your President. However, it is both stimulating and significant to report to you that at the group level — and that is a vitally important level — we are making great progress. From the days when group meetings were nearly all social and little if any business — now business is generally the first order of the day and then follows the fun without any diminution of the old IB character of hospitality, good fellowship and good cheer.

Oil & Gas Tax Securities: Francis Kernan, White, Weld & Co.

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*President Address of Mr. Boles at the 42nd Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Nov. 30.

State, Municipal and Revenue Bonds

Lehman Brothers

The Commercial and Financial Chronicle Thursday, December 17, 1953
How Shall We Amend the SEC Acts?

By RALPH H. DEMMLER*
Chairman, Securities and Exchange Commission

SEC Chairman presents a general summary of current events and problems at the Securities and Exchange Commission, and contends the principles behind the SEC. Acts are basically sound. Says, however, there should be changes to eliminate impracticalities and unnecessary complexities. Says Commission's own procedures and policies should be examined so as to eliminate unnecessary and duplicative work, as well as an over-strained construction of statutory powers. Praises cooperation of securities industry, and hints some desirable changes in SEC plans will be presented to Congress early in the next session.

Administration of SEC Acts

The Acts which the Commission administrators were adopted in the period 1933 to 1946. The statutory scheme has been amended only in insignificant particulars. Some of the Acts have not been amended at all. There has been sharp and bitter criticism of some of the legislation, but the process of capital formation goes on pretty efficiently and there is no public outcry for major changes.

The administration of the Acts has been criticized from time to time, sometimes for being too lenient, sometimes for being too harsh, but the criticisms have largely concerned some personalities, a few areas of over-ambitious statutory construction, occasional over-circumspection, and, in earlier days, a manifestation of punitive spirit. I think you will agree that much of this criticism has died down.

The old Hoover Commission's Task Force found that the Commission "on the whole has been notably well administered," that the criticisms of the Commission "concede that its staff is able and conscientious, and that the Commission generally conducts its work with dispatch and expedition where speed is most essential." It also said: "There are of course some weaknesses... but in evaluating them, one should keep in mind the basic fact that the Commission is an outstanding example of the independent commission at its best."

Two Conclusions

The conclusions that can be drawn from what I have just said are simply these:

1. The principles behind the Acts which the Commission administrators are basically sound, but there should be changes in some of the Acts to eliminate impracticalities and unnecessary complexities, leaving undisturbed, however, the protection of investors and of the public interest presently afforded by the Acts.

2. The Commission's own procedures and policies should be examined so as to eliminate unnecessary and duplicative work as well as over-strained construction of statutory powers.

One of the very heartening things which I have found is a general agreement on the foregoing conclusions. By that I mean a general agreement among the members of the Commission and its staff and those in your industry who represent you in such matters.

Last June the Commission received inquiries from representatives of most segments of the securities business, as to the manner of submitting proposals for legislative action by the Congress. The Commission indicated it would make its service available to the Banking and Currency Committee.

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Dealers in

UNITED STATES GOVERNMENT SECURITIES

STATE AND MUNICIPAL BONDS
Competition Should Bring Greater Prosperity

By ERNEST R. BREECH
Executive Vice-President, Ford Motor Company

Hailing return to an era of competition, executive of leading auto producer decries fears of a slack 1954 and "a general run for the storm cellar." Points out Eisenhower Administration, in its approach to economic problems, has given America a new cause for confidence, and denies there will be over-production in the automotive industry as long as people have money with which to buy automobiles. Stresses better management and harder selling as factors in maintaining and expanding economic progress, and warns against sliding back into a controlled economy.

"An equally tremendous growth in production, goods and services are no longer in short supply. Salesmanship is once again of prime importance."

(This transition to a buyer's market brings with it a critical choice: We can move ahead boldly, through better management and harder selling, to maintain and expand the economic progress of the last eight years. Or we can slide backwards, in fear and trembling, to a controlled economy, restricted production and a kind of economic plateau on which efficiency and productivity will be strait-jacketed.

There have been some alarming symptoms of such a trend in the latter direction during recent months. The automotive industry, for example, has been fired by some of producing too much and of failing to sell. Apparently there are those who would like to see us slow down and mark time, now that the easy days of the seller's market have ended.

Perhaps our experience in the automobile field is not typical, but I think it offers a clear indication of how some people are facing up to a difficult situation. Earlier this year, we were urged by the auto workers' union to cut back production—to level it out somehow—because they feared that production would have to be reduced in the last six months of 1953. We are maintaining production as planned. Our employment at Ford Motor Company this fall has averaged more than 193,000 domestic employees, a 5% increase over employment in the first half of this year, and our payrolls have reached an all-time peak, rate of nearly $1 billion a year. What's more, we have heavy overtime schedules, and will continue on an overtime basis for at least the first quarter of 1954, we expect, for some time thereafter.

The industry has even been urged by some dealer associations to cut back production. It's obvious that they have failed to recognize the difference in the competitive positions of the individual automobile manufacturing companies. It's also obvious that they have failed to distinguish between the hard-hitting, enterprising dealer who is on the job throughout the year and the dealer who prefers to maintain high profit margins per unit of sales through restricted production so that he may continue to devote his time to running his business and the rest of his time to enjoying life.

Apparently both groups—the union and some dealer associations—are in favor of lessened competition through low production. We even read that certain state dealer associations are being urged by vocal minorities to ask for laws which, in the end, would accomplish just this result. Perhaps some of them, too, will march on Washington and demand protection.

Following out that philosophy, maybe a scheme can be devised so that no one will ever take a loss in the securities market.

Ford Welcomes Return to Competition

Let me say here, if I haven't already made it obvious, that we at Ford do not fear the return to competition. We believe it is long overdue, and that the consequences will be healthy for the consumer and for the economy as a whole.

I'm sure that I sneak, too, for the vast majority of men in our great dealer organization. Our belief that every American enterprise has a positive obligation to the people of this nation to be competitive and to live up to the climate of competition. Most of the yells occasioned by the competitive market have come from Ford dealers. They are doing all right and will continue to do so.

You may be interested to know that Ford, Mercury, and Lincoln dealers made a higher profit in the third quarter of this year than at any time since the second quarter of 1952—the end of the seven-year recession. And in the third quarter of this year, we made the toughest competitive period since the end of World War II. In the first nine months of this year, our dealers netted almost 18% more in profits than they netted in the first nine months of 1952. Even after the so-called "cleanup" in the last month or two of this model year, their profits should still exceed those of 1952.

In recent years, at both the factory and in the field with the dealers, we've got a good deal of emphasis on sales training in intensive preparation for the competitive market. Today that training is paying off. Since 1947, some 1,800 dealers' sons or other dealer personnel have been graduated from our Ford Motor Company Merchandising School, which offers a thorough training in retail management to young men entering the automotive field. Many of our larger dealers have similar training schools of their own.

We at Ford are very much concerned with the financial health of our dealers, and we've tried every kind of assistance to those who need it. That is plain common sense on our part, because losing a dealer is an economic waste. It means that we temporarily lose an outlet where we might be selling millions of dollars' worth of cars. Some standpoints alone, wherever a Ford dealer is not obtaining his share of the market, we will do our best to help him become a smart, aggressive competitor.

Auto Output Highest in History

The total output of the industry this year will be approximately 7,600,000 cars and trucks, the second highest on record. We believe that there is no such thing as overproduction when people want newer and improved products and have the money with which to buy them.

Since 1940, there has been a five-fold increase in the amount of discretionary spending power among the American people. Within this country, money can and will be spent for more and better goods, beyond the necessities of life—in other words, for higher living standards. Every ablebody man has for years watched a growing demand not only for the medium and higher-priced lines as against the lower-priced lines, but for certain and more luxurious automobiles that are beyond the necessities of life—indulgence in a new type of car, for example. Every ablebody man has for years watched a growing demand not only for the medium and higher-priced lines as against the lower-priced lines, but for certain and more luxurious automobiles that are beyond the necessities of life—indulgence in a new type of car, for example.

Nor do we at Ford believe there's anything sacrosanct about histroical shares of the market. Our total production next year will be based not upon what we sold this year or last year, but upon what we sell in the first nine months of 1954. In fact, we have estimated our share of the market as far ahead as the next five years and, for our information, we plan on a reasonable growth—backing up our judgment with a very strict expansion program throughout the company.

In determining our production schedules, however, we are guided by dealers' 18-day reports as to their sales and stocks of both new and used cars.
The Positive Side of the Tracks

By WILLIAM WHITE
President, New York Central System

Deploring investor pessimism toward the railroads, prominent rail executive pleads for more equitable treatment of railroads in their competition with other forms of transportation. Recites favorable factors in condition of the railroads today, among which are their improved financial status, and their definite possibilities of growth. Reveals gigantic program of railroad additions and betterments, and says railroads are in best physical condition in history.

Tells of dramatic change from steam to Diesel power, and concludes "there is potential growth in the railroad industry."

Commerce Commission, to the various State Commissions and to their share-owners. There are literally hundreds of caveats in your business. We always have been and are in favor of reasonable treatment and publish their findings and also their opinions. The railroad is a good or bad. As a result of the availability of all this information, the railroads are scrutinized, analyzed and criticized. Naturally, we are interested in the judgments which investment people make about us. And I would be speaking candidly than you want me to if I didn't say that we are often concerned about the tendency. A pessimism which seems to have become an ingrained in those judgments.

We feel that the spotlight you turn on us is good for us, but that too often it is colored blue. Investor pessimism toward the rails shines itself in many ways. It probably shows most clearly in the underpricing of rail stocks and bonds on the securities markets. There have been attempts to explain this negative attitude by saying that the railroads themselves usually paint a gloomy picture of their own prospects. This refers, of course, to statements made by railroad officers in various rate cases, emphasizing truly that rail earnings are inadequate. Similar testimony is given before legislative committees, and speakers for the industry stress many of our problems because it is necessary to repeat them over and over for emphasis in order to impress upon regulatory bodies and legislatures the inequalities that exist in national transportation policy. And because remedial legislation is necessary, public awareness of these things is vital. But, actually, these straight-forward statements of the facts haven't contained anything that well-informed observers of the railroad scene didn't already know. They haven't sounded an alarm to send investors running for cover. But, the rule of monopolies is broken. There is no longer a monopoly and they do not ask to be relieved of regulation that is necessary in the public interest. They ask only for freedom from outmoded regulation so that they can meet their competition on an equal basis. They ask also to be free of unwarranted intrusion by public authorities upon their managerial functions and responsibilities.

We do not seek to destroy that regulation which, born of experience, has proved to be good; nor do we seek to destroy our competitors. In the final analysis, what we seek is the opportunity, under our capitalistic profit system, to do a better job for our share-owners, which would also result in doing a better job for the public.

Our competitors are no longer infant industries that need nursing. They have been so and grown to maturity. We recognize that there is only one way to provide public highways, railroads, waterways, and airports, and that one way is with public money. We do concede that public money is necessary to build airports for commercial use. But, having been built with public money, these facilities—highways, waterways, airways and airports—require no investment by commercial users. That is a great advantage over the railroads which own, improve and maintain their own rights-of-way and pay taxes thereon.

It is not proper, then, that we should seek a partial solution, which is that commercial users of transportation facilities provided with public monies, pay user charges adequate—but no greater than is necessary—to cover the use of those facilities and relieve the taxpayers, including the railroads, from assuming that burden? If it is permissible for us, under a capitalistic profit system successfully, the rules must be fair to all. A simple rule is that the user of any form of transportation should pay the full cost of whatever he elects to use. Then, say the railroads, "let competition reign" and "let the chips fall where they will." The railroads, out of each revenue dollar, pay out 23 cents to cover the cost of owning, maintaining and paying taxes on their right-of-way. The truckers pay out of every dollar of revenue.

Continued on page 73
Leadership Needed

By CAPTAIN EDDIE RICKENBACKER*  
Chairman of the Board, Eastern Air Lines, Inc.

After denouncing false prophets of the last 20 years, who favored doles and handouts, and introduced more government in business, Capt. Rickenbacker maintains, our entire system of Federal Government is seriously endangered through concentration and expansion of government. Sees difficulties of new Administration curbing this trend and says government in business is most vital problem today faced by people. Warns attempts at change will be met by a cloud of calumnies "generated by smudgepots of entrenched bureaucrats."

Decres probability of immediate business collapse.

We Have Gone Astry

Instead of demonstrating our leadership, instead of concentrating our God-given talents and resources on making things better, we have been dissipating our wealth of manpower and materials in a fruitless attempt to keep things from getting worse.

Any right-minded person knows that such a course can only lead to defeat and disaster. Why, then, did we follow it? Why have we gone so far astry?

The answer, gentlemen, is simple enough if we have the courage to face the facts. You and I have failed. You and I, once the products and the trustees of the system of freedom and enterprise, which our founding fathers passed on to us, and by which our country has grown, are to whom the American people look for leadership; we have failed them; and ourselves.

For more than 20 years, through the life span of an entire generation, we have been so concerned with our own selfish interests that we neglected our responsibilities and ignored our duties as self-governing free men. We have been so intent upon accumulating the material things of life that we were trading our priceless heritage of independence for a mess of political pottage.

By turning our backs on those principles, written with blood in our Declaration of Independence and in our Constitution, we opened the sanctuary of our Federal Government to a group of political opportunists and left them free to manipulate the machinery of the people's government to satisfy their own selfish greed for power.

Their hold over us was gained gradually. Little by little, our people, and particularly our young people, were taught that there was no longer the need to work in a country an wealthy as ours that free enterprise was outdated; that an all-powerful government could best take care of their every need.

The Philosophy of Doles

By doling out largesse here and there, by offering easy government jobs or handsome government handouts to those who would follow—and by holding up public scorn those who treasured their independence above any government favor—these false prophets established an entirely new trend of thinking in freedom-loving America.

Not only millions of individuals but groups as well—wage earners, farmers, businessmen—were won over by this false philosophy. All of us, in all walks of life, began to think that we need only turn to the government for temporary or even permanent assistance.

So widespread has this false doctrine taken hold that our farmers want guaranteed government prices before they even sow their crops. Business and industry expect government subsidies to insure against loss. Individuals want "security" without the necessity to work for it.

A Warped Concept of Government Relationships

But this is only one part of the challenge we face. Our whole concept of governmental relationships has become warped. Through the "brainwashing" process of the Federal "dole," every one of our 48 sovereign states has become increasingly dependent on the Federal Government.

A fact-finding mission discovered that, through grants-in-aid, the Federal Government influences and to some extent controls 75% of the total activities of our individual state governments. Think of these facts when you think back to the first principles upon which our Republic was founded. Think of these when you remember the lives were lost, and the suffering and the sacrifice endured to give us our heritage of independence of our individual states, and our freedom as individual citizens.

Because, while applied to government applies to the individual as well. Federal aid means Federal control. Control means power. Power means centralization. And with centralization—which means tremendous power in the hands of a few—our entire system of Federal Government is seriously endangered.

There had to be an end to this fantastic process of buying political power with the public's tax funds—of buying the people with the people's own money—which was bringing this great nation of ours to the doors of financial and moral bankruptcy.

Since 1945, I have lived with the fires set by wholesale graft and corruption in public offices, which greatly beaureaucracy inevitably breeds, the spectre of "big government" loomed over us like the mushrooming cloud of an atomic explosion. The depth of the darkness in that cloud struck fear into our hearts until, finally, we did something about it.

Election Turned the Tide

Last November we called a halt to the full-scale march when the American people, by exercising the priceless privilege of their franchise, chose a new leadership for our country.

All those who had been concerned with the way we had been drifting toward destruction of our democratic way of life were encouraged to read into this choice of Dwight Eisenhower for President a sudden end to our nationwide economic and world-wide political troubles.

And we reason that many of them, because they failed to appreciate the enormity of the task then to this new leadership, are sitting back impatient because the new Administration has not cured the ills of the past two decades in its first few months in office.

But 20 years is a long time. Because of the work they have done, we need to evaluate much more carefully what happened last November.

At the time of that Presidential election there were some 90 million citizens eligible to vote in these United States. Of that 90 million, 52 million had become citizens of voting age since the dawn of the "New Deal" in 1933.

That means that the majority of our citizens entitled to vote today have lived their entire lives under the political philosophies of the New Deal and the Fair Deal.

Of that 90 million eligible voters in 1962, less than 75 million

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Continued on page 65
Thwarting Nuisance Suits on Public Borrowing

The filing of lawsuits merely for the purpose of obstructing public business has become so prevalent that serious consideration has been given to the problem by such organizations as the I.B.A. The American Bar Association and many others. Persons are looking to thwart the efforts of a public body to construct a public improvement have discovered that merely by filing a suit questioning the validity of the bonds which the public body proposes to issue to finance the cost of constructing the improvement, is sufficient to accomplish their purpose, and this is true regardless of how frivolous may be the contentions raised in the suit. The mere fact that litigation is pending is sufficient to deter Investment bankers from purchasing the securities.

Many attempts have been made to set at rest legal questions regarding the validity of a proposed issue of State or municipal bonds. Statutes of Limitations have been enacted barring the institution of any action questioning the validity of bonds or of the taxes pledged for their payment after the lapse of a specified time. The existence of such statutes, however, has not prevented the institution of nuisance suits. Several States have enacted statutes under which the public body may cause a judicial proceeding to be instituted for the purpose of testing the validity of the proposed bond issue and the validity of the taxes pledged for its payment and which authorize the court, before which the proceeding is brought, to render a decree declaring that the bonds are valid and incontestable. Such judicial decrees have likewise proven to be ineffective.

I desire to propose a remedy. It goes to a step beyond anything which has been proposed to date, but I believe that the reason the remedies heretofore proposed have been futile is that they have not gone far enough. There are no teeth in them. Any person desiring to defeat or delay the efforts of a public body to finance the construction of a public improvement may bring the most ridiculous law suit attacking the validity of the bonds, notwithstanding they may have been adjudicated as valid and notwithstanding the fact that the Statute of Limitations may have run against the institution of the suit, because he knows that he will suffer no penalty if he does so.

Suggested Legislation

What I propose is the enactment by the State legislatures of a statute authorizing any public body which has taken proceedings to authorize the issuance of bonds to file in an appropriate court, a petition praying for the validation of the bond issue. Notice of the pendency of the proceeding shall be required to be given by publication to all persons interested, and perhaps notice of the proceeding shall be required to be given either to the Attorney General of the State, or to the prosecuting attorney of the district in which the public body is located, or to some other appropriate official. Any person interested in the validity of the bond issue or in the validity of the taxes or other revenue pledged for the payment of the bond issue, shall be entitled to appear in the proceeding and contest the validity of the bonds or of the taxes or revenues pledged for their payment.

Upon the filing of the petition, the public body may petition the court for an order enjoying the institution in any court of the State of any other suit involving the validity of the bonds or the validity of the taxes or revenues pledged for their payment. Upon similar motion the court may order a joint hearing or trial before it of such issues in any action or proceeding then pending in any court of the State and may order the consolidation of such actions or proceedings with the validation proceeding pending before it. This would enable the court to bring before it for trial all cases then pending in any court in the State involving the validity of the bond issue or of the taxes or revenues pledged for its payment, and would avoid the multiplicity of suits which now so often occurs. It would also prevent the institution of any new suits after the commencement of the validation proceeding.

Right of Appeal

After the trial of the issues, the court should be authorized expiration of the time within such to enter an incontestory decree validating the bonds, and from this order appeals might be taken to the appellate courts. After the appeals might have been taken or after an affirmation of the decree by the appellate courts, the court might enter a final order validating the bonds, or it might be authorized to retain jurisdiction until proceedings have been taken by the public body for the sale of the bonds. After these proceedings have been taken, the proper body might present to the court a supplemental petition showing the proceedings which have been taken subsequent to the entry of the interlocutory decree, and if such proceedings are approved by the court, the court would then be authorized to enter a final decree validating the bonds and to issue a permanent injunction restraining any person from thereafter instituting any action or proceeding in any court in the State attacking the validity of the bonds or of the taxes or revenues pledged for their payment.

This would put teeth in the validation proceeding. Any person who thereafter filed a suit raising the issue of the validity of the bonds or of the taxes or revenues pledged for their payment, would be guilty of contempt of court. I believe that if such a statute were enacted by the legislatures throughout the country, any person who had a legitimate objection to the issuance of the bonds would be given a day in court to state his objections and have them adjudicated, but the person who considered bringing a suit, merely for the purpose of harassing the public body, would realize that he would run the risk of being committed for contempt of court. If there is a real desire on the part of the legislatures to protect public bodies from these nuisance suits, I submit this suggestion for their consideration. I believe it would work.
Canada’s Positive Tax Policies

By HON. DOUGLAS ABBOTT
Minister of Finance of Canada

Canada’s Finance Minister describes recent Canadian tax developments, which, he states, are aimed to hold down both individual and corporate income tax rates and to raise new needed revenue through sales and excise taxes. Explains Canada’s attack on double taxation and its program for tax relief to small businesses. Reveals plan which gives corporations right to capitalize undistributed income upon payment of a 15% tax, and says Canada has scrapped old concept of depreciation and adopted a system of “capital cost allowances.” Says Canada has a working solution of competing tax jurisdictions.

I want to give most of my time today to talking about the Canadian corporation income tax which is now one of the two largest sources of revenue for our Federal Government. But before outlining our corporation income tax policy I should set out the main elements of the Canadian tax picture. About 30% of Federal revenue comes from a steeply progressive personal income tax. It is the only personal income tax in Canada. Another 30% of Federal Revenue comes from corporation income tax. About 11% of Federal revenue comes from sales tax applied at the manufacturers' level at a rate of 8%, and from a special excise tax on tobacco products and liquor, from customs duties, no-resident income tax, succession duties and so on.

But the great bulk of revenue is raised by the two income taxes—personal and corporate income tax—on personal and corporate incomes, and from indirect taxation, in the form of a manufacturers' sales tax and special excise taxes. In addition to this tax structure I should mention that we levy special old age security taxes, the revenue from which is paid into a special extra-budgetary fund from which we pay old age pensions. These special taxes are a manufacturers’ sales tax, a 2% personal income tax, limited to a maximum of $600 per year, and a 2% corporate income tax.

Why More Reliance on Sales and Excise Taxes

I think it may be of some interest to you Americans that we rely so heavily on sales and excise taxes. I have been much concerned over high rates of income tax. We, in Canada, feel they tend to encourage extravagant expenditure and are therefore a burden on both management and labor. Thus we have emphasized a reasonable balance between taxes on spending and taxes on earning.

When we began rapidly to expand our defense effort in 1939, we decided on a pay-as-you-go policy. In our post-Korean budget we have had to find the revenues to cover an increase of about 60% in defense spending. Our tax policy to bring in enough revenue to meet all expenditures we have had to remember the desirability of increasing national productivity and at the same time of keeping consumption within reasonable bounds. We strive, therefore, to find a balance between taxes and earnings—income taxes, and taxes on spending — sales and excise taxes. After Korea we applied taxes on spending to bring in about 45% of the new revenue we needed. I believe these taxes on spending encouraged saving and helped absorb purchasing power. They were, we found, a valuable brake on inflation.

A moment ago I mentioned that the Federal personal income tax is the only personal income tax in Canada. During and since World War II we have gone quite a long way in Canada toward finding a working solution to the problem of competing in jurisdictional, which plague all Federal systems of government.

Nine out of the ten provinces of Canada have signed agreements with the Federal government guaranteeing certain of their tax fields to the Federal Government. As a result of these agreements there are no provincial personal income taxes, unless they levy provincial corporation income tax, and only two provinces—New Brunswick and Nova Scotia—have corporate income tax.

Canadian Corporation Income Tax

With this sketch of the tax structure in Canada, I would like to turn now to discuss some of the main features of the Canadian corporation income tax.

Under present rates the Federal government is taxing away nearly half the profits of corporate enterprise.

Back in 1929 our rate of tax on corporate profits was 15%. Twenty years ago in 1933 it was only 13%.

During the early years of World War II, of course, the rates were pushed up rapidly along with other taxes and by 1942 the pattern, including excess profits tax, was 40% minimum with 100% on excess profits. At the end of 1947 the excess profits tax was abolished. Successive postwar tax cuts brought personal income tax rates down to fairly reasonable levels as compared with top wartime rates. Corporation income tax rates have a comparable reduction. The Federal rate was lowered to 30% but the two large provinces, in which many firms have their head offices, re-entered the field with 7% taxes. In 1949 we introduced a special low rate of 16% on the first $10,000 of profits and increased the rate on all profits over $10,000 to 33%. With the 7% provincial tax, the overall level of corporate income tax for large companies in the two large provinces was brought back to the 40% level, which was the wartime standard rate.

T axing Small Business

As a result of the post-Korean tax cut and the re-arrangement of taxes with the provinces, to which I have referred, the special low rate on small businesses had to be brought up for time exposure. It is now 20% and a small budget, had a further important adjustment by increasing the special low tax bracket from $10,000 to $20,000. (For convenience, I refer to them including American readers. The expanding industrial wealth of our country and its patterns, and the small towns and villages and in the small towns and villages and in the small towns and villages and in the small towns and villages.

It has been estimated that about 70% of all corporate taxpayers in Canada fall within this $20,000 bracket, although by far the greater part of corporate profits are in the big concerns still pay tax at the higher rate, which is now 49%.

A dividend tax credit was introduced at the same time as the dividend tax, 20% refundable which, it was thought, would increase the amount of corporate earnings. This is an important source of reducing double taxation, that is, the taxation of corporate profits and the subsequent taxation, through the personal income tax, of the dividends paid out of these profits. For about three-quarters of the corporate taxpayers, double taxation has been completely removed.

Attack on Double Taxation

The Canadian attack on the double taxation of corporate profits is, I think, unique. We did not follow the method used in Great Britain. There, the shareholders do not have to pay personal income tax at the standard rate on his dividends because this has been withheld on his behalf by the corporate former. For tax purposes, however, the dividends have to be "grossed up," as the Canada taxpayers gather it. Nor did we follow tax, with a view to entrenched, advocated here, of allowing the corporation to deduct from its income the amount paid out as dividends. That would convert the corporation income tax into a tax on undistributed profits. For Canada such a tax, apart from anything that may be said in principle against it, would be extremely excessive, because of the large volume of dividends that go abroad. A credit for these dividends would substantially undermine our corporate revenue. Our present law allows a credit only in respect of dividends received by Canadian residents. The non-resident shareholder and the corporation itself are unaffected by our present arrangement.

One minor point here. Generally speaking the preferred stockholder does not bear the burden of the corporation income tax. It is borne by the corporation shareholder. Under the Canadian law, however, both are entitled to a tax credit. Simplicity was one of the greatest arguments for this system. Our tax credit was devised not only to remove double taxation but to encourage Canadians to join in a wider participation of equity ownership, to allow them inclusion in the expanding industrial wealth of our country and it patterns, and the small towns and villages. It has been estimated that about 70% of all corporate taxpayers in Canada fall within this $20,000 bracket, although by far the greater part of corporate profits are in the big concerns still pay tax at the higher rate, which is now 49%.

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Solving the Undistributed Surplus Tax Problem

Now let me turn to the problem of the undistributed surplus as affected by our tax law. Our old income tax law used to tax the dividends paid by the Minister of National Revenue to declare dividends paid by the accumulation of earnings which were in excess of its excess dividends. Shareholders were deemed to have received this excess as a dividend and they were taxed accordingly. While this authority had not been used to any great extent, it was, nevertheless, regarded as a potential source of revenue. The fact that here in the United States you have your equivalent section 102 has for...
Basic Research for the Securities Industry

The last 15 years has witnessed an increase in basic research in the field of finance. In many respects, this is the most important kind of research anything we have ever experienced before. The great advance in economic research has in general been truly remarkable. In the industrial field, for example, the great advance has been in the development of a body of knowledge which is free of the compulsions exerted by immediate and pressing problems of a very practical sort.

Scope of Economic and Financial Research

This view of financial research probably quite at variance with what many people currently believe. It is broadly true, I think, that people understand reasonably well what is meant by research, and that they may be inclined to think that the work of economists is to solve problems of the practical sort. Yet it is a widely accepted fact that our efforts to understand the workings of our economic and social system are negligible compared with the resources devoted to industrial research and development. A recent study by the Department of Commerce estimates that more than $3 billion was expended in 1936 for industrial research and development. A comparison of this figure with one that fairly represents expenditures on financial research would obviously require a somewhat different definition of what we mean by research, and the fact that we make no effort to define it in any attempt to give, the fact that, regardless of what definition we put on financial research, what we annually spend to achieve a better understanding of our financial system is but a very small fraction of one percent of what is spent on industrial research and development.

This simple comparison of magnitudes is itself of little interest but it is entirely justified to understand that, contrary to what I take to be a widely held opinion, we devote far less of our efforts in the financial field to what might be called research investigation than is characteristic of the industrial field. We are all familiar with the distinction between pure and applied science. Speaking broadly, pure science consists of studies in which there is no or no so direct an immediate utility of the result; in its purest form it becomes a systematic search for understanding and as an end in itself. Applied science, on the other hand, is essentially utilitarian, or "practical," as the saying goes. Actually, the overwhelming percentage of what we do in the field of economic and financial research is pointed directly to the clarification of immediate problems: there is little opportunity, unfortunately, to work in an atmosphere that is free of the compulsions exerted by immediate and pressing problems of a very practical sort.

In effect, the problem that is essentially financial in nature is to understand the workings of an essentially economic system. Yet it is a widely accepted fact that our efforts to understand the workings of our economic and social system are negligible compared with the resources devoted to industrial research and development.

There are a number of reasons but perhaps the most important is that our financial system has been the subject of a number of industry groups specifically for the purpose of promoting basic financial studies. I have in mind the Banking Research Fund of the Association of Reserve City Banks, the Federal Reserve Banks, the Economic Research Committee of the Life Insurance Association of America, which has made substantial contributions to studies by a number of institutions and individuals. The list could be considerably lengthened, though there are outstanding examples in the field of finance, but this is hardly necessary to establish the fact that there has been a clear indication by the business and financial community of its interest in the support of basic research.

So much for what we mean by basic research in economics and

By R. J. Saulnier

Director, Financial Research Program National Bureau of Economic Research

Dr. Saulnier describes the scope of economic and financial research, with special reference to basic financial studies of the National Bureau of Economic Research undertaken with aid of subventions from various organizations and associations, including the National Association of Securities Dealers and the Investment Bankers Association. Outlines objectives in various research projects relating to capital requirements of the economy and the various phases of securities marketing. Says there is need for a comprehensive survey of investment banking and the problems of the promotion of the securities business.
Municipal Group Protests Federal Competition

At the opening session on Nov. 30, of the 42nd Annual Convention of the Investment Bankers Association of America, meeting at Hollywood, Fla., A. Webster Dougherty, of A. Webster Dougherty & Co., Philadelphia, Chairman of the Municipal Committee, released the report of the Committee.

The text of this report follows:

During the year our Chairman reported verbally for our Committee at the Winter Meeting of the Board of Governors in February and we submitted a written Interim Report in May. Among various matters referred to in the May Report were:

Appointment of Liaison Committee, one by the Section of Municipal Law of the American Bar Association and one by the municipal section of our Association for the consideration of problems of mutual interest and concern to the two organizations, which, as we know, arise from time to time.

The decision of the Editorial Board of the Commissioners on Uniform State Laws to amend Article 8 of the proposed Uniform Commercial Code by adding the wording, "Securities governed by this Article are negotiable instruments." There were also a few related amendments added. All experienced municipal dealers and municipal bond attorneys and investors will appreciate the value of this action. It is now very important to see that all the amendments recommended by the Commissioners to Uniform State Laws are included in the legislative enactment of the new Uniform Commercial Code. Many years elapsed before all of the states had adopted the current Uniform Negotiable Instruments Law, which, as will be recalled, did not include bonds payable from a particular fund, thus it will probably take several years before our state enact legislation embodying the newly recommended Uniform Commercial Code.

While the above subjects were discussed and received careful consideration and recommendation by our last annual meeting results did not materialize until somewhat later.

National Housing Act

A problem which concerns us very greatly arises out of the discussions of Section 401(a) of Title IV of the National Housing Act. This Section permits furnishing Federal loans through the Housing and Home Finance Agency to educational institutions for the purpose of assisting them in providing housing for their students and faculties.

This Section of the law was amended as of June 30 last. Operations under that Section before it was amended were such that it was practically impossible to have private industry to meet the Federal competition. Since that time and the practicality of the amendment the action of the Federal law and/or by agency operations under the law. Additionally, it is evident from observation of the advertisements made for public sale of bonds issued by the Housing and Home Finance Agency that the underwriting was not made with the necessary care and prudence. Nobody else could meet the competition.

That Section titled, "Housing for Educational Institutions," reads:

"Sec. 401(a) To assist educational institutions in providing housing for their students and faculties the Administrator may make loans of funds by the institutions for the construction of such housing."

Provided, That no such loan shall be made unless the educational institution shall specify in its application that the housing will be undertaken in such a manner that the economy will be promoted in its construction, and that it will not be of elaborate or extravagant description.

Any educational institution which, prior to the date of enactment of this Act, has contracted for housing in a manner consistent with the requirements of this title, as the Administrator may determine, may be granted a loan under this title.

Provided Further, That no such loan shall be made for any housing, the construction of which began prior to the effective date of this Act, unless the educational institution may be in an amount not exceeding the development cost of the housing, as determined by the Administrator; shall be secured in such manner and be repaid within such period of time as may be determined by him; and, with respect to a loan guaranteed by and made to an educational institution described in this title, as the Administrator may determine.

Provided Further, That no such loan shall be made for any housing, the construction of which shall be determined by the Secretary of the Treasury by estimating the average yield to maturity, on the basis of daily closing market bid quotations or prices during the month of May or the month of November, as the case may be, next preceding such six-month period, on all outstanding mortgageable obligations of the United States having a maturity date of 15 or more years from the first day of such month of May or November, and by adjusting such estimated average annual yield to the nearest one-eighth of 1%.

Under the above section, as we believe is clearly evident, our industry is stopped through Federal subsidized encroachment in the making of loans for such purposes. Dealers are forced away from bidding by the provisions in the law and/or by agency operations under the law. Additionally, it is evident from observation of the advertisements made for public sale of bonds issued by the Housing and Home Finance Agency that the underwriting was not made with the necessary care and prudence. Nobody else could meet the competition.

In any instance the Agency loans to educational institutions for the purpose have been at rates less than that which the Treasury Department can borrow through the sales of bonds of the United States with a life anywhere near commensurate with those of the secondary revenue bonds of the educational institutions.

On April 13 last an issue of United States 3% 30-year bonds due June 15, 1953, was sold by the government at a 3.5% premium. As a practical matter the results of the construction of the Section would effect a directive that the Federal agency does the underwriting of these loans with the

Continued on page 46
SEC and State Laws Impeding Capital Flow

On Dec. 3, the State Legislation Committee of the Investment Bankers Association of America, whose Chairman is Paul L. Mullaney, Wells & Co., Chicago, submitted a report to the 42nd Annual Convention in Hollywood, Fla.

The text of the Report follows:

There is a wide-spread complaint that the Federal Securities Act and the state securities laws are so complicated that they operate to impede the operation of the banking industry to a degree and in a manner as to make it unnecessarily difficult to provide capital funds to American industry. While we subscribe to the general purposes of both the Federal Securities Act and the state securities laws, i.e., full disclosure and the protection of investors against fraud in the purchase and sale of securities, one of the principal objectives of this Committee has been to obtain the adoption of state securities laws and regulations that will provide for protection for investors with a minimum of restraint on the conduct of the securities business by reputable securities dealers.

In many states the present securities laws of the "qualification" type contain unnecessary cumbersome procedural requirements and place too much emphasis upon approval of individual issues of securities by the state securities commissions as a large that in all such states an effort be made to obtain state securities laws which will provide greater simplicity and uniformity and thus enable greater emphasis upon supervision of securities dealers and salesmen and less emphasis upon approval of individual issues of securities by the securities commissions—all of which can be accomplished without lessening the effective protection of investors. The IBA model law of the notification type provides for a simple but effective law to achieve these purposes.

At the outset, this Committee wishes to acknowledge the cooperation given by the securities commissioners of several states where new securities laws or amendments to the securities laws were adopted this year.

State legislatures were in regular session this year in 44 states, and there were many development of specific interest to the investment banking industry.

Amendments to State Blue Sky Laws

There have been amendments this year to the blue sky laws of the following states:

- Alabama
- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- Georgia
- Idaho
- Illinois
- Indiana
- Iowa
- Michigan
- Minnesota
- New Hampshire
- New Jersey
- North Dakota
- Oregon
- South Dakota
- Texas
- West Virginia
- Wisconsin

Appendix A of this report contains a summary of those amendments, but we wish particularly to call to your attention certain of the most important of those amendments.

In Georgia a complete new securities law, embodying the IBA model law of the notification type, with a few minor changes, was adopted by the General Assembly of the state.

In Illinois a new securities law, embodying the IBA model law of the notification type, was adopted by the General Assembly of the state.

In Michigan a new securities law was adopted effective Jan. 1, 1954. This new securities law is substantially the same as the "qualification" type, but it affects a notification procedure for the registration of securities registered with the SEC and issued by state registered companies. Although the Legislation Committee of the central securities commission attempted to adopt a notification procedure for a "qualification" type law in Illinois, the Committee finally concluded that it would be impossible to adopt a notification procedure for this new law in this year and that the bill enacting a new law (as it stood) be introduced in the legislature. This new law (as it stands) requires a balance sheet dated within 60 days of filing.

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Aviation Industry Growing Sans Financing

The report of the Aviation Securities Committee presents data relating to growth of aviation industry and the action of aviation security in stock market. Reveals earnings of air transport companies along with volume of air traffic and other matters concerning aviation industry.

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In Attendance at IBA Convention

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The report of the Railroad Securities Committee to the 42nd Annual Convention of the Investment Bankers Association of America, notes that although 1953 railroad earnings increased, not all carriers are sharing equally in the relative level of prosperity. Finds no clear outlook for 1954 at present time.

is a problem which should not be regarded lightly by anyone concerned with railroad matters. The basis of dividing rates between these carriers and those operating elsewhere and Southern territory is only a minor consideration in the solution of this problem.

Looking ahead, the outlook for 1954 is not clearly indicated at the present time. There is some indication that both business and businessmen wish to anticipate a slight increase in business activity in 1954 than prevailed during 1953 but forecasting is not within the province of this committee. It is sufficient to comment that a slowdown in business and railroads, if there is one, would be expected to have a definite bearing on the volume of railroad traffic and earnings. However, we are of the opinion that a reduction in demand could be offset for the most part by additional income from other classes of business, earnings need not be seriously affected.

A more serious threat to railroad earnings is posed by the situation in the labor unions for increased wage rates and other work benefits. Should the increased wage rates being requested, or any of the labor unions for increased hourly wages be held up, the cost of operating could be well over $1 billion and the additional cost of the additional work benefits sought would represent a further large sum which cannot be estimated inprecise figures at this time. For your guidance it might be noted that in each one-cent-per-hour increase in wage rates cost the Class I railroads about $29 million annually after taxes. With this figure in mind, you can readily see the importance of the accuracy of the approximate cost of any new settlement of hourly wage rates. However, it is likely that a protracted period of negotiation may take place before a final settlement is reached. In such event there is the further possibility that changes finally agreed upon may be made retroactive for some period of time. Such a settlement imposes too great a burden on the carriers there is reason to believe they will petition the ICC for permission to increase rates. These requests, in turn, will cause some carriers to lower their current rates in order to remain competitive.

The temporary freight rate increases granted in April 1953 originally scheduled to expire in February 1954, were further extended to February 1954 and have now been extended to the end of 1955. The fact that these are temporary increases is not conducive to long range planning by railroads. In addition, being temporary, these increases are not applicable as surcharges on base rates and thus entail a substantial amount of clerical work by the railroads and their agents which the improved labor situation and the absence of any further temporary rate increases will be required to offset the loss of these temporary increases. This situation may be even more difficult to deal with after decisions granting temporary relief in the ICC are made. The temporary increases are in the form of higher rates. This leads to some comment about the current level of railroad rates.

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Progress of IBA in 1953

which I would like to talk to you about. The unfailing courtesy and hospitality afforded me everywhere I went, the magnificent co-operation I received, the great community of interests evidenced by our Canadian members and the kindness of everyone was beyond compare. But you will bear much of these things in detail at another convention.

We can not pass on without a tribute to the leaders of government, industry and who have made great sacrifices of time and schedule to be our speakers. They do us great honor and again we like to note the presence here of men of such stature and ability in high offices of our nation and of industry, is an indication of their understanding of the important contribution we are making to the present war effort.

1953: A Great Year

Nineteen fifty-three is going down in history as the greatest year of American prosperity ever known. We have built our pro-
ductive capacities in practically every field of endeavor to a point which assures new highs in the output of goods and services. The extent of such capital spending is perhaps not fully real-
ized—maybe these few figures will help: The fact that our expanding economy come alive. Between 1945 and 1953 we spent from 14 to 18 billion of industrial capita-
l per year. It reached more than 23 billion this year.

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On Nov. 30, at the 42nd Annual Convention of the Investment Bankers of America, in Hollywood, Fla., Claude F. Turben, Merrill, Furber & Co., Cleveland, O., as Chairman, delivered the annual report of the Industrial Securities Committee.

The text of the report follows:

In a written report prepared by your Industrial Securities Committee for the spring meeting of White Sulphur Springs, we presented the following statistics for the whole of the year 1952 which for background purposes we shall briefly review.

More money was raised for the expansion of industry than in any year in history.

New money exclusive of refundings totaled $33 billion and including refundings $57 billion. Of this $57 billion, $47 billion was placed privately and $8 billion was offered to the public.

The significant figure to our industry, however, was the fact that only $1.4 billion of this money came from offerings of common stocks, despite the attainment of the highest volume in 25 years for Dow-Jones Industrial Averages and generally satisfactory market conditions throughout the year.

If we subtract approximately $600,000,000 of Utility offerings from the figures we find that this entire industry raised a little over $500,000,000 in common stock equity for industrial United States including banks, finance companies and utilities. This figure is about two-thirds of the average for the years 1937-1939 which was the last period of sustained prosperity comparable to this one.

Other interesting comparisons of the two periods show personal income rising from $85 billion in 1929 to $298 billion in 1952 and personal savings rising from $3.7 billion to $18 billion. On the basis of figures released by the SEC for the first 8 months of 1953 the total of industrial equity financing is declining to about half of that for 1952 due in part to a generally declining stock market from Jan. 5 to the middle of September. There is not much new in these figures as the total amount of equity capital supplied by new issues, including preferred stocks, has averaged less than $2 billion annually since January 1952. During this period corporate debt has risen from $85 billion in 1952 to over $100 billion.

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Your committee would like to present the following facts in order to be obtained in private sale to the insurance companies. In addition the demand indicates that the bond market of last spring has made it possible actually to demonstrate to corporation executives the profit possibilities in repatriation of debt for sinking fund purchases at large discounts.

Debt Consolidation and Other Factors: The most hopeful sign for the revival of industrial equity financing is the growing awareness of the size of the corporate and private debt. An insignificant amount of deflation and a slight hardening of the dollar has caused a sea of copy to be written on the subject. We are all aware of the fact that the many corporations, industries and individuals which entered the depression period of the thirties, heavily encumbered with debt, were responsible for nearly deepening and lengthening that depression. We indeed were not a major contributing factor. When we realize that industrial corporations, in the period from 1946 to 1952, have raised a greater percentage or their new capital by debt than in the period 1922-1930 approximately 75% versus 50%, it becomes apparent that there is a place at this very moment for intelligent and profitable investment banking. Business cannot forever expand at the expense of its creditors.

Funds to a large extent have been paid out of profits and with less restrictive provisions in some cases than could be obtained in private sale to the insurance companies. In addition the demand indicates that the bond market of last spring has made it possible actually to demonstrate to corporation executives the profit possibilities in repatriation of debt for sinking fund purchases at large discounts.

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Issue Brochure Series

Of great interest to American investors is a new series of brochures being published by Gardiner & Co., Ltd., Toronto, Canada, and Gardiner & Co., Inc., New York.
The brochures will be published monthly and contain reviews of Canadian growth stocks and subjects of current economic interest to investors in Canadian industry.
Inaugurating the series is a brochure containing a recent speech by Rt. Hon. C. D. Howe, Minister of Trade and Commerce and Defense Production, in which Mr. Howe outlines the underlying causes for Canada's remarkable postwar development and indicates what the general course of economic development Canada will take in the next 10 years.
In summary, the Canadian Government feels that Canada's rising and future growth stems partly from the country's abundant natural resources and partly from favorable conditions for trade and for other types of economic "climate" available to private investment and for enterprise. The favorable economic "climate" results largely from (a) a lack of bureaucratic controls, (b) sound, judicious, and monetary policies, and (c) bold trade policies on the part of the Canadian Government.
Copies of this and succeeding brochures in the series may be obtained from Gardiner & Co., Inc., 40 Wall Street, New York, or by writing directly to the company, Gardiner & Company Limited, 320 Bay Street, Toronto, Canada.

Continued from page 31

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Mutual Funds and the Investment Banker

On Dec. 3, at the Fourth Session of the 42nd Annual Convention of the Investment Bankers Association of America, Robert L. Ogrod, Vice President, Sanders Company of Boston, as Chairman, delivered the Annual Report of the Investment Companies Committee.

The text of the report follows:

For years, many members of this Association have held the belief that distribution of open-end investment companies was largely confined to firms whose clientele is primarily among smaller individual investors. The facts are now coming to light, showing that this is not the case.

It is true, of course, that a large majority of the total number of mutual fund shares are sold through individual investors. On the other hand, the trend toward sales of large dollars amounts of shares to institutional investors is continuing. And all other larger investors continues upward. It is being stimulated by several factors, including new legislation and the development of simplified profit-sharing and pension plans for corporate, making use of mutual investment company shares.

One company recently stated, for example, that approximately $66,000,000 worth of its shares was owned by investors with holdings of $5,000 or more and that, of this total, about $33,600,000 represented investors each owning $100,000 or more. Another company has reported that 24% of its assets are held by shareholders owning $50,000 or more.

That larger member firms of this Association have not overlooked these developments is indicated by an analysis of a list recently published by "Finance." This magazine gave the names of 128 investment banking firms with capital in excess of $1,000,000. It has been reported that 106 of these firms maintain a distribution relationship with one or more investment company underwriters. Of the remaining 22 firms, one has since discontinued business, and except in one instance the others are not active in the retail distribution of securities.

Sales of Shares Continue High

Again, in the current year, sales of shares of open-end investment companies contributed substantially to the income of investment banking firms. Figures compiled by the National Association of Investment Companies show that for the first nine months of 1953, sales of new shares by 108 mutual funds amounted to $511,877,000. For the 12 months of 1952, sales totaled $726,000,000.

Funds Help Build Stock Exchange Business

In relation to these trends, it may be noted that the request of the New York Stock Exchange, a survey was made among mutual funds with respect to certain phases of their investment activities from 1940 through 1948. Based on statistics supplied to the Exchange by these companies, the following observations appeared in summary form to the Exchange member firms.

The New York Stock Exchange field has shown a vigorous growth comparable to that of the over-the-counter market as a whole and the financial markets, as well. The figures are both suffering from a shortage of adequate sales to meet the demands of the market. For reasons which are self-evident, the one large source of equity capital is currently the investment company in a group which the financial community knows as the 'investor.' The mutual fund industry is apparently an effective mechanism for servicing and developing this market. The facts disclosed make it appear that the New York Stock Exchange and its members are benefiting directly from the open-end investment trust industry and its growth.

This study was brought up-to-date for the three month period ending September, 1952. The most significant change in the figures indicated that in the later period about 40% of the sales of shares of investment company shares had been made to individual investors. In the early period, about 9% of the sales were made to these investors. The remaining shares were sold through investment bankers.

In summary, it appears that whereas the 20% of the sales of shares of open-end investment companies to investors have come from the North Atlantic Seaboard, with the balance of the country, the origin of business on the New York Stock Exchange is almost exactly the reverse, with approximately 70% from the South Atlantic Seaboard. It would appear that a good share of the business done through the investment company industry is a result of sales originating in areas which otherwise would produce little volume. This is, of course, effective result is to broaden ownership of listed stocks, especially those not otherwise available availing themselves of the facilities of the investment banking industry.

Extension of Prudent Man Rule

Back in 1942, the American Bankers Association set up a committee to draft what is now one of the most influential Prudent Man Rule Statute. By then, a statute had been enacted in New York which had not previously followed the Massachusetts concept and resulted in the "Prudent Man" concept of trust investments. In 1939, the late Mayo Adams Shattuck, a prominent Boston attorney and authority on trust law, learned from a survey that because there was no statutory provision on the subject in most states, fiduciaries were more interested about using investment company securities than might be the case if the property of such use were clearly spelled out by legislative dictate. Assisted by Mr. Shattuck, who was the drafter of the original "Model Prudent Man Statute," an independent committee of that associated with the investment company industry undertook to work toward amendment of the rule where already enacted, and advocated passage of the amended Rule in other states still bound by the "legal test" concept.

The results of this work have been highly satisfactory. Not only has the "Prudent Man Rule" been enacted in a number of additional states, but there are now 14 of these whose laws specifically allow trustees to invest funds in their care in investment company securities, within sound limits of prudence, discretion and intelligence. These states are: Colorado, Nevada, Nebraska, New Hampshire, New Jersey, New Mexico, North Dakota, Ohio, Pennsylvania, South Carolina, Tennessee, Texas, Washington, and Wisconsin.

In addition, by probate judges' opinion in Massachusetts, and by opinion of the Supreme Court of Oklahoma, trustees in these states may also invest in investment company securities, within similar limits.

Savings Banks

The same independent investment company committees was also instrumental in obtaining amendments to the laws of New Hampshire and Rhode Island to permit savings banks to purchase, within sound limits, securities of investment companies. In addition, the insurance laws in Kansas were changed to permit insurance companies (other than life) to make the same type of investment.

Public Trustees

A serious problem faced by public trustees of public funds in New Hampshire was the inability to obtain proper diversification and management of comparatively small sums left for local improvements, maintenance of parks and playground, and other purposes. After careful consideration, the Attorney General's office drafted new legislation, which was enacted, permitting the investment of such sums in investment company securities under the same principle as the "Prudent Man Rule Statute." The independent investment company committee played an active part in helping with this legislation and in setting up the bookkeeping methods that were adopted.

Needless to say these important pioneering tasks could not have been accomplished without the energetic efforts of the local level, of firms in the investment banking business. In many instances, this support came from individual members; in others, from financial groups and the part of the state legislative committees of our Association. Thanks.

Robert L. Ogrod
are due to all who have participated in this constructive work. In 1953, the independent committee was dissolved and the further development of its recommendations was assumed by a committee of the National Association of Investment Companies.

Other Benefits for Investment Bankers

Besides widening considerably the market for investment company shares, the result of these activities has been favorable in other respects to the investment banking business, as many states previously tied to the particular rule have broadened the permissive powers of trustees to purchase other types of investments, whether common stocks, preferred stocks or bonds.

Jenkins and Keough Bills

The new committee of the NAIC has also taken an active interest in Federal legislation relating to tax-exempt pension plans for the self-employed. At the hearings last August, before the House Ways and Means Committee, it offered the following explanation and amendment to the Jenkins and Keough Bills (see page 1120). -

"With the general objectives of H. R. 10 and H. R. 11, introduced Jan. 2, 1953, which seek to provide in the Internal Revenue Code a mechanism for retirement plans for individuals comparable to those permitted to be established under the Federal Employees Retirement System, there can be no sound objection. "We should like, however, to call to the attention of the Committee one point in the pending bills which we believe should be corrected before passage. Section 4 of the bills would add to the Code a new Section 173 which would require in subsection (b)(2) that the trustee of the restricted retirement fund for individuals, as defined in Section 104 of the Code. The purpose of this requirement undoubtedly is to insure that an institution of public standing will hold the deposited funds and see that they are not made available to the individual except under the circumstances specifically permitted by the Code. "We suggest, however, that the trust agreement by terms permits investment solely in obligations of the United States Government or in shares of publicly-held investment companies registered with the Securities and Exchange Commission under the Federal Investment Company Act of 1940. It should require that a bank be the trustee but should require only that a bank be a custodian of the securities in the trust under appropriate regulations of the Secretary of the Treasury. A trustee is charged with the responsibility of selecting investments as well as with the care and custody of the securities in the investment funds. For this reason the charges of a bank are substantially greater when it acts as trustee than as a mere custodian. Most of the retirement income funds to be established under the proposed statute, particularly in the early years following their creation, would be a relatively small size, and the differential in the charges of the bank, depending upon whether it acted as trustee or as a custodian, would be especially significant in such cases. "United States Government securities and shares of publicly-held investment companies would be particularly appropriate forms of investments for retirement funds. They are relatively low risk. Government securities are obviously a desirable investment for such funds and, as an appropriate case, are the securities bought and held invested companies, which are subject to regulation by the Financial and Exchange Commission, and which furnish to investors moderate yields of interest and small risk. In the case of groups as large as adequate safeguards are established in the Federal deposit insurance law for the protection of the Treasury, and for this reason only the pensive means for investment of these groups are desirable. "If we could extend the statute to relieve the trusteed of the special care and custodianship regulations in the case of bank trust departments, we believe the measure would be of great assistance to pension plan administrators. "We, therefore, respectfully suggest that the above-mentioned bills be amended to provide in subsection (b)(2) that the bank act as custodian but not as trustee. In other words, the bill should provide that the bank may act as custodian, but not as trustee, for the retirement income funds. This would enable the bank to purchase in the open market securities of all kinds to maintain the liquidity and to follow a prudent investment policy for the retirement income funds. It would also preclude a taxpayer from appointing a bank as trustee in any event."

"We submit for the consideration of the Committee a form of brief amendment to the proposed Section 173(a), which would add at the end thereof (page 11), line 5) the following language: "providing that the requirement that the trustee be a bank (as so defined) shall not be applicable to any trust arrangement which authorizes and directs the trustee (a) to invest and reinvest the assets of the trust or trust contracts; (b) to receive the contributions and withdrawals of the Government of the United States and/or in shares of publicly-held investment companies registered under the Federal Investment Company Act of 1940 as from time to time authorized to be placed and maintained as the trust in the custody of a bank (as so defined) under such rules and regulations as may from time to time be prescribed by the Secretary of the Treasury, for the protection of the participating members of the Committee." The above amendment has previously been discussed with the spokesmen of the American Bar Association and the American Medical Association (who sponsored the bills) and has received their approval and support. They have been considered being by a joint Congressional Committee and by the internal Revenue Service.

Employer Benefit Plans

Another important development of great interest, yielding significant proportions, is the use of simplified plans employing group contracts, whereby groups of governmental agencies in financial public relations, improvement of public credit, sound financing of capital requirements and other problems of this financial nature are involved. Inquiries about this individualized service are invited.

Wainwright, Ramsey & Lancaster

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Continued from page 37

**Mutual Funds and the Investment Banker**

The commercial and financial chronicle... Thursday, December 17, 1932

That this stability dates back to the early days of the mutual funds is made clear in the following comment from the same address:

"In the 1937-38 period, sales exceeded redemptions by four to one. Sales exceeded redemptions in every year, including 1928, 1929, 1930, 1931 and 1932."

Old Question Answered Again

During this year the drop in stock prices again brought forward, in some quarters, the old question as to whether, in a period of falling prices, open-end investment companies might, because of the redemption privileges of shareholders, be forced to liquidate underlying securities to meet redemptions. On this subject, Mr. John M. Shafter, Executive Secretary of the NAIC, made these comments in a recent address:

"A survey made (by a large stock exchange firm) of four of the largest mutual fund groups (showed) that from Aug. 14 to Sept. 15, 1933, when the Dow-Jones Industrials dropped from 257.67 to 257.67 and the market reached its low point, investors bought $11,525,000 of those bonds and redeemed only $2,550,000."

Mr. Shafter pointed out that a similar situation was evident in the market in 1929, a rather prolonged decline. He observed that during the Dow-Jones Industrials broke from 205.62 to 177.20 at the close of the year, but these funds in that period sold $27,970,000 in new shares and had redemptions of only $10,362,000.

"Following the sharp break in the last week of June, 1935, the first week of the Korean War," he continued, "the National Association of Investment Companies made a survey covering 64 of the larger mutual funds for that same week, disclosing that sales of new shares exceeded redemptions and that portfolio purchases by these funds themselves more than doubled their sales."

Federal Regulation of Sales

Lack of

The Investment Companies Committee of the National Association of Securities Dealers made encouraging progress during the year in its efforts toward removing impractical restrictions believed to exist in the SEC Statement of Policy issued in 1950. At the request of the Commission, this Committee will soon submit recommendations for changes in regulations which, in the light of experience, it believes have accomplished no worthwhile purpose.

New "Blue Sky" Regulations

New directives relating to open-end investment companies were adopted by the Investment Company and Executive Committees of the National Association of Securities Administrators, effective Jan. 1, 1953. At least 15 states have adopted the new regulations which, in general are designed to deal with sales practices.

In summary, it can truly be said that mutual funds are becoming more and more an integral part of the day-to-day activities of investment bankers who seek to carry on a well-rounded business. This fact encourages us to believe that steady progress will be made, with cooperation by investment company issuers, underwriters and dealers, in solving the remaining problems in this dynamic field of investment.

Respectfully submitted,

INVESTMENT COMPANIES COMMITTEE

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The Commercial and Financial Chronicle... Thursday, December 17, 1932

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A New Era for Private Utility Industry

Warren H. Crowell, of Crowell, Warner & Co., Los Angeles, Calif., Chairman of the IBA Public Service Securities Committee, on Dec. 1 issued the report of his Committee to the 42nd Annual Convention of the Independent Telephone Dealers Association, meeting in Hollywood.

The full text of this report follows:

It is this committee's privilege to record the inflection of significant changes which our predecessors have so vigorously and ably espoused in previous reports. Equitable treatment after 20 years of encroachment and harassment is a trend which the utility industry must strive to enhance and elevate. We enter our next expansion period with full cognizance that the policies of the new Federal Administration are not succedent to "this or that" interest but a realistic "middle of the road" endeavor to create a healthy climate for just and judicious regulation. The proliferation of expansion and financing requirements of the next 10 years will demonstrate to the socially inspired public power" elements the truism that private enterprise remains the cornerstone of an advancing standard of living.

In evaluating the experiences and developments of the last two decades, we realize more firmly than ever that we must not compromise or retreat from our stand against the "creeping socialism" of Government in business. Notable progress in this long-waited turn to the right has already been recorded. The Administration is conducting studies of all Federal Government business activities which compete with private industry with a view toward feasible elimination of Government operations.

Several Government-operated businesses have been sold to taxpayers or have been liquidated. Negotiations for the sale of Government-owned synthetic rubber plants by Jan. 1, 1955, is a major step in the right direction. It is noteworthy that the new Hoover Commission has named a 52-member "task force" to study Government activities in the power field with authority to recommend any changes it finds warranted.

Power Policy

Of more pertinent significance to us at this meeting is the new power policy in which the Government will not become a private utility project, a program which parallels the policy affirmed in April by the House Appropriations Committee and other key committees of both chambers. Last May Federal opposition was withdrawn for the Hell's Canyon Dam and Power project long proposed by the Idaho Power Company, and now pending before the Federal Power Commission. Recently, Federal objection was withdrawn for the Pacific Gas & Electric dam and power project on the King's River.

In a statement issued in August, Secretary of Interior Douglas McKay offered the heartening belief that power generated in Government projects "should not be marketed for the benefit of a chosen few nor at the expense of the taxpayers." His plans to set Federal power rates at a level as low as possible consistent with sound business principles encourages the hope that the unfair practices employed by the non-taxpaying Power Authorities will in time be rectified. Although the "preference clause" remains in effect, administration of that provision should be more impartial in nature. As evidence of this new enlightened approach in the granting to four private utility companies of the Northwest Power Pool of 20-22-year contracts with the Bonneville Power Administration without detriment to the status of the Public Utility Districts of that area. There is no need to detail the importance of this decision to the stability and future planning of private utility companies in the Northwest.

Careful nurturing of this stimulant to private enterprise in the utility industry should result in a new era of cooperation and nonduplication of facilities between government and private power developments. The promise of such alignment may well influence decision on pending generating and transmission question such as Hell's Canyon and the Niagara Power development, a project involving a triangle represented by the Federal government, the State of New York, and five major investor-owned utility companies in that State. Three bills representing each of the entities in the Niagara Redevelopment Plan have been submitted to Congress. Last summer the House by a large majority passed the Capehart-Martin-Miller bill which would permit the development of additional hydroelectric power at Niagara by private enterprise, represented by the five utility companies. The Senate adjourned before the joint committee took up the pending trial and consequently a test of the new private vs. public power concept will be experienced when the Senate reconvenes.

Rates

Formerly a few leading utility companies carried the burden of resisting unfair regulation; now the utility industry as a whole reveals a much enlightened understanding and appreciation of organized opposition and also of good public relations. Through closer communication with stockholders and ratepayers, regarding operating and regulatory problems.

Particular emphasis must be placed at state levels to modernize, if not liberalize, laws and policies regarding rates. Improvement in attitude of several state regulatory commissions is happily being noted, not only in recognition of the need for rate increases but also in accelerated action on rate applications. In the areas under the jurisdiction of unduly restrictive commissions, we note as examples of welcome revision recent State Supreme Court decisions such as The New England Telephone case in which the Massachusetts Supreme Court authorized a $10 million rate increase which the Department of Public Utilities had resisted. Other decisions lending hope to an expanding withdrawal from a rigid precedent of original cost formula to that of "fair value" or judgment factor occurred in Illinois, Maryland and Maine. It is the opinion of this committee that our association should develop a 10-year or wider public and regulatory understanding of the cost of fair rates and to more realistic balance between consumer, management, and the investor. This is not a crusade but one which is entirely imperative by the unprecedented demand for the expansion of power facilities. As a result of past inflation, the cost of a new plant is about two and one-half times the cost of the plant in service prior to World War II. Regulation on the basis of not original cost logs too far behind in the establishment of rates which will yield more revenue to the expenses and the increased fixed charges. Because of this lag, there is danger that some sections earnings will be insufficient to attract investors who must be continued.
Canada's Future Potentialities

W. Pearson Scott of Wood, Gundy & Company, Ltd., Toronto, Canada, on Dec. 1, delivered his report as Chairman of the Canadian Committee of the Investment Bankers Association of America holding its 42nd Annual Convention at Hollywood, Fla. The text of the Committee's report follows:

Since the end of World War II, Canada's economic recovery has gone hand in hand with a capital investment program of unprecedented size and scope. This Annual Report of the Canadian Committee sketches very briefly a few of the more significant developments that have already taken place. The Committee then focuses on the country's future potentialities.

Government Policies

It seems appropriate to recognize that government policies have helped to provide a favorable environment for broad economic progress.

With respect to debt reduction, since the end of the war the Canadian Government has established a unique record. A budgetary surplus was achieved in each of the past seven fiscal years; the seven surpluses together aggregated over $3 billion and the net debt was reduced by that amount or 17%. Another surplus, or at least a balanced budget, seems in prospect for the current fiscal year to end March 31 next.

The term “net debt” represents the excess of liabilities over net active assets (see Table below); therefore it should not be confused with the unfunded debt, which consists of Treasury bills and other government securities. Funded debt over the past seven fiscal years was reduced from a peak of $16.8 billion to $14.8 billion or by about 12%.

Rehabilitated and restructured funded debt has spread out reasonably well. At the end of the last fiscal year, roughly 28% of the total was repayable after ten years and about 56% repayable from five to 10 years. Canada's immediate refunding problem is relatively simple. Excluding Treasury Bills and Notes (both revolving funds and held largely by banking institutions, including the Bank of Canada), only about $600 million of the funded debt matures within the next 12 months. With respect to taxes, government policies have tended to provide real encouragement for the development of the country's basic wealth. For instance, the excess profits tax was repealed at the end of 1947. Special depreciation allowances permit defense and allied industries to write off costs more rapidly than would otherwise be the case. These special allowances have proven particularly beneficial to shipbuilding and certain other lines of manufacture. Off-peak industries also apply to exploratory activities, development expenses in oil and mining industries.

Legislation was enacted to lessen double taxation on business profits. The first step in this direction, taken in 1949, consisted in permitting large industrial companies to deduct from their income taxes 10% of dividend payments received from Canadian subsidiaries. Subsequently preferred shares were placed in the same category, and a second major step, effective from the beginning of 1953, increased the deduction to 20%.

With the government taxing away about half of a company's profit, it seems only fair that some tax allowance should be made on that portion of the remaining profit which is distributed in dividends to the shareholders. The measures already taken, of course, have greatly stimulated public interest in equities of Canadian companies and also have encouraged greater participation, at the ownership level, in development of the country's industries. Incidentally, a further encouragement to industrial development in the industrial sector of the country is the absence of a tax on capital gains.

In connection with taxes, study for Canada showed that tax collections by governments (federal, provincial and municipal) last year approximated $15 billion, whereas in 1939 they were less than $1 billion. It may be worth noting that sales and other indirect taxes comprised about 51% of the preliminary 1953 total, with direct taxes on personal incomes 24% and on corporations 25%.

Gross National Product

Growth in the gross national product provides the best overall measurement of Canada's economic progress in the postwar period. Between 1946 and 1952, Canada's gross national product increased by 63%, the comparable figure for the United States was 51%. On the basis of the 1952 population, the United States had a national product of over $3,000 per capita, whereas the United States gross national product per capita increased from about $297 to $1,050 or by nearly 334%; whereas the United States gross national product per capita increased from about $4,893 to $2,327 or by less than 49%. Nevertheless, despite the larger percentage gain, Canada's gross national product per capita still falls below that of the United States. Canada can scarcely expect to close the gap until there is a much higher degree of fabrication of basic raw materials within the country itself. The trend in this direction, should be accelerated as Canada's industrial base broadens.

At times, people refer to Canada's expansion of the past few years as a postwar boom. Such description may be rather misleading, because the expansion appears to have been well balanced and free of many excesses normally associated with booms. For instance, a breakdown of the national income, by industry, for the two years 1946 and 1952 shows the overall increase, well distributed, with only small changes in the relative proportions represented by manufacturing, retail trade and other service industries.

Dynamic factors underlying the country's economic progress include growth in population, foreign trade and capital investment.

Population Growth

From 1946 to 1952, Canada's population (excluding Newfoundland and in both years) increased from an estimated 12,200,000 to 14,000,000 or over 14%; the comparable increase in the United States was 11%. The rate of Canada's population growth over this period reflects partly a higher rate of natural increase and partly a more active immigration policy.

Canada's birth rate in each of the past seven calendar years exceeded the birth rate for any year since 1919, and the death rate has tended to be lower. The preliminary figure for the rate of natural increase in 1952 of 15.7 per 1,000 population is a striking contrast to the rate of only 10.7 in 1919.

Immigration into Canada over the past seven calendar years averaged about 790,000 and was considerably above levels for any similar period since 1880. Through the population growth in Canada as well as in the United States, domestic and neighboring markets for production have been greatly enlarged.

Foreign Trade

The postwar period has been accompanied by notable expansion in foreign trade. Comparing the calendar years 1946 and 1952, exports to all countries increased from $2,330 million to $4,556 million, and imports from all countries, from $1,865 million to $4,030 million. Last year, amongst all countries in the world, Canada ranked third in both exports and imports.

During the seven years 1946–1952, in relation to Canada's gross national product, exports averaged nearly 19% and imports about 17%. During this period the United States absorbed slightly more than half of the total exports and supplied close to three-quarters of the total imports.

Canada's trade pattern shows a much higher degree of market concentration than that of most leading trading nations. For example, last year countries in the United States and the United Kingdom, together accounted for two-thirds of total imports. Although the degree of concentration of these two markets combined has not altered appreciably from pre-war

Continued on page 42

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Canada's Future Potentialities

percentages, there has been a decided shift in emphasis; the United States has now become Canada's best customer, whereas before 1939 the United Kingdom held this position.

In trade with the United Kingdom, last year Canada imported British goods valued at $360 million, whereas exports totaled $701 million; the net result was a favorable balance for Canada of approximately $391 million. The improvement in economic and financial conditions in the United Kingdom could lead to some enlargements in Canada's export-import possibilities with that market and perhaps extend to other parts of the Commonwealth as well.

In trade with countries other than the United Kingdom and the United States, last year Canada's imports approximated $604 million and exports $1,254 million, resulting in a favorable trade balance of $562 million.

In trade with the United States, last year Canada's imports approximated $1,636 million and exports $1,171 million, resulting in a favorable trade balance of $465 million.

The above figures should be kept in mind in the consideration of any increase in the restrictive tariffs directed against imports into the United States from Canada and of the move toward a free trade organization, the Customs Union. It is surprising to see that, with the exception of milk and chemicals, also, with the substantial gains in the trade in the United States last year, the value of manufactured articles and textiles exported to the United States was only about the same as in 1939.

Naturally, Canada would like to narrow its unfavorable balance in trade with the United States. Through substantial expansions in exports to that market, Canada should be able to maintain its imports from the United States at about the high levels of recent years.

Capital Investment

Perhaps the most significant factor in Canada's progress has been the tremendous capital investment program. Over the eighteen years 1934-1952, new public and private investment should approximate $30 billion or roughly one-fifth of the gross national product over that period. As one indication of the size of this capital investment program, in each year from 1948 on, new public and private investment has exceeded the value of Canada's exports to the United States.

A substantial part of this huge capital has been used to establish new and expanding industrial plants. For example, large sums have been channeled into basic industries such as power, iron ore, and exploration and development of resources like oil and iron ore, and into new plant capacity and modern equipment for fundamental manufacturing industries like steel, cement, pulp and paper, and chemicals. Also, with the substantial gains in trade with the United States and the United Kingdom, there has been a further increase in the foreign capital investment in Canada.

The industries of iron and steel and their products, paper, pulp and paper, and chemicals, together accounted for about $1,807 million, or more than one-third of the capital expenditures shown in the above table for the United Kingdom. For example, the United Kingdom has been a major importer of iron and steel products, particularly in the years 1945-1951, during which period the United Kingdom imported about $2,481 million, or more than two-fifths of the capital expenditures shown for 1948.

New private investment accounted for about $31 billion or roughly two-thirds of the total in the seven-year period 1946-1952. This compares with a significant increase over the 1939 total of $14 billion.

The bulk of all the capital has come from Canadian savings, of which about $26 billion or more than half has been invested abroad. For the period 1946-1952, these investments are not included in the above table, but would have shown an even larger increase in recent years, particularly in Europe. It should be noted, however, that, although Canada has been a net exporter of capital, its financial institutions have been able to take advantage of the United States market and to use funds obtained there for financing investment in Canada.

In other countries, the figures imply that Canadians spent about $14 per capita on United States goods, whereas every $1 per capita spent by citizens of the United States on goods imported from Canada.

However, comparing the year 1945 with the end of 1951, there was an increase from $352 million to $116 million, with 76% of the gain in direct investment. There has probably been some further increase in these investments since that time.

Canadian long-term investments abroad increased from approximately $2,500 million to around $4,200 million in the seven years 1946-1952, or almost one-half of the increase attributable to Government of Canada credits, chiefly in the form of loans and advances to the United Kingdom and other governments. Direct investments increased by approximately $600 million, a substantial figure for a country of Canada's size. Although the 1952 figure is not available, the value of Canada's direct investments in the United States rose from $405 million in 1945 to $906 million at the end of 1951.

The tremendous capital investments in recent years have unquestionably broadened and strengthened the industrial base of Canada's economic structure. But in many sectors they have marked only the initial stages of the developments that seem destined to change the face of the country. Besides, even in some areas already developed to a high degree, there are pressing needs for further extension.

In the latter connection, the power industry is a case in point. Direct investment in the United States has been some $3 billion million, but has developed, bringing total installed turbine capacity up to an end of last year to 14.5 million kw. or nearly 11 hp. per capita of the population. Yet demands for electricity in Canada continue to mount, and construction of new capacity is urgently required. With water power resources within easy reach of an estimated potential of 68 million hp., Canada's present installations, large as they are, comprise less than one-quarter of the country's total hydro potential.

The Province of Ontario is particularly interested in the power phase of the St. Lawrence River project where a joint development of the International Rapids between the Province and the United States, flowing through about 2.2 million kw., of which Canada will obtain some 5 million kw. Nowhere else in the world have two neighboring countries already started on a joint development of this magnitude, by Canada and the United States in the St. Lawrence River. In the future, water rights taking into the very nature of the project, the areas of development that can be possible in the United States will be of great economic importance to Canada. Through the development of a short stretch of the St. Lawrence River, the trade of the world could be brought to the heart of North America at much lower costs than those now prevailing.

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The country's growing population population investment for residential houses and high standards of living will bring, highways, schools, hospitals naturally continue to require new and other public services. These expenditures will automatically be extended to industries manufacturing the durable goods now taken for granted in the average home.

In Canada, as elsewhere, technology will bring another factor which seems likely to encourage the continued flow of capital to meet the ever-increasing demands for new products and services. To visualize the striking changes that technology could bring about even within a decade, one need only take the rapid changes now taking place in synthetic fibres, television, electronics, jet aircraft and atomic energy.

Summary

This Report has briefly covered only a few of the highlights in Canada's Business Conditions  

Pulp & paper

<table>
<thead>
<tr>
<th>Period</th>
<th>1953</th>
<th>1952</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw material production (ton)</td>
<td>4,046,904</td>
<td>4,046,904</td>
<td>0.0%</td>
</tr>
<tr>
<td>Pulp production (ton)</td>
<td>4,046,904</td>
<td>4,046,904</td>
<td>0.0%</td>
</tr>
<tr>
<td>Bleached paper production (ton)</td>
<td>4,046,904</td>
<td>4,046,904</td>
<td>0.0%</td>
</tr>
<tr>
<td>Lumber production (mt)</td>
<td>5,160,000</td>
<td>4,046,904</td>
<td>21.5%</td>
</tr>
</tbody>
</table>

Steel: forge operations (ton) | 2,133,109 | 2,133,109 | 0.0% |

Motor vehicle shipments | 778,000 | 778,000 | 0.0% |

Building: 

- Construction (1st Qtr.1) | 11,275,900 | 11,275,900 | 0.0% |
- Construction contracts awarded | 11,000,000 | 11,000,000 | 0.0% |

Oil & gas:

- Crude petroleum production (bbl) | 4,143,973 | 3,526,104 | 17.5% |
- Natural gas production | 5,107,320 | 3,960,104 | 28.5% |

Mining:

- Iron ore production (ton) | 3,589,667 | 3,232,308 | 10.9% |
- Coal production (ton) | 10,442,100 | 12,200,000 | -14.6% |
- Nickel production (ton) | 9,330,100 | 8,400,000 | -10.9% |
- Copper production (ton) | 179,602 | 178,600 | 0.0% |
- Zinc production (ton) | 328,791 | 316,600 | -4.1% |
- Lead production (ton) | 13,982,100 | 12,100,000 | -14.8% |

Electric energy output (kw. hr.) | 43,736,200 | 60,153,000 | -27.5% |

Carloadings freight (tons) | 2,344,553 | 2,377,300 | -1.3% |

Retail sales:

- Total sales | 7,039,200,000 | 7,417,000,000 | -5.1% |
- Department stores sales | 4,079,200,000 | 4,079,200,000 | 0.0% |
- Manufacturers' inventories est. | 50,000,000 | 50,000,000 | 0.0% |

Savings deposits in Canada | 35,228,000,000 | 34,000,000,000 | 4.0% |

Note circulation (September) | 1,293,900,000 | 1,293,900,000 | 0.0%
Continued from page 43:

Canada's Future Potentialities

Canada's broad investment picture—some indication of the future posture. However, the Committee tentatively believes that it is necessary to tie the future policies of the trade policies of the United States. We are your best customer. We are also a vital source of supply of the basic materials. The future welfare of both our nations requires that selfish interests should not be permitted to impede the growth and development of this flow of trade. Providing there are no serious impediments to the continued broadening of our trade, Canada presents wide opportunities for profitable employment of capital over the years ahead.

Respectfully submitted,

P. W. Scott, Chairman
Wood, Gundy & Co., Ltd.
Toronto

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Vice-Chairman
F. B. Ashplant & Co., Ltd.
New York

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New York City

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L. G. Beaubien & Co.
Montreal

Arthur T. Terrey
W. C. Pitfield & Co., Ltd.
Montreal

Douglas B. Welden
Midland Securities Corp., Ltd.
London

Government of Canada: Net Debt at March 31, 1946 and March 31, 1953

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Debt, billions of dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>3.63 2.15 2.52</td>
</tr>
<tr>
<td>1947</td>
<td>2.59 2.59 2.81</td>
</tr>
<tr>
<td>1948</td>
<td>2.63 2.61 2.82</td>
</tr>
<tr>
<td>1949</td>
<td>2.85 2.51 2.83</td>
</tr>
<tr>
<td>1950</td>
<td>2.77 2.44 2.83</td>
</tr>
<tr>
<td>1951</td>
<td>3.21 2.58 2.49</td>
</tr>
<tr>
<td>1952</td>
<td>3.54 2.64 4.23</td>
</tr>
</tbody>
</table>

MONTHLY AVERAGE IN$: JANUARY 3.59 2.74 4.16 FEBRUARY 3.69 2.69 4.09 MARCH 3.60 2.83 3.97 APRIL 3.62 3.00 3.87 MAY 3.64 3.05 3.88 JUNE 3.70 3.11 3.85 JULY 3.72 2.98 3.89 AUGUST 3.73 2.96 3.83 SEPTEMBER 3.73 2.93 2.74

Source: Bank of Canada Statistical Summary.

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Canada’s Positive Tax Policies

Canada has long been renowned for its progressive tax policies, which were further developed during the Second World War. The government recognized the importance of retaining earnings and using them for capital expansion and innovation. This approach was crucial in supporting the war effort and ensuring economic growth post-war. The government implemented several measures to encourage the retention of earnings, including tax incentives for corporations and individuals who kept earnings within the country. These policies were designed to stimulate economic activity, create jobs, and foster long-term growth. The success of these measures led to a period of economic prosperity and laid the foundation for Canada's strong economy in the post-war years. Today, Canada continues to maintain a robust tax system that supports business growth, innovation, and social welfare.
Our Reporter on Governments

By JOHN T. CHIFFENDALE, JR.

The belief that the economy will be feeling the effects of the "clearing process" in a more positive manner than has been the case in the past continues to have a constructive influence upon the money market, as a whole and the government market in particular. The opinions that many market authorities will be available for investment in Treasury and municipals are now bringing investors into the market now and in the near future is given as an example of the governmental authorities towards the government market. Also sales of these bonds by banks to Federal to meet the needs of investors is given as another cause.

Dealers' Positions Favorable

Although there has been and still is a very important investment demand or force of demand in the near-term, there has been and will most likely continue to be a very definite professional interest in these obligations. However, the positions of dealers and traders, according to reports, are not out of the running line of investment securities even though a certain amount of assistance was needed to tide over heavy positions in Treasury issues. The late Oliver E. Whitaker and intermediate term government issues in the hands of dealers are being shifted rather rapidly and the feeling to reports which indicate these security positions and in this way make money from accumulating inventories that might become burdensome at present levels.

Still a Managed Market

Because of the sharp rise which has taken place in quotations of government issues, mainly in the middle and longer maturities, in recent days, there is being developed here and there the question as to whether or not the governmental authorities will interfere with the market in order to keep it from getting out of hand and beyond control. Although this market is known as "free market" there is no less a considerable amount of management in it in spite of what may be said in certain quarters. The market has always been a two-way proposition in which the conditions cannot be allowed to determine the effect upon things as a whole because there is no opportunity to extremes in either direction.

A tempering of the incline might well result in an opportunity in the middle market operation or "open mouth operation" and the talk now being heard about what the monetary authorities could do in the way of making monetary policy a two-sided picture could be a mild

dose of the "open mouth operation".

Discount Issues Sought

The interest which is being shown in the discount issues, especially the longer term classification, has increased in recent days and it would hold of these various issues and were not for a considerable number of the discount securities of many of them would have advanced with a sharpness not experienced in a long time. Private pension funds and other similar institutions have sold off a larger proportion of the holdings of the longer term governmets even though in the case of the larger ones it has been in buying the 3½s of 78/83.

Merrill Lynch to Admit Many New Partners

Merrill Lynch, Pierce, Fenner & Smith, 70 Pine Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit to partnership O.V. Cecil, Manager of the municipal department, and T. Chovel, Manager of the institutional department; William A. Forester, Jr.; Titus W. Fowler; Robert O'Connell; J. E. Magrath; J. E. Matthews; and G. T. Tregan, Manager of the municipal department, and C. A. Wood, Assistant Manager of the syndicate department.

J. R. Kennedy Co., NYSE Corp., Forming in New York City

Effective Jan. 1 J. R. Kennedy & Co., Inc. will be formed with offices at 70 Pine Street, New York City, as a New York State Registered Investment Corporation. Officers are Jay Richard Kennedy, President; Charles M. Newman, Exchange member, Vice-President and Secretary, and Arthur B. Behal, Vice-President and Treasurer. All were partners in Newman, Kennedy & Co. which is being dissolved Dec. 31.

New York Stock Exchange Weekly Firm Change

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

Transfer of the Exchange membership of the late Oliver S. Richardson will be considered by the Exchange Dec. 22.

Transfer of the Exchange membership of the late Frederick H. Prince to George W. Young will be considered Dec. 22.

Transfer of the Exchange membership of the late John E. Batchler to W. J. Frickey will be considered by the Exchange on Dec. 23.

French, Harrison & Co., House members, have retired, and Mr. Henry Oetjen will retire from partnership in McGeinna & Co. on Dec. 31.

Robert L. Harter will retire from partnership in Butto & Co. on Dec. 31.

Otto C. Schmidt, general partner, will retire from the firm of Brown & Lombard & Co., a limited partner, effective Jan. 1.

D. W. Chamberlin, general partner, will retire from the firm of Chamberlin, chamberlin & Curtis, will become a limited partner, effective Jan. 1.

Edward L. Holsen and Herbert L. Looser, general partners in Salomon & Co., will become limited partners, effective Jan. 1.

J. E. Adie, general partner in Towle & Co., will become a limited partner, effective Jan. 1.

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Oil City, Pa.

M. Pollack, Sr., M. Pollack, Jr.

Joseph M. Pollack,

Layfield, Layfield, Layfield, Layfield,
travel on have constructed tolljections in Florida, to this in of navigable national waters control of said powers at sections of the Constitution and laws of the State of Florida, and of the United States of America, in the year of our Lord one thousand eight hundred and sixty-five.

Advertising Municipal Securities For the past four years "The Bond Buyer" has been conducting an advertising contest, as described in previous reports. It is anticipated that this activity will continue in 1960. The purpose of the contest is to provide a forum for the distribution of information and the promotion of municipal securities. The contest is open to all participants, and the winner is determined by a panel of judges.

Market With the weight of new issues and other factors there was an almost steady decline in the municipal market from early May of 1952 to the end of June, 1953.

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Municipal Group Protests Federal Competition

eral Government may be affected adversely; (2) the practice causes local governments to issue obligations for purposes not usually regarded as being for regular governmental functions; and Whereas, This Association at the 46th Annual Conference assem-
bled in Boston, Mass., June 18, 1952, adopted a resolution recommending that municipal finance officers and legislators (1) carefully consider the long-term adverse effects of the use of public credit for private purposes, and (2) oppose the issuance of municipal debt obligations to acquire property of type and kind for purposes other than generally recognized governmental functions: Therefore, Be It Resolved, That the Municipal Finance Officers Association of the United States and Canada assembled at its 47th Annual Conference in Miami, Fla., June 3, 1953, reiterates its recommendation as heretofore adopted.

Court Decision and Legislation in Opposition to the States
[Appended to the Report are brief references to various court decisions rendered and legislation enacted in the states during the year. There were several of importance and interest to the municipal trade in both categories.—Editor.]

Respectfully submitted,
MUNICIPAL SECURITIES COMMITTEE
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The First Boston Corporation, New York
A. G. Becker & Co. to
Elect New Officers
SAN FRANCISCO, Calif.—Effective Jan. 4, Earl S. Douglas will become President, Dennis C. Douglas, Assistant Secretary, and Ralph E. Van de Nagle, and Emmett A. Larkin Second Vice-President, of A. G. Becker & Co. Incorporated, members of the New York Stock Exchange. They will make their headquarters in the firm's office at 465 California Street. All were formerly partners in Douglas, Van de Nagle & Co.

Gartman, Rose Co.
To Be Formed in NY
Effective Jan. 1 the New York Stock Exchange Board of Governors will approve Rose, Gartman & Co. will be formed with offices at 1 Wall Street, New York City, to engage in the entire real estate business. Partners are Martin J. G. Cassel, New York, Charles Rose, Daniel Coward, and Leo J. Goldwater, the Exchange member, general partners, and Margaret L. Kasior, limited partner. Mr. Gartman is a partner in Gartman & Co. Mr. Rose, Mr. Coward and Mr. Goldwater are partners in Hitelman & Co.

Jim Daisy Initiates Named At Investment Bankers Convention

Halsey, Stuart Group Offer Phila. El. Bonds
Halsey, Stuart & Co., Inc., and associates on Dec. 11 offered $30,000,000 of Philadelphia Electric Co. first and refunding mortgage bonds, 3½% series due Dec. 1, 1953, at 99.917% and accrued interest, to yield 3.15%. Award of the issue was won by the group at competitive sale on Dec. 10 on yield of 3.11%. The bonds will be redeemable, at the option of the company, at prices ranging from 105% for the first five years to par the last year, plus accrued interest. Net proceeds from the sale of the bonds will be used for expansion of the company's construction program. To meet increasing demands of its customers for electric, gas and steam, the company and its subsidiaries increased from 1954 through 1958 plan to spend about $300,000,000. Of the total, it is planned to spend about $76,000,000 in 1958, with varying amounts in later years.

Philadelphia Electric Co. is engaged primarily in the electric and gas business. For the 12 months ended Sept. 30, 1953, its consolidated subsidiaries had gross operating revenues of $181,727,908 and net income of $29,830,000, and paid cash dividends to $2,236 per common share.

Hill Brothers to Admit ST. LOUIS, Mo.—Hill Brothers, Security Building, St. Louis, and New York and Midwest Stock Exchange, Inc., announced that George H. Erker to partnership. Mr. Erker has been with the firm for some time.

Thompson & McKinnon Add
On Jan. 1, Camille B. Rogers will be admitted to limited partnership in Thomson & McKinnon, 11 Wall Street, New York City, members of the New York Stock Exchange.

“Anaconda" STANDS FOR MORE THAN METALS!
A little known part of Anaconda is its production of high-strength phosphate fertilizers for Western farmers.

A plentiful supply of phosphate is vital to plant growth, a prime requisite for bountiful crops. The soils of many Western States, low in phosphates, are in need of phosphate rock mined at Coober, Idaho. Containing about 42% available phosphoric acid (almost double the amount available in ordinary low grade phosphate fertilizers) Treble Superphosphate's granular form permits easy spreading. During 1952, Anaconda produced more than 100,000 tons of treble superphosphate and phosphoric acid. Based on numerous agricultural col-
lege and County Agents' tests conducted in the intermountain area, this production, properly applied, would increase food crops in 15 Western States by:

200,000 tons of beef steer
300,000,000 pounds of vegetables
75,000,000 sacks of potatoes
4,500,000 sacks of potatoes
4,000,000 bushels of grain

Presently, a new sulphuric acid plant is being built to facilitate Anaconda's fertilizer production. This mining and processing plant is only a small part of Anaconda's operations. Producing a large family of metals for America, Anaconda is nearing completion of a far-lung improvement and expansion program, at mines, mills and fabricating plants. All phases of the program are directed to the same goal — more and better products for the country.

THE AMERICAN BRASS COMPANY
Anaconda Wire & Cable Company
Andrus Copper Mining Company
Chile Copper Company
Greenbriar Copper Company
Anaconda Aluminum Company
Anaconda Sales Company
International Smelting and Refining Company

The American Brass Company
Anaconda Wire & Cable Company
Andrus Copper Mining Company
Chile Copper Company
Greenbriar Copper Company
Anaconda Aluminum Company
Anaconda Sales Company
International Smelting and Refining Company

G. L. Thomas & Co. to
Elect New Officers
SAN FRANCISCO, Calif.—Effective Jan. 4, Earl S. Douglas will become President, Dennis C. Douglas, Assistant Secretary, and Ralph E. van de Nagle, and Emmett A. Larkin Second Vice-President, of A. G. Becker & Co. Incorporated, members of the New York Stock Exchange. They will make their headquarters in the firm's office at 465 California Street. All were formerly partners in Douglas, Van de Nagle & Co.

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The Commercial and Financial Chronicle... Thursday, December 17, 1953

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Leadership Needed

Leadership was interested enough in the issues at stake even to register. Of those nearly 75 million who did vote, however, only the 34 million Americans who elected Dwight D. Eisenhower President cast their votes to support four critical philosophies of the Fair Deal. That inundation was then enough.

General Eisenhower was elected President of the United States by a majority of only 0.25 million votes, scarcely half the number of votes of those who had registered, did not bother to vote.

It is important to appreciate that in that slim majority of only 0.25 million popular votes that there may have been many millions who voted for a change of leadership because they could no longer stomach the graft and corruption that had grown up in the old order, but who may still be sympathetic with the "everything for everybody" philosophy promoted by their original political sponsors.

You and I, and every thinking American, like to read into that change of leadership a reawakening of the real spirit of a free America. We like to interpret it on a burning desire on the part of most of our citizens to return to the old principles which made our country great, to a recognition of a need to stand once more on our own feet, to walk once more as free men in the clear, bracing air of freedom and enterprise. But, and I repeat, 20 years is a long time. We know, only to a limited degree, the damage that has been done in those two decades of decadence in our national political philosophy of government.

We do not even begin to know today the extent of that malignant growth. How far the ominous disease has eaten into the vitals of our national strength. If I believe most everyone here today can recall the days mentioned by the late Dr. Nicholas Murray Butler who, when he was President of Columbia University, cried that interest all over Europe when he delivered a series of popular lectures on the structure of American Government and its relationship to industry and business.

To underscore the insignificant role played by the Federal Government in the ordinary daily affairs of the American businessman— as contrasted to the profligating fingers and prying eyes of government abroad—Dr. Butler declared that the average American could live an entire industrial life and meet only one representative of the American Government, namely the mail carrier.

Some of you here can remember those days—before our Federal Government attempted to be all things to all men and saddled the nation with back-breaking debt, and industry and the individual with a crushing burden of taxes, to pay for that experiment. Recently, I read an ad in one of our business magazines which highlighted the change that has taken place since the days of which Dr. Butler spoke. This "ad" stated the government will carry a letter from Texas to New York for three cents. But the government loses money on the trip and we have to pay taxes to make up the difference.

Leadership Needed

Business carries a gallon of gasoline the same journey for cost-fifths of three cents. It may not be the same door-to-door delivery, but the gallon of gasoline weighs 104 times what the letter does, is a lot harder to handle and in spite of this, business makes a profit—and out of it pays taxes to support government of the business ventures, such as the Post Office.

Behind these statements stand the clear principles for which the American revolution was fought—to win for every American his independence, his freedom to hold that which he rightfully earned; his privilege of sharing in the welfare and well-being of the country to the degree that he has grown by it. These are typical private business enterprises, ranging in size and degree of profit in direct proportion to his all the way from "A" for the manufacture of artificial limbs, through multiples of every letter in the alphabet to "Z" for zines. They have only one productive purpose—and that is to manufacture votes for the political party that installed them. They can only exist as long as what is now termed "practical politics" protects them, and we, the people of America, permit a national government to levy taxes on private individuals and private businesses. Are we going to permit those parasites to continue to compete with the very private individuals and the private businesses from whom those taxes are collected?

You will recall the sound and fury that raged across the country when an attempt was made to trim a few billion dollars from our bloated national budget. However, that was but a whisper to the hue and cry which will be heard when a new leadership attempts to curb these government businesses. Then? Economic? Save? The simple liquidation of these parasitic business enterprises I have mentioned would return to the people of America—and to the Treasury of these United States—some 30 billion dollars—not

Continued on page 66
continued from page 65

leadership needed

millions, gentlemen—thirty billions of dollars.

what new national leadership has done

our new national leadership has taken some significant steps toward returning the government and the industry and commerce of the United States to the people. Our President, first of all, has attracted to his cabinet and to other key positions, some of the best qualified and most broad-minded men and women in public life today. They are, without exception, willing to sacrifice whatever political ambitions they may have ever had in order to take the corrective steps necessary to carry out the mandates of that leadership. Their assignments are difficult indeed.

the President's own demands for economy, for efficiency in government departments, and his insistence on duty and loyalty to constitutional principles are, in light of recent history, certainly revolutionary.

New leadership must fight

savage pots of calumny

but it is certain that the populace upon a competition in economy, instead of a competition in extravagance, is certain to bring about the heads of the new leadership an enveloping cloud of calumny. Generated from the smudge pots of the entrenched bureaucrats, it will take no keen perception to see through this fog but it will require a powerful fan of truth to dissipate it.

Perhaps the most important of all the President's acts, and one which brings the closest call of the people, is the appointment of the former President Herbert Hoover to direct the Federal Commission for the Reconstruction of the Executive Branch. Certainly no more able, no more patriotic, no more public spirited American could be chosen for this tremendous task.

Serving with him is a group of great Americans of both parties, dedicated to what Mr. Hoover has described as his "staggering economic burden," to restore and strengthen the free enterprise, reduce the burdens of taxation, lessen the bureaucratic tyranny over our citizens and generally improve the efficiency of our government.

No one, certainly, could have a clearer concept of what that tremendous assignment involves.

When Herbert Hoover was President of the United States, two short decades ago, he led a national government that consisted of 400 Federal agencies, which employed about 600,000 people. The annual budget was about $4 billion.

Today, 20 years and two World Wars later, the Federal Government is bulging with 1,500 various agencies. It employs more than two million people and the Federal budget is in excess of $70 billion, and the national debt is over $265 billion.

The false economic philosophy applied by our government in those intervening years has hit our country to the unrealistic levels of industrial activity, the high levels of wages, and the over-expanded ranks of personnel spending which are seriously threatening the economic foundation of our country today.

Years ago, we in the aviation business learned, in flying over mountains, that innocent looking clouds of mountain size are as big as mountain peaks.

For nearly 20 years, the economics of our country has been cruising through clouds cloaked up with rose-colored glasses.

Now we have suddenly realized, as a nation, that economic clouds can have rocks in them, too, the hard rocks of reality upon which our economic machine can crash.

Contrary to the expressed opinion of many people, I am no pessimist. I am, and always have been, a realist. I try to look at the facts. In my opinion, we have to fly out of those clouds, aspies are driven out, and we make our descent to a sounder level along which we can travel with economic safety if we are to reach the infinitely greater prosperity that lies ahead.

In other words we are going to have to come down to earth.

This does not mean that I see a depression coming. I can see no possibility of such an economic collapse for good and substantial reasons with which all of us, I am sure, are familiar. I even object to the use of the term "recession."

The course of our economy is simply and actually an inevitable broad economic readjustment that has long been overdue. It will be a natural and fortunate move in the direction of a normal economy.

The prime mover in the reformation of our economy is that vital element which we have all too long forgotten—the sound dollar. We lived through years hearing that inflation was a short-term cure to stop the troubles.

Now those oracles who preached inflation are those whose voices are the loudest. Their demand for deflation and demand that a national political leadership accomplish this about-face over our country and our thinking, must be made possible for private enterprise once more to function freely in this country.

This can not happen until the four pillars upon which free enterprise must stand—good government—a stable economic structure—one national labor—and sound business management—are properly aligned.

This means that these pillars and these tools to expand or contract to suit the other three, must inevitably cause our entire economic structure to come unbalanced.

For nearly 20 years, for instance, labor has extended its monopoly at the expense of the other three. As a result, the proponents of Big Government have overrun their proper horizon. Management has drawn away from its true responsibility, and the financial sub-section has become a controlling, overloaded, and prohibitive tax with a vast debt and weakened by opa-

The Commercial and Financial Chronicle Thursday, December 17, 1935

Figure has increased by 20 percent.

Today our country is growing more prosperous than ever before. Project this rate of increase about a few years and perhaps, even by 1960, the entire United States will reach $275,000,000.

This means that within the next seven or eight years we shall have, not 160 but 175 million dollars of clothes, needs and desires to satisfy. It also means a probable working force of 72 million to produce and, with their earnings, to purchase the products of that production.

No one with any knowledge of our recent economic history, with any appreciation of the potentialities of a completely free and independent people, can fail to be optimistic for the future.

Our problem, then, is how quickly can we re-adjust ourselves? How quickly can we get our national economy back on the right road? Because this we must do, not only to recover the time we have lost, but to speed the promise of that Future.

Time to Get Back to Basic Principles

There comes a time in the history of every great human society, the life of every individual, when we must stop and take inventory, when we must get back to basic principles.

This time, for America, and for every American, is now. Our survival, our people, and the freedom of generations to come depend upon our ability to re-orient ourselves, to re-orient ourselves upon our basic principles upon which our beloved nation was founded, and upon our willingness to demonstrate them, in our personal and national life.

To me the election of Dwight D. Eisenhower, who is the President of the United States was more an act of providence than of politics.

We had drifted so far down the crooked path which we had been led by so deeply into the economic wilderness by false prophets, that only a man with an eagle's vision of the fundamental principles of our republic public had been in a lifetime, in a lifetime of defending those principles and proving what a man of such vision, who sought to destroy us, could hope to halt our headlong march to de-

that change in leadership, moral as well as material, gives us an opportunity to reorganize this nation as we want it to be. It gives us another chance to re-establish the principles of our founding fathers, and to restore the Federal Government to an agency devoted to, and capable of, protecting the economic and political welfare of all the American people.

But it behoves us all to remember that this change in leadership cannot be a passing breath of wind in which to re-

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Basic Research for the Securities Industry

finance, for the contribution that it can make to a better understanding of problems of public and private financial policy, and to the growing claims which it has made on the community's support. Let me, therefore, turn briefly, now, to the way research has developed in the fields most directly related to the work of the Bank of St. Louis: that of the Investment Banks Association.

NASS and Financial Research

Some time in 1943 we at the Federal Reserve Bank of St. Louis were approached by representatives of the National Association of Securities Dealers, which had recently appointed a Special Research Committee, with the suggestion that we undertake certain specific studies dealing with the problems of the over-the-counter market. The proposal that was made at that time was very carefully considered, but it became increasingly clear that the needs for research were far wider, requiring a much more comprehensive and substantially completed. Accordingly, we set out to make a broad survey of research needs in the field of securities research, and to develop a general strategy of research that could be pursued. The result of these studies, however interesting the latter might be, was The Exploration of Securities Markets, which was published in 1946 under the title, "The Study of Securities Markets." This paper was a pamphlet in which we set forth the general outlines along which, in the judgment of the Special Research Committee, research should proceed if we were to make the best possible attack on our problems and obtain the maximum results from such efforts as we could make.

It is not necessary for me to set forth in detail the lines of research which our 1946 Exploration Committee regarded as the most promising; however, it may be instructive to remind ourselves of the general outlines of their suggestions. The Committee proposed the following:

(1) We should develop a factual description of the present structure and functioning of the securities business in the United States, and trace its development up to the present time.

(2) An attempt should be made to identify, and to measure the character and extent of the effect of, the basic factors determining the supply of, and demand for, capital funds in the American economy.

(3) We should re-examine the functioning of the securities markets, with particular reference to the transfer of existing shares, and compare, in this connection, the functioning of the exchange and over-the-counter markets.

(4) We should attempt to determine the costs and advantages of the various forms of exposure through the issuance of securities as compared with other methods of financing.

(5) Proper study should be made of the investor's preferences for different classes of investment, and the typical methods of portfolio management, and the may have with particular types of investments.

(6) Impartial and factual studies should be made of the effects of government policy and operations on the organization and functioning of the securities markets.

(7) Finally, in the light of the above, a capstone study should be made which would re-examine the role of capital market research in the American economy and the contributions of that research to economic growth and stability.

As one looks back now on the Explorations of the earlier committee, their grasp of the essential problems of the securities market is immediately evident. Further, it should be kept in mind that, as we review the research activities of the last few years, at the tremendous progress that has been made since 1946 in fulfilling the objectives set forth in this early attempt to lay down a program of securities market research.

In the Study of Financial Relations to Securities Market.

As I expect you know, we are currently engaged in research which is what was done in 1944-45, namely, reviewing the current status of basic research and, in the light of the new and continuing problems, to determine whether re-examining the needs for research is still justified. This work is being done with the aid of a research consultant from this Association and from the National Association of Securities Dealers, at the request of the Special Research Committee.

Again we have provided an advisory committee, which we call the Research Committee in Capital and Securities Market, and which has a similar composition to that of the Special Research Committee.

In this present work our aim is to determine the scope of our interest. In this present work, we are concerned with the implications, the security market, and in the fall, and we have again held conferences of interested people to consider the lines along which our research should be pursued; we should go as far as possible, in the light of the economies that have been surely set forward the main lines and the conditions that may profitably be pursued in the years immediately ahead.

We find that the above principal activities.

We are preparing a report on the year's activity, entitled "An Inventory of Research in the Capital and Securities Markets," in which we will set forth the principal activities that have been pursued in the past year, and determine how much of the work which we have undertaken has been completed. Secured.

In the light of the work already completed, we have felt that the problems and the various phases of research need to be reviewed and re-examined, certain problems for future research. Perhaps it will be of interest to indicate briefly the principal line along which recent research has run, for it is only in this light that we can see the gap in our knowledge of what the research should be pressed forward of the above.

Turning first to the 1946 proposal that studies should be made of the organization and functioning of the securities markets, the primary purpose of work currently being done through the Wharton School of Finance and Commerce in the University of Pennsylvania on the nature and functioning of the securities market, and the close relationship of this market to the economy immediately evident.

The very considerable amount of research and the thoroughness of the investment banking business assemblage, which is the subject of the current research, is immediately evident. The group of the essentials of the securities market is immediately evident.

(1) We should develop a factual description of the present structure and functioning of the securities business in the United States, and trace its development up to the present time.

(2) An attempt should be made to identify, and to measure the character and extent of the effect of, the basic factors determining the supply of, and demand for, capital funds in the American economy.

(3) We should re-examine the functioning of the securities markets, with particular reference to the transfer of existing shares, and compare, in this connection, the functioning of the exchange and over-the-counter markets.

(4) We should attempt to determine the costs and advantages of the various forms of exposure through the issuance of securities as compared with other methods of financing.

(5) Proper study should be made of the investor's preferences for different classes of investment, and the typical methods of portfolio management, and the may have with particular types of investments.

(6) Impartial and factual studies should be made of the effects of government policy and operations on the organization and functioning of the securities markets.

(7) Finally, in the light of the above, a capstone study should be made which would re-examine the role of capital market research in the American economy and the contributions of that research to economic growth and stability.

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whether the American economy can produce enough equity and capital for economic and social needs, including equity in risks capital. This is a subject in which we have a very keen interest at the National Bureau. I think it is clear that the question whether our economy supplies adequate amounts of equity capital is really a question of the ability of firms to sell new securities and that this in turn is related to the question of how the market values the shares of existing concerns. Accordingly, we have started a study of factors affecting the prices of bank shares, where the equity capital problem has been regarded as particularly difficult, with the idea that if this investigation and the construction of the constructive residuals we can push forward into other and more general problems of the economy, for example, into the public utility and manufacturing industries.

Never before has so much interest been expressed in the ultimate investor: his identity, his preferences, his habits of security selection, and his experience. Indeed, one might say that he has become the central figure of interest in the investment process. This interest is reflected in the great interest now being shown in stock ownership in the United States, and the studies made by the Stock Exchange have made itself of the composition of the holdings of various transactions during certain periods in 1952 and in 1953. Going beyond this, we cannot overlook the fact that the far broader range of financial activities, have been surveyed by the Survey of Consumer Finances, sponsored by the Survey of Consumer Finances, sponsored by the Federal Reserve System and conducted through the facilities of the Economics Department of the University of Michigan. In this series of periodic surveys, factors which are closely related to the asset holdings of individuals and on the intentions of individuals with respect to the disposition of their income and future purchases of assets. The form in which this data is made public makes it possible to study differences in investment behavior among individuals in different income and wealth classes, which obviously makes possible a great advance over our previous knowledge. You may recall that we made the notable work that has been done on these matters at the Harvard Business School and of the study we have made at the National Bureau. An opportunity presented itself to us not long ago to make a study of the assets held by the public, in which it would be possible to say something about differences in preferences for different types of assets and of other assets among groups differing as regards income, professional occupation, age, and other characteristics.

Research in Field of Investor Experience

Finally, let me comment briefly on research in the field of investor experience. Perhaps the outstanding effort in this area has been our own investigation of the corresponding stock experience, in which we have taken a census of the ownership of stocks in 1950 and for various samples over the years. This is a continued information which enables us to measure the yield to holders over any selected period of time. Supplementing this, we have made extensive studies of the experience of institutional investors in the urban and farm mortgage fields. It is gratifying to report that at last competent hands are taking up this important problem of investor experience in equity security issues. Research on this subject has been initiated at Northwestern University on the record of the investor experience in common stock investment.

Altho, the above in itself is an impressive record of financial research activity, it is far from complete. We must get a better account of all that has gone forward in recent years, particularly if it is our purpose to gather information, but perhaps I can be forgiven for this in view of the shortness of the time that is at my disposal, in any case the information of the characteristics of the industry, we ought to know something about the forces that are shaping the industry and the future of the industry to change. Surely there can be no quarrel with the statement that it is undergoing basic changes; the question is whether: it is worth while to know what they are, to understand the forces that are bringing them about, and to have some notion as to the industry's probable future course. When this comprehensive survey of investment banking is made—and I am confident that it will be—one of the primary objects should be to identify the specific items of information that need to be kept current, and to lay plans for their being kept up to date.

Need for Comprehensive Survey of Investment Banking

The first point that occurs to one is the need for what might be termed a "comprehensive survey of the investment banking industry." I think there can be little doubt but that we are better informed now about our financial system than we ever have been before, but I think it is equally evident that there is no segment of the financial machine of this country about which we have less current information than invarious banking. The structure, functioning and activities of almost every other principal type of financial institution—commercial banks, savings banks, insurance companies, savings and loan associations, finance companies, loan companies, public financial agencies—are well known, at least in their broad outlines, and the information on them is more or less current.

However, we cannot say this about the stock market business. Why should we not plan to make, within the very near future, a truly comprehensive study of the structure and the functioning of the investment banking business in the United States? What are the units that make up this industry? What are their functions and how have these functions changed over the last 10, 20, or 30 years? In addition to developing an account of the characteristics of the industry, we ought to know something about the forces that are shaping the structure and the future of the industry to change. Surely there can be no quarrel with the statement that it is undergoing basic changes; the question is whether: it is worth while to know what they are, to understand the forces that are bringing them about, and to have some notion as to the industry's probable future course. When this comprehensive survey of investment banking is made—and I am confident that it will be—one of the primary objects should be to identify the specific items of information that need to be kept current, and to lay the plans for their being kept up to date.

Second, our knowledge is to a different kind of problem, namely, the relationship between the investment banking and securities business in the United States and the growth and stability of our economy. I expect you will accept two general observations on this matter: the first is that we have an altogether inadequate understanding of how the securities, sale, and transfer of securities affects the growth and stability of our economic system, and the second is that there is still a fairly widespread notion that, on balance the securities markets exert stabilizing influences on our economy. One must not forget that there is a lingering feeling in many minds that the real difficulties of our enterprise system originate in the financial sector of the economy, that it is in this sector that destabilizing influences originate, and that they are transmitted through the rest of the economy. I cannot take the time to do justice to this point, I think it is clear that, from the viewpoint of available data at least, we are in a fairly favorable position to do work of this kind. I am assured that it will not be done in a few months, or even two years, but I hope that we would require no less than three years to complete, but I am equally certain that it would be a landmark for many years to come.

The third field in which factual studies should be made is the years immediately ahead is that of the regulation of the investment banking and securities insurance business. This can be the view but that, as we stand, to-day, our system of regulation is far from adequate. There are grave doubts about the structure of Federal regulation, and whether it should be extended beyond its present scope, and the complex structure of state regulation how can it be any more than one, the most recent information that that has been developed in the last ten years. Let me turn for a moment, therefore, to the lines of future research that seem most promising.

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SEC and State Laws Impeding Capital Flow

The bill is the result of work by a Special Subcommittee of the Legisla
tion Committee of the Texas Group, in cooperation with a special Secretary of State and the Texas Securities Commissi
on. Members of the Special Subcommittee are Mr. Hal H. Dewar (Dewar, Robertson & Pais
coast, San Antonio), Mr. E. O. Cartwright (Merrill Lynch, Pierce, Fenner & Beane, Dallas), Mr. Marshall Yard (Raucher, Pierce, & Co., Inc., Dallas), Mr. Robert E. Morenay (Morenay, Seisser & Co., Houston), Mr. Charles C. Pierce (Raucher, Pierce, & Co., Inc., Dallas), and Mr. W. Allen Taylor (E. F. Hutton & Company, Dallas).

In Tennessee, a bill embodying a complete new securities law of the type described in the preceding article (Equitable Securities Corp., Nash
ville). It is now understood that a new securities commissioner in Tennessee desires to prepare a complete new bill, but representa
tives of the industry have ar
ranged to work with him in draft
ning the bill.

Proposals are also under con
sideration to adopt complete new securities laws of the notification type in several states, but bills were not introduced in the legislatures of those states this year.

Distribution of Identifying Statements

The IBA Bulletin No. 3-1952 contained a survey regard
ing the methods of distribution of identifying statements contemplated under the provisions of SEC Rule 132 prior to registration of the securities described therein under state blue sky laws.

This survey indicated that such distribution would not be per
missible in 13 states. Such distributi
on of identifying statements has been made possible by amendments to the blue sky laws of three states (Colorado, Illinois and Indiana), and by administrative ruling in
one other state (Florida).

In connection with the already adopted, pending or actionable statements, it should be noted that the National Association of Securi
ties Administrators, in cooperat
on with blue sky attorneys, has endorsed a uniform plan for use on identifying statements in states where the commissions deems it necessary that a legend be included on the identifying statement to state specifically that the securities described therein have not been made eligible
for sale under the law of any state where action for this pur
pose is necessary. This uniform legend has been accepted in many states, but it has not been accepted in some states and it is not required in many states.

Clarification of Tax-Exempt Status of North Carolina Housing Authority Bonds

Although tax officials of the State of North Carolina ruled that North Carolina housing author
ority bonds were exempt from tax in North Carolina, some tax counsel questioned whether such bonds and the interest thereon were exempt under the North Carolina law. Mem
ber Thos. Green, chairman of the Distribution Committee in North Carolina, including Mr. Richard A. Bigger (R. S. Dickson & Company, Charlotte) and Mr. Marshall H. Johnson (McDaniel Lewis & Co., Greensboro), ob
ained an amendment to the North Carolina Act of February 23, 1953, specifically providing that: "Bonds, notes, debentures and other evidence of indebtedness of an authority hereof are hereby declared to be issued for a public purpose and to be public instrumentalities and, together with the interest thereon, shall be exempt from taxes.

Legal Investment Laws

There have been amendments this year to the legal investment laws of the following 30 states:

Alabama: For life insurance companies.

California: For insurance compa
nies, banks, and trust companies.

Connecticut: For fiduciaries, savings banks, and depart
ments of state banks and trust companies.

Delaware: For insurance compa
nies.

Florida: For life insurance compa
nies, fiduciaries and banks and trust companies.

Indiana: For guardians of estates of incompetents.

Iowa: For insurance companies.

Illinois: For insurance compa
nies.

Kansas: For insurance compa
nies.

Maine: For savings banks.

Massachusetts: For savings
banks.

Michigan: For insurance compa
nies.

Mississippi: For life insurance companies and banks and trust companies.

Missouri: For insurance compa
nies.

New Hampshire: For savings banks.

New Jersey: For savings banks and insurance companies.

New York: For savings banks and insurance companies.

Ohio: For fiduciaries and life insurance companies.

Pennsylvania: For fiduciaries, savings banks and trust companies, and fraternal benefit mutual companies.

Rhode Island: For savings banks and trust companies.

South Dakota: For insurance companies.

Texas: For life insurance companies.

Vermont: For insurance compa
nies.

Wisconsin: For insurance compa
nies and fiduciaries.

(Appendix B of the report con
taining a summary of these amend
ments.—Editor.)

COLORADO

Section 3 of the Colorado Securities Law, specifying transactions subject to the law, was amended effective April 1, 1953, by adding a paragraph at the end thereof, to provide that in no section of that statute shall any unlawful the issuance, publication or circulation of a preliminary form of prospectus, identifying statement or other form of descriptive statement relating to a security concerning which a registration statement is pending under the Federal Securities Act of 1933 in accordance with the provisions of that Act and regulations issued thereunder. The new paragraph reads as follows:

"In the case of any security covered by such a Registration Statement is pending before the Securities and Exchange Commission under the provisions of the Federal Securities Act of 1933 as amended, nothing in this Section shall be deemed to make un unlawful the issuance, publication or circulation of a preliminary form of prospectus, an identifying statement or other form of descriptive statement relating to such security in accordance with the provisions of the Federal Securities Act of 1933 and regulations issued thereunder."

CONNECTICUT

The Connecticut Securities Act was amended effective April 7, 1953, as follows:

(1) Subsection (b) of Section 3-30 of the act, defining non-nominal or par value, the value of securities, shall be the value of those securities "when issued" if that value is greater than the price at which the security is sold or the issue, valued as stated in the application, or the actual value of the consideration to be received in exchange therefor. Subdivision (4), relating to certificates evidencing rights accruing additional securities, was amended to provide that if the market price of the security in value in which case the right or warrant is lower than the selling price thereof, the right or warrant shall be deemed to have no value and the fee for filing an application relating to such rights or warrants shall be $25.

(2) Technical amendments were adopted to subsections (m) and (o) of Section 25-100.

ILLINOIS

An complete new securities law was on file with the Secretary of State on January 1, 1954. Although the new law is basically of the "quasi-constitutional" type, it provides a notification procedure for the registration of securities by seasoned companies and registered with the United States Securities and Exchange Commission if certain requirements are complied with, to read as follows:

"Section 8a (a) The sending or giving to any person of a copy of an identifying statement or proposed form of prospectus contains a false or misleading statement or proposes form of prospectus results in a registration statement has been filed with the United States Securities and Exchange Commission prior to the time when such securities have been registered or qualified for sale to the public under the provisions of this Act shall not be included within the terms 'sell', 'sale,' offer to sell,' or offer for sale,' as defined in Section 9 of this Act a copy of such identifying statement or proposed form of prospectus contains a prominent statement to the effect that the information contained therein is in informative purposes only and subject to Section and change and that no, or purchaser of the security, is discussed in the prospectus or identifying statement will be accepted unless and until such securities are effectively registered and qualified for sale, and such identifying statement, or form of prospectus has been filed with the commission together with a filling fee of 33 and the commission, after determining the advisability of such registration, will take action, and such securities, after the distribution of such identifying statement or proposed form of prospectus.

(a) the filing of an identifying statement or proposed form of prospectus pursuant to the provisions of this section shall not be the registration for any securities as now provided for in the act, and any fee paid under the provisions of this section shall be the payment for any fees required in connection with the filing of an application for registration of the securities being the subject of identifying statement or proposed form of prospectus.

MICHIGAN

The Michigan Blue Sky Law was amended effective Oct, 2, 1953, as follows:

(1) Subsection 101.1 was amended by adding a provision authorizing the commission in its discretion to destroy records more than 15 years old which it deems not worthy of retention.

(2) Subsection (d) of Section 451.101, defining "sale" and "sales," was amended by striking the last paragraph thereof (permitting dissemination by sending or giving the proposed form of prospectus filed as part of a registration statement under the Federal Securities Act of 1933) and by substituting in lieu thereof a provision that if the commission determines that such action to be in the public interest and in furtherance of any of the purposes of this statute, it may by regulation exempt from the definition of "sale" or "sell" the dissemination of information in conformity with regulations it may prescribe.

(3) Subsection (d) of Section 451.104, exempting securities issued by corporations owning or operating a railroad or other public service utility if the offering and issuance of such securities is subject to regulation by certain governmental commissions, was amended by deleting a requirement that the regulating commission must have authority "equal to that of the Michigan Public Service Commission" and by inserting a requirement that the regulating commission must have authority to regulate the offering and issuance of such securities.
The Commercial and Financial Chronicle - Thursday, December 17, 1903

SEC and State Laws

Impeding Capital Flow

while the issuance and sale of securities.

(4) Subsection (j) of Section 49:1-10, exempting securities fully listed or admitted to the list on notice of issuance on the New York Stock Exchange, was amended by adding "or on notice of issuance and satisfactory distribution" immediately preceding "on the New York Stock Exchange."

MINNESOTA

The following amendments to the Minnesota Securities Law became effective Feb. 25, 1933:

(1) Subsection (4) of Section 80.05, exempting securities listed on specified stock exchanges, was amended to substitute "Midwest for "Chicago" and a "New American Stock" for "New York Curb," to reflect changes in the names of those exchanges.

(2) A new subdivision (11) was added to Section 80.06 to exempt: (11) The issue and delivery of any security the sale of which is subject to a registration that, in the case of a notice of intent to sell, provided that the security so surrendered has been registered under the law or was, when sold, exempt from the provisions of the law.

(3) Subdivision 80.07, providing that no securities shall be sold within the state except in accordance with a registration thereof, was amended to clarify the meaning of "unlimited registration."

(4) Section 80.20, prescribing the fees to be paid, was amended to provide that, when applications for registration of securities and notifications of intention to sell are permitted to be withdrawn, the commissioner may order the return of (a) all of the fee but $25 (which shall be considered a fee) in the case of an application for registration of securities or (b) all of the fee but $10 (which shall be considered a filing fee) in the case of a notice of intent to sell.

(5) Section 80.23, providing for an amendment to the commissioner, was amended to require that the report contain a "summary" of specified information rather than a "schedule" of such information.

NEW HAMPSHIRE

Section 1 of the New Hampshire Securities Law, defining dealer to mean any person "engaging in the selling or offering for sale of securities" with specified exceptions, was amended effective March 30, 1933, to define dealer to include any person "engaged in the purchasing, selling or offering for sale of securities" with specified exceptions.

NEW JERSEY

The New Jersey Blue Sky Law was amended effective March 19, 1933 (1) to substitute "Superior Court" for "Chancery Court" throughout the act, (2) to repeal Section 19 (pertaining to the insurance and contents of subpoenas), Section 49:1-9 (relating to the appointment of a receiver with respect to illegal practices or sales against the public interest), and Section 49:1-13 (relating to the applications for an injunction or the appointment of a receiver with respect to illegal practices or sales against the public interest), and Section 49:1-14 (relating to applications for enjoinders, restraining illegal practices with consent of the parties), and (3) to make certain technical changes necessitated by the foregoing amendments. The New Jersey Blue Sky Law was not changed by these amendments.

NORTH DAKOTA

A new act was adopted in North Dakota effective July 1, 1932, separate from the North Dakota Securities Act of 1931, to require the registration of oil and gas brokers. Oil and gas broker is defined to mean "any person, co-partnership, association, or corporation engaged in the business of buying for resale oil and gas leases, mineral rights, royalties, or other interests in oil and gas properties from the surface holder or land owner, whether for himself or as agent of others.

OREGON

The following amendments to Section 80-103 of the Oregon Securities Law were adopted effective May 12, 1933:

(1) Subdivision (d), exempting securities listed on specified stock exchanges, was amended to change "New York Curb Exchange" to "American Stock Exchange" and to change "Chicago Stock Exchange" to "Midwest Stock Exchange" to reflect changes in the names of those exchanges.

(2) Subdivision (j), exempting securities the issuance of which is subject to supervision, regulation or control by the Public Utilities Commission of Oregon, was amended to exempt such securities only "if the Public Utilities Commissioner is exercising control over, or is regulating or supervising the issuer thereof."

(3) Subdivision (k), exempting membership certificates issued by an agriculture cooperative, marketing, purchasing or irrigation association under certain circumstances, was amended by adding a provision that "any fee or charge whatsoever evidencing membership shall not exceed the sum of $1,000, and no person shall purchase, hold or obtain directly or indirectly more than one membership."

SOUTH DAKOTA

Subsection 11 of Section 55.1903 of the Securities Law of South Dakota, exempting certain unlisted securities, and amending certain clauses of the act, was amended effective Feb. 12, 1933, by adding the underlined italicized language to read as follows: "(11) Any unlisted dividend, or certificate based upon an unlisted dividend, in all royalties, oil lease, or mineral deeds, where the interest or certificates based upon such interest, offered for sale or sold to any purchaser, is not more than one-twenty-fifth of the whole royalty, oil lease, or mineral deed, or any interest given or to be given in the future, to all machinery used in the drilling of a well on said lease, provided that no offer which may reasonably be interpreted as containing a statement, or which is likely to be understood by the general public shall be within this exemption."

WEST VIRGINIA

Subsection 3(e) of the West Virginia Blue Sky Law, exempting securities listed on specified stock exchanges, was amended, effective June 12, 1933, by changing "New York Curb Exchange" to "American Stock Exchange" and by changing "Chicago Stock Exchange" to "Midwest Stock Exchange," to reflect changes in the names of those exchanges.

WISCONSIN

Section 189.07 of the Wisconsin Securities Law was amended effective May 14, 1933, (1) by changing subsection (15), which previously exempted the sale of its securities by one corporation to another corporation where no public offering is involved and distribution of the entire issue is to not more than five corpora¬tions, so as to exempt such transactions involving sale of securities of a company in which a corporation has a controlling in¬terest and (2) by changing subsection (20), which previously re¬quired each licensed dealer desir¬ing to sell an issue of revenue bonds with the Securities Department, so that after one dealer has filed a notice of sale or sale for a specified fee, there is no more than one-twenty-fifth of the proceeds to the whole royalty, oil lease, or mineral deed, or any interest given in the future, to all machinery used in the drilling of a well on said lease, provided that no offer which may reasonably be interpreted as containing a statement, or which is likely to be understood by the general public shall be within this exemption.

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The Positive Side of the Tracks

only 4 cents for taxes, other than Federal income taxes.

To speak about these things, I submit, is a subject for railroad problems, nor is it an appeal for sympathy. It is rather a public service to bring about a better public understanding, so that the Congress and our State legislatures will act and permit us the freedom to be enterprises.

Positive Side of Rail Business

But, as I said before, I did not come here to speak about railroad problems. Rather I came here to talk with you about the positive side of our business, about which too little is known. I need only go back through the years of my own experience in the railroad business—which now number 40—and during 30 of which I have been a railroad officer. When I record the advantages that have been made in the art of railroad ing, I find them truly amazing, even to one who has lived in the railroad industry.

An explanation for the prevailing state of mind toward the railroads as an investment may be found, I think, in a habit which we might call "depression thinking." This habit causes investment people to think of the railroads not as they are now, but as they were during the depression of the '30s. To associate the railroads with depression, I submit, is not a valid association. The likelihood of a general depression sufficient to cause such a collapse as we had in the '30s—which of course would affect the railroads along with all other industry—is very slim indeed. Of course we can't always live in a boom. There must be adjustments from time to time, and we are experiencing such an adjustment now. But an adjustment is not a depression.

As I said earlier, I would like in this talk to take you on a tour of the positive side of the tracks. With this in mind, I would like to go into considerable detail to point out favorable factors in the condition of the railroads. These factors are factors of progress and achievement, and also factors of the future, which when better known should dispel many of the misconceptions and prejudices which add up to "depression thinking" about the railroads.

As a primary consideration, let's not forget that the railroads are still the basic mass mover of goods. I do not mean to minimize the amount of traffic that has been taken from the railroads. Some of what we have lost is gone for good, but there are sizable areas of traffic which have been diverted from the rails to other lines. It is the railroads' ability to handle rail traffic and the advantages of efficiency, we're striking back to recover business. We are doing this with service that we are doing it with a results that we are doing it with a results that we are doing it with a results that...

What we have, then, in the railroads is an industry with definite possibilities for growth. What we have is an industry in much better financial condition. How does the railroads' financial condition? Annual deficits have totaled about $1.5 billion; now it is about $8.5 billion, and a considerable amount of this is for short-term equipment debt. In 1920 the fixed charges of the railroads were $900 million; today they are about $475 million. In 1920 fixed charges required 11 cents of the revenue dollar. Now they require 45 cents.

Probably the most dramatic change in the railroads' financial situation is that in the seven years, 1946-1953, capital expenditures have increased by $7.8 billion, while funded debt has not increased significantly, but has in fact held about even.

Physical Condition of Roads at Peak

With the present program of additions and betterments under way, the railroads can now enter upon a period of reduced capital expenditures while continuing to realize—and in many cases increasing— the benefits from these improvements. As a result, the railroads are in the best physical condition of their history. The postwar betterment program, boldly conceived and executed, and conservatively financed with your help, has built a transportation system unmatched for versatility and efficiency.

There is a tendency in some quarters to regard the railroads as a more-or-less static industry, in which significant progress seldom occurs. But believe me, nothing could be farther from the truth. Progress in the art of roadways, when it is all detailed and its significance measured, would fill one of the proudest chapters in the whole history of technology.

I dislike to dwell on statistics, but let me cite to you just a few figures to give my point. In 1953 the railroads originated 8% more tons than the average of the five-year period 1926-1930. In handling that business they moved it a greater distance, so that their net ton miles increased 44%. But in doing so they loaded 23% fewer cars. Utilizing cars of higher capacity, getting 80% more work out of every car per day, increasing their train speed 50% and their net tons per train mile 65%, they increased their ton miles per train 125%. This kind of performance is not static; it is phenomenal!

And in the passenger traffic field, comparing the same periods, we handled over 7% more passenger miles, with 39% less train miles.

It is true that the railroads are still utilizing the basic transportation principle with which they started in business more than 150 years ago—the movement of trains of cars over tracks of rail. But that doesn't indicate a static industry any more than does the fact that investment bankers are still dealing in money, stocks and bonds, the same staples in which they have always dealt.

Yes, we still use tracks. But the rail, the ties, the roadbed of today's tracks have little resemblance to those of yester-year. Research on the part of the railroads and the steel industry has not only produced a heavier rail but a better section of rail, designed to provide a longer life and fewer failures. Most people, I presume, would consider rail about the fullest and most undramatic story of the universe. Would it surprise you to know that there are top-flight scientists who devote all their working time to the study of that seemingly simple substance, looking for ways to make it still better? That rail, which looks so simple, has a complex anatomy all its own, which we are constantly working to improve.

The railroads, the steel industry and the research centers of universities work together on the problems of rail and they have struck some exciting pay-dirt.

Not very long ago a major problem in maintaining railroad track was the tendency of rail to develop internal fissures. Transverse fissures they were called; sometimes the name "rail cancer" was applied to them because they began deep inside the rail and spread indiscriminately. First there Continued on page 74
The Positive Side of the Tracks

was developed the use of electronics to detect these minute fissures so that the rails could be removed before surface failure occurred. Some companies have even developed a method of controlling the cooling of freshly rolled rail at the rolling mill. It had been found that quick cooling set up stresses, and caused minute hairline fractures to occur, which grew under the impact of locomotive and cars running over them. Simply by slowing down the cool¬ ing of the white hot rails, these stresses were eliminated and tremendous fissures in control-cooled rail are practically unknown.

It sounds simple, doesn't it, but it took a lot of research to find the solution.

And then there is the process of hardening the ends of rail to minimize chatter at the joints, and the process of welding steel upon to build up this batter when it does occur so as to maintain an even surface at the joints.

Likewise there has resulted from research a less expensive joint bar for connecting success¬ sive sections of rail. And there is a good deal of experimentation with a continuous welded rail, which eliminates rail joints altogether.

Underneath the rail, too there has been the same process of con¬ tinuous investigation and improve¬ ment, with crossties, ballast, roadbed and drainage.

Chemical treatment of ties to prolong their life actually started over 40 years ago, but experience and constant research have de¬ veloped improved methods of treatment so that the average service life of ties has been tripled.

Ballast has gone from cinder to gravel to sand; and, lest you think that railroading is a static industry, consider the investiga¬ tory effort that goes into even such a seemingly prosaic sub¬ stance as that. There is in Chicago a machine which in three weeks subjects a sample stretch of ballast to the same wear and tear that would receive from traffic in three years of railroad service.

A Revolution in Maintenance Methods

Probably the most impressive of all developments affecting the railroads' foundation—the tracks—is the revolution that has taken place in maintenance methods. We are doing the bulk of track main¬ tenance in a respects faster, better and at less cost per unit of work performed. In mul¬ tiple track territory we turn over a hundred mile of track every two or three hours on a working day to our maintenance forces for their exclusive use, and they line up a battery of machines on an assem¬ bly line to perform all of the operations that were formerly done by laborious and costly human methods. There is a smokeless driving spikes to cleaning and shuffling and other operations.

I have talked at some length about track because developments within the rail¬ way industry have not happened and is happening at a pace never before known.

In the field of signalization, C. T. C. (Closed Trough Loop) has been a subject of much in¬ terest to our analysts. There have been many systems in the field, including color light signaling, semaphore, of the old semaphores. Dragging equipment detectors, which dis¬ appointments from a train set signals ahead of the train, is in widespread use. We speak of automatic interlocking at railroad grade crossings; much improved interlocking generally. And, also in this field, not the least import¬ ant, the automatic flashed light and crossing gates, which offer a very handsome return on the cost and furnish more reliable protec¬ tion than human beings.

Time Table

The problem here is, of course, the freight car, and every type of that car today is a symbol of the accommodations load and cubical capacity than its predecessor. It is difficult for you to notice the difference in the face of a car of 20 years ago and that of today, but I can assure you that usually a day or two, hours have gone into research to find any other components of the freight car.

In addition to having heavier load and cubical capacity, today's freight cars are built much sturdier so as to afford a longer life, and resistance between general repairs from six or seven years or more.

Time does not permit a detailed discussion of the vast changes that have taken place in the ordinary freight car, which are never appearing specifically. But the research still goes on.

You are, of course, much more familiar with the changes in pas¬ senger carrying equipment, the greater comfort and the longer range of passenger sleepers to room cars, with their improved heat and air condi¬ tioning controls. But here, too, re¬ search results are in many cases that are not apparent even to the passenger who rides in. Right now some of us, in conjunction with car builders, are working on a very entirely different type of passenger car at lower cost, but one that we power and its availability standards of safety and win public acceptance.

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It's Better...It's GAS
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Diesel Power

Perhaps the most dramatic change in the art of railroadng is the transition from steam to diesel power. The railroads have con¬ verted from steam to diesel power to an extent of about 75% throughout the country. This major trans¬ formation of the entire railroad indus¬ try has been accomplished in a little more than twenty years since World War II.

But the change has not alone been from steam to Diesel power. The railroads have been using Diesel power in a number of different ways, with different results. We'll talk about some of these later.

Diesel locomotives are being proved themselves to be a good investment. But the railroads aren't contenting them¬ selves with exercising the operating fuel and maintenance costs which Diesels bring. A Diesel locomotive is a highly flexible type of motive power and its availability for service is great. Taking ad¬ vantage of these assets, the rail¬ roads are working out new and more utilization from their Diesels—-to squeeze more miles of transportation per month out of them.

Furthermore, one builder, work¬ ing with a group of railroads, is in¬ vesting with the oil-fired gas turbine, and another builder, in conjunc¬ tion with a number of railroads and coal companies, is engaged in research in the development of a coal-burning gas turbine locomotive. The public has not been informed of these developments, and we do not yet know. But it should indicate for us the importance of the steel industry. Even the use of atomic energy in motive propulsion is being watched.

Idle funds, or funds not being put to use by the public, are anathema to the investment business. And idle equipment representing invested funds is the base of the railroads. All through¬ out the railroad industry there is a concerted drive against idle equipment.

We are doing it with Diesels, freight cars, passenger cars, machinery, of the machin¬ ery and tools of all kinds. We're applying the same principle to materials and supplies—the goal always being to eliminate idle in¬ vestment.

To these tasks we are bringing the scientific approach of transporta¬ tion research. Or, as it is better known, the industrial engineer¬ ing problem, where you face the same kind of precise analy¬ sis and logical approach to technical methods as we do to questions of technical design.

There is hardly any research in the railroad industry than in other fields of industry which can be seen a white coat or a test tube roadrail advertisement, we are not very likely to ever find a railroad itself as a test tube be¬ cause the railroads and their sup¬ pliers have learned that no test¬ ing is as useful as actual service tests. There goes the industry to be careful about research of the Institute of American Railroads, the constant research of our engineers to overcome out of research problems by the railroads and their suppliers to technical universities and colleges. That's why railroad research Vhythm is not only equally as important that these facts which I have attempted to briefly enumerate come to be realized by investors, by our regulatory bodies and by legislators in Con¬ gress than in the business world. Am¬ bly, what I am urging here is that I am making an effort to raise the level of awareness of the issues and the entire railroad plant of this country serves as a transcon¬ tineninal testing laboratory where men and women are working on methods and materials never cease.

Characteristically, progress and change in the railroad industry have been evolutionary rather than revolutionary, except in the case of Dieselization. Few of these new types of Diesels are bought by railroads; they are not ordered at all, they are not ordered by railroads. We're going to talk about the diesel engine which is the railroad's answer to the engine of the future.
Aviation Industry Growing Sans Financing

family fare traffic was nearly 39% under average first class fare (42.0 cents a mile as compared with 61.0 cents during 1952). It is part of the growth of reduced fare traffic can be readily understood.

To make coach traffic pay this supplemental fare requires compensation by a reduction in passenger mile rate. This can be achieved only partially by the elimination of passenger revenue items from their fares. Some of these fares can be cut.

Prevailing opinion is that if coach traffic is more affected by adverse seasonal influences such as the traditional traffic slump in the fall and winter than is first class traffic. If this vulnerability is reflected in substantially reduced load factors for coach traffic, the effect on earnings will be serious. Although it has been suggested that the coach traffic market could be subdivided into several segments of a different nature.

In our last year's report we stated: "It is probably still too early to say categorically whether the tremendous growth of coach travel is due to the increased passenger traffic in the airlines. It is true that it substantially stimulated the demand for the aircraft, but the effect of the CAB or not? The answer will be clearer in the next year or two. Meanwhile the fact remains that unless the airline can be erased the airlines are facing a period of profits prospects.

Nothing that has occurred in the past year has served to erase the doubts expressed in our last report.

It is easy to criticize and so it would be unfair not to call the attention of some of the press which have influenced the airlines in the matter of pricing their travel. One is the competition of the so-called "non-skeds" the airlines which operate without certificate and, theoretically, without the benefit of advertised regular schedules. These operators, using for the most part hand equipment on which the development charges are relatively small, have been able, even without mail, to carry a cut above the cost to the point of an actually competitive position.

In the evaluation of the results of the Civil Aeronautics Board a period of 10 months, we find that the CAB has still not to carry a cut above the cost to the point of an actually competitive position.

The tourist fare problem is not unique to the United States. These developments have been followed in the Atlantic last May and will reach around the world by next April.

The result of the new low-fares policy of the CAB has been to recast the prices of international air travel drastically. The character of the commodity, generally, including passenger traffic, has been steadily rising. Sir William P. Hildred, Director General of the International Air Transport Association (IATA) reviewed this situation at the Ninth Annual General Meeting of IATA in Montreal in October.

He said the average trans-Atlantic air fare in 1945 at 154.9 pounds airfares. In 1948, it is said to be down to 132 pounds airfares. In 1953, it was down to two tour for first class travel (1953); it was down from some 50 for tourist travel (1952). This is a result of the use of all materials which go into producing the same amount of laborers to somewhat smaller increases for skilled employees.

We have dealt with the operating trends, from first class operations, down to the average income. Table VII shows the reduction in the number of domestic trunk lines 1953 as compared with the same period in 1952 in terms of net income. We see from this a striking improvement in net income, after and before taxes in the first half of the current year. These improvements are distorted by two unfavorable events which had an important influence on the 1953 period, the oil strike and the temporary change in airport taxes. Assuming nevertheless that these recurring factors were accounted for accurately in the final operating statement, a comparison of the data in Table VII shows a great improvement in the third quarter (1953). As a result of the improved comparative results of 1954. This table. Even with the same months last year.

Aircraft Sales

Aircraft sales are a significant factor in the gross income of the airlines. This year's sales were down to the operating statement for the first half. This has been the case with the sales of new and improved aircraft.

The current month's activity is on a slightly lower level than that of the past 6 months. The recent accomplishment of the USAF in the production of the new supersonic jet with a speed of 1,000 miles per hour. The advances in military aircraft and the new commercial aircraft.

The recent accomplishment of the USAF in the production of the new supersonic jet with a speed of 1,000 miles per hour. The advances in military aircraft and the new commercial aircraft has been greatly in the last few months. In 1953, the year of most significant advances in military aircraft and the new commercial aircraft has been greatly in the last few months. In 1953, the year of most significant advance in aircraft design and construction. The results of the aircraft manufacturing companies for the first six months of this year comparison with the same period in 1952. We see from the table that the aircraft manufacturing companies has improved in terms of both gross of business and profits before and after taxes.

Nine months' figures are not available for all the companies included in this table. Such figures as are available show consistent.

Continued on page 76

Table VI

<table>
<thead>
<tr>
<th>Domestic Air Transport Operations</th>
<th>1953</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue (millions)</td>
<td>$322.9</td>
<td>2.1%</td>
</tr>
<tr>
<td>Net income before taxes</td>
<td>$347</td>
<td>12.3%</td>
</tr>
<tr>
<td>% of operating revenue</td>
<td>11.8%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Net income after taxes</td>
<td>$16.8</td>
<td>-42.3%</td>
</tr>
<tr>
<td>% of operating revenue</td>
<td>5.2%</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

*American, Capital, Colonial, Continental, Eastern, National, Northwest, TWA, United, Western, Braniff and Delta omitted. Indicate distortions compared to previous year.

Table VII

<table>
<thead>
<tr>
<th>Comparative Air Transport Operations—1953-1952</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period</td>
</tr>
<tr>
<td>Operating revenue (millions)</td>
</tr>
<tr>
<td>Net income before taxes</td>
</tr>
<tr>
<td>% of operating revenue</td>
</tr>
<tr>
<td>Net income after taxes</td>
</tr>
<tr>
<td>% of operating revenue</td>
</tr>
</tbody>
</table>

*Aircraft Sales

The sales of new and improved aircraft have been down to the operating statement for the first half. This has been the case with the sales of new and improved aircraft.

The recent accomplishment of the USAF in the production of the new supersonic jet with a speed of 1,000 miles per hour. The advances in military aircraft and the new commercial aircraft.

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Nine months' figures are not available for all the companies included in this table. Such figures as are available show consistent.

Continued on page 76

Table VIII

<table>
<thead>
<tr>
<th>Aircraft Manufacturing Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period</td>
</tr>
<tr>
<td>Operating revenue (millions)</td>
</tr>
<tr>
<td>Net income before taxes</td>
</tr>
<tr>
<td>% of operating revenue</td>
</tr>
<tr>
<td>Net income after taxes</td>
</tr>
<tr>
<td>% of operating revenue</td>
</tr>
</tbody>
</table>

*Burch, Belt, Bax, Consolidated Vultus, Curtis-Wright, Dow, Fabricant, Larkin, Martin, McDonnell, North American, Northwest, Republic, United.
Aviation Industry Growing Sans Financing

united growth but at a somewhat decelerated rate. Although the net profit margin after taxes has slight its impact on earnings per share is great because of the relatively small consolidated sales on the relatively small capital structures of the aircraft manufacturing companies. Unlike the case of the airlines, there is no present sign of a slippage off of profit margins. Actually the opposite is true.

As the government is the chief customer of the aircraft manufacturing industry there is always the risk that profit margins, narrow as they are, will be reduced, and through the provisions for renegotiation and price redetermination the machinery is at hand to effect such reductions. Commenting on this point in our last year's report we said that "when the net margin (after taxes) has reached 15 percent and 2 percent of sales, as is the case today, it cannot be expected to go any lower." We see that it has increased since that time.

Again unlike the case of the airlines, the excess profits tax has had an important effect on the net earnings of aircraft manufacturing companies. Were volume of sales and profit margins before taxes to remain the same, in 1953, the favorable impact of the absence of excess profits tax would be great. What is the likelihood of this result being realigned?

First let us consider the prospects for a continuation of a high level of business that will be determined by government policy. Air shipping, and the changes in it are an important part of the business of some manufacturers they are a very small percentage of the total volume of the industry. Surely there is nothing in the course of world events or in the political climate to indicate the likelihood of our defense programs being reduced. There may be increased efficiency in military planning, but it is inconceivable that any streamlining of military expenditures or changes in the procurement of the expense of the development of air power. Naturally as we are now in the midst of an air power expansion program the present build-up cannot be expected to last indefinitely and in a few years the industry may experience a leveling off if not a decline in volume. But even after allowing for this we believe that the aircraft manufacturing industry has become, instead of one of the most vulnerable industries, less subject to recession than many other industries and is almost guaranteed a high level of activity for many years. Thus the government's good air power procurement stocks may be said to be making a "defensive" investment in the shipping industry.

Second, as to the chances of a continuation of present profit margins which would allow the holder of the stockholder the full benefit of the elimination of the excess profits tax, there would be, it is believed, that it is too much to expect. It is our guess that the Defense Department's practice of making contracts downward to a point where the net after taxes without the excess profits tax will be as low as it is this year will be little changed. If it did so it would be unproductive of the functions of Congress by rewriting the excess profits tax into the aircraft manufacture. On the other hand the government may feel that the price of military hardware which will result in some lessening of profit margin.

In this connection it is interesting to speculate as to what will be the effect of this increase in profit if lower a payment policy necessities great savings for the smaller manufacturers. Interest paid on this lower amount of cost in government contracts. It does not seem unreasonable to say that in such a case additional added expense is placed on the government so that liberal profit payments this will be taken into account in any evaluation of government contracts.

All factors considered it is believed that the airlines are good for the maintenance of current profit margins which would allow the stockholder the full benefit of the elimination of the excess profits tax. As such a margin which would allow the holder of the stock the full benefit of the elimination of the excess profits tax, there would be, it is believed, that it is too much to expect. It is our guess that the Defense Department's practice of making contracts downward to a point where the net after taxes would be much less is as low as it is this year will be little changed. If it did so it would be unproductive of the functions of Congress by rewriting the excess profits tax into the aircraft manufacture. On the other hand the government may feel that the price of military hardware which will result in some lessening of profit margin.

The above are just a few of the points of interest in the aviation field for 1954 and 1955. The discussion of the aviation industry is divided into five principal sections: Air Shipping, Air Transport, Air Mail, Air Mail Subsidy and Air Mail Hot Air. The first section above is devoted to the discussion of the airline field. The second is devoted to the discussion of the air transport field. The third is devoted to the discussion of the air mail field. The fourth is devoted to the discussion of the air mail subsidy field. The fifth is devoted to the discussion of the air mail hot air field.

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by the present operators would be Job.

Corporate Planes: One of the most striking developments in the last few years has been the growth of fleet operators by or for private business.

In 1949 only 400 companies in the United States flew their own planes. Since then it has increased to 4,000. The operation of corporate planes has taken on the second largest branch of civil aviation, and as a matter of record, in number of planes flown is the largest. There are today flying in the United States about 500,000 type executive aircraft, or the combined fleets of the aircraft companies by over seven to one. These corporate planes represent an investment of approximately $200,000,000. Last year they logged 422,000,000, compared with the 457,000,000 flown by the airlines. In type range from single-engined planes holding from four to six people to twin-engined planes of varying sizes, ranges and speeds.

How much the growth of this branch of civil aviation has been due to heavy corporation income taxes and a high level of business activity and prosperity is a question which is frequently asked.

Aircraft Financing: Much thought has been given to ways and means of assisting airlines in the financing of new plane requirements through the instrumentality of finance companies set up for this purpose. And you will recall that we have already made along these lines.

The principle difficulty seems to lie in the fact that the only candidates for such assistance are the airlines of marginal credit. The financially strong lines are able to finance their needs without difficulty, as noted earlier in this report.

The marginal character of the purchaser or lessee, coupled with the tremendous high unit cost of the planes to be financed and the limited market for the planes should a default occur and repossess the security of the plane itself prove necessary, are factors which have upped the development of such companies.

Air Freight: The growth of air freight has proceeded primarily as a service of the business of the scheduled passenger airlines. Of the 60 companies, mostly composed of former GIs, that are in the way hopefully started cargo carrying operations without benefit of passengers or mail, largely because of the unsuitability of the existing aircraft equipment, cheaply bought, few survive. Whether or not this few will be able to continue in business without the impetus of the military aircraft which have served to sustain it in recent years would seem somewhat doubtful.

Revenues derived from the carriage of good amount to about 80% of the returns from all commercial surface transportation. The reason for this lies in the fact that all planes in the market—whether alone or in combination with people—are originally designed for the carriage of people. The planes are carried at rates ranging from 40 to 400 miles per hour. Air cargo cannot be obtained in volume at half of this rate. And when air cargo rates get down to the 10 cent to 20 cent bracket—now prevailing—it is impossible for the operator to make money with present equipment. Without these rates it is right as a supplementary filler of space on the planes of the regular passenger planes, but not for the simon-pure cargo carrier.

In two weeks the world will be celebrating the 50th anniversary of powered flight. The first flight of the Wright Brothers at Kitty Hawk was witnessed by an audience that could not understand an altitude of only a few feet and a distance of only about a dozen feet. But in the wings tip of a modern airplane today, the passenger planes fly at fantastic heights, at fantastic speeds, and the speed of sound. Competition is exceptionally strong and changes and developments of continuing.

The report has stressed many of the economic differences facing the aviation industry, particularly the field of freight transportation, because these have a direct bearing on any analysis of securities, it would be unwise to close without a tri- butation of this service to aviation as a whole.

But in the present state of the industry, the airlines have always captured the imagination of man and history holds nothing comparable to the feats of aviation in the last five decades. Marvelous as have been its accomplishments to date it is safe to prophesy that aviation is on the threshold of still greater developments.

Continued from page 21

How Shall We Amend the SEC Acts?

of the Senate and the Interstate Commerce Commission of the House of Representa-
tives, and the executive committee of the Association of Air Transport Com-
panies with representatives of industry groups to determine the

by the IBA, the NASD, the Stock Exchanges, and the National Association of Investment

Companies. These proposals are largely concerned with technical changes to the various se-
curities Acts. If. I may be per-
mitted to express an opinion on the subject, it is my belief that the rep-
resentatives of your industry in presenting a modest legislative program have shown both good
judgment and an appreciation of the necessity of keeping intact the protection presently afforded to the in-
vestor and to the public.

Under an arrangement with Senator Homer E. Capehart, Chairman of the Senate Banking and Currency Committee, the in-
dustry's legislative program has been discussed with Senator Prescott Bush, Chairman of the


Continued on page 23

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How Shall We Amend the SEC Acts?  

reoffering by underwriters or even the effectiveness of the post-effective amendment is delayed until the day after the acceptance of the withdrawal of the new procedure, if two bids are received, no second order under the Holding Company Act will be necessary and no supplemental filing will have to be made until 10 days after the closing. No second order under the 1933 Act will be necessary since the price amendment will become effective automatically when filed. Whether in Washington or at any of the regional offices of the SEC, this should permit final effectiveness within a couple of hours after the opening of bids in almost all cases. The proposed rule changes under the 1933 Act will also confirm the Commission's position that underwriters are free to offer (subject to their purchase of the issue) during the bidding period, and should generally clarify and simplify the registration procedure on a competitive bidding job.

Simplifying Registration Forms

As you know the Commission early in 1963 adopted a so-called Form S-9 for the registration of securities offered to employees under employee benefit plans as described standards. Study is being given to extending the availability of this form to a wider class of employee offerings. Serious study is also being given to the adoption of a simplified form of registration for primary underwritings of grade debt securities of issuers which file reports with the Commission under either the 1933 Act or the 1940 Act. If the registration statement is thus shorter both the time required by the issuer to prepare it and the time by the Commission to examine it can be materially shortened. If such a plan can be legally adopted it will be possible to shorten the schedule on such offerings sufficiently to make them more competitive with private placements.

The adoption of such an abbreviated form does pose some difficult legal problems. For example, Section 308 of the Trust Indenture Act requires the prospectus to contain an analysis of certain indenture provisions. It may be necessary to amend this Section to permit elimination of this analysis. There is also a question as to what standard will determine the availability of the short form for a particular debt security. If the Commission pre-
scribes quality standards such as rating in a service or coverage of fixed charges by earnings, the Commission might be said to be departing from the philosophy of not passing on the merits of securities. However, we are of course only including this simplified registration statement for securities of the type indicated will be devised.

Your sister organization, the NASD, has pressed for a simplified form of the registration of brokers and dealers. The present form which has been in effect since 1945 has 27 items. The Commission will shortly propose a new form which contains eight or nine items. The difference between the two forms assumes increased significance because of the new element that changes, including with respect to any item that may be reported. The adoption of the new form will give registrant-broker-dealers less than one-third the time required in acquiring current reports. This is a point that the Commission has been and is still a point that the Commission will vigorously pursue both your paper work and ours.

In order to have a starting point for new listings, the recent reports of change will be related to the prescriptive form, and any odd complicated form, registered brokers and dealers will be required to file new forms on or before some fixed date.

Revised Proxy Rules

I know that proxy statements and Form 10-K annual reports are not the most exciting reading material for investment bankers. You might think you are more interested in what is happening to you.

The Commission has circulated recently an extensive number of comments on the simplified registration statements. Among them were many constructive, well reasoned suggestions and criticisms. These will be carefully considered in determining whether and in what form the published proposal will be a reality. We think that the Commission may rest assured that the present Commission is as much concerned for the interests of shareholders as its statutory powers for the protection of the public. However, it is the holder in respect of proxies for corporate meetings. We must rec-
ognize the necessity for taking a step to make proxy under a Federal system of a form that does not give us a free hand to make rules and regulations of the rules of stockholders under state corporate law.

This is not to say that the present form is not a good form, and may be passed on by us as the so-called 10-K annual report. The form includes a description of two parts, the first an item by item report of certain information concerning such a company, including the management, and the second, financial statements. The Commission has proposed any company which solicits proxies under rule 14a-1 under the requirements of the first part of the 10-K annual report merely by filing an annual report in the Exchange for its annual meeting. This requirement that the Commission does not deprive the voter of any protection or the public of any information, required in the proxy, is the so-called 10-K annual report. In the proxy statement parallel in some respects to the form of the 10-K annual report. The Commission is now considering whether in the first part of the 10-K annual form, may be supplemental and simply cut out the necessity of filling the same information twice.

The Price-Stabilization Question in New York

There are in process of preparation of a statement by the National Association of Securities Exchange Act of 1934, Section 9(a)(6) of the Ex-
change Act makes it unlawful to stabilize "in contravention of such basic regulations". The regulation may prescribe as necessary rules for the protection interest or for the interest of the protection of investors. Two years ago the Commission adopted a new rule making the same rules applicable to offerings at "the market price," the rule making was almost always at a fixed price, the Commission real has no stabilizing rules applicable to the offering of securities. There are, of course, certain rules on manipulative and deceptive practices and the approach of the Commission has been—and still is—that an alleged stabilizing opera-
tion is blackmail.

However, the Commission takes the attitude that the industry is entitled to the benefit of special rules in the subject of stabiliza-
tion. In practice any proposed stabilizing activity is submitted by telephone on a case by case basis. I understand that this has worked out well. Those who di-

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19
A New Era for Private Utility Industry

In the postwar years the absence of an impartial political atmosphere was offset somewhat by the easy money philosophy which facilitated industrial financing. As equity financing, the relatively high yields available from common stocks in that period attracted public building with large measure counter-balanced sophisticated institutional aversion to invest in situations dominated by overly-restrictive regulatory agencies.

The close to 50% composite debt ratio for the electric utility industry places the burden of financing upon equities which on average currently are near the highest level in 22 years. Although equity financing at higher price levels obviously lessens the degree of Immediate dilution, the investor becomes more hesitant and discerning when low yield is combined with dim prospect of dividend increases.

Impressions have been created by some commissions that a utility common stock is so protected by regulation as to eliminate the element of risk, when in fact the elevation of investment status reduces the degree of management’s ability to control cost and load factors. To the economic, political and technological risks in a utility common stock can be added the concrete example of the current change in interest rates so clearly demonstrated this summer. A common stock commitment even in a relatively stable industry is a cardinal venture that must, to make equity investment attractive, offer prospects of reasonable yield, commensurate with quality.

Continued from page 40

preferred stock for 9.4%. In the earlier period these figures were 61.8%, 33.6% and 44.3% respectively. In our Spring Report, dealing with the calendar year 1952 in comparison with 1951, we were able to commend the industry for exercising more heavily on equity financing during that year and placing less emphasis on the raising of new issues of debt securities. However, during the current year this policy has been reversed and more than 30% of new capital has been raised via the debt route. From the record it seems possible that some of the large increase in utility debt acquired during the first three quarters of 1953 may have been accounted for by the increase in interest rates and by the fact that these rates were not in existence to reduce indefinitively.

In the first half of the year, 54% of the public utility security offerings, involving electric, gas, telephone, and other utilities, was accomplished through competitive bidding as compared to 43% for the full year 1952; 11% was made available through private placement accounting versus 15% for the last year; private placement accounting versus 15% and 20% for both periods by subordinated debentures.

Of the common stock financing, for the first half of the year, close to 60% was effected through offerings to stockholders. In this respect too few are the corporate management who appreciate fully that direct offerings to stockholders automatically involve the investment dealer in his normal role and dealing with clients. The practice of circulating the services of our industry has reached proportions meritting close support.

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Continued from page 79

A New Era for Private Utility Industry

the IBA committee now engaged in that study.

To leave the electric power industry for a moment, financing data in this report of course do not include the current American Telephone offering to stockholders, in the usual Bell pattern, $600,000,000 of 3½% convertible debentures, again establishing a record for the largest single corporate offering. The independent telephone companies, although no accounting for only 18% of the number of telephones and 10% of the over-all investment in plant, have entered the market for expansion funds at an increasing pace. In its advance to current record high operating status, credit should be given to this industry for undertaking a well-organized, effective educational program which contained the corporate-encroachment problem in the telephone field to within reasonable bounds.

Competitive Bidding

To extend the growth of the electric utility industry, construction expenditure budgets for the three years 1952-1953 are estimated to be in excess of $8 billion. The constant offering of securities needed to finance this expansion necessitates investor interest in the stability and flexibility of the financial plans.

The experiences of the year forty-five, in that a number of the rigid structures in the line of the competitive bidding policy destroys the flexibility of large-scale financing plans, particularly in respect to preferred and common stock issues. In the rapidly changing bond market occasioned by the adjustment in interest rates experienced severe corporate rejections of competitive bids on proposed financing projects which would have made a chance for completion on a negotiated basis. Subsequently the SEC granted exemptions from competitive bidding on several issues demonstrating thereby a commendable understanding of the problems involved and a willingness to consider each case on its merits. It is the recommendation of this committee that the determination of the most beneficial and economical process of financing should rest in the hands of utility management and that the Securities Exchange Commission should consider the question on the merits of this premise. We were happy indeed, with the announcement by the Securities and Exchange Commission on Nov. 25 that the body has under consideration a proposal to amend Rule 14a-1 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 regulated public utilities and subsidiary companies.

Atomic Energy

In concludes this report we take this opportunity to make reference to the coincident birth of a new era in power production which in time may render obsolete the present power facility structure. This revolutionary development obviously refers to the announcement made by the Atomic Energy Commission that Westinghouse Electric Corporation has been selected to construct the first full-scale atomic power plant in the United States specifically designed for merchant service; and the Securities and Exchange Commission restudy the question on the merits of this premise. We were happy indeed, with the announcement by the Securities and Exchange Commission on Nov. 25 that the body has under consideration a proposal to amend Rule 14a-1 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 regulated public utilities and subsidiary companies.

The electric utility industry has been doubling in size every nine years since 1929 and the trend is not changing. Accordingly new facilities that must be built just to keep up with demand presently outpacing the available financing program in themselves and one that will probably rule out the substitution of conventional units. In time—20 years or more—a power which is powered by atomic energy will probably have replaced much of our present water and coal central station—creating the change, will from necessity, be received.

Respectfully submitted,
PUBLIC SERVICE SECURITIES COMMITTEE

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1954 (2440)

The Commercial and Financial Chronicle • Thursday, December 17, 1953

Continued from page 19

Getting Federal Budget Under Control

extravagance are based on the simple knowledge that in 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 by the Federal Government.

The Tax Burden

Our inheritance in the field of Federal income taxation is a heavy one. It is staggering because of its size, due to inherited obligations and the deficit financing of recent years. It is staggering because of iniquities and deliberately restrictive provisions, which, in addition to the very size of the tax, inhibit growth, induce waste and contribute toward development of a vigorous free economy.

In 17 of the 29 fiscal years from 1933 to 1953, the government operated with a deficit. Conversely, in only three of those 20 years did the government live within its income. So, excessive planned deficits were a part of our government's— and tax burden. The fiscal year 1953, in which we entered office, was a year of a deficit of more than $9 billion. There was a planned deficit budgeted by the previous Administration for us of nearly $7 billion for fiscal year 1954, which, if continued, would become evident, would be more than $1 billion because the revenues have been underestimated. Total appropriations authorized from fiscal year 1953, fiscal year 1954, and those requested in the 1955 Truman budget, would increase the deficit in those five years to nearly $100 billion. At the same time, tax expenditures would be written into law to lower government income. By 1955, when they planned for government spending to reach its peak, planned tax reductions would have begun to reduce government income by almost $8 billion. The deficits that would have been incurred under this program would have been so staggering that the government never have recovered from the burdens thus piled on it.

Controls

The country was throttled with controls and controls over prices and controls on wages, and controls on raw materials, and controls on banks, and controls on carryings, and controls on the sales of raw materials, and controls on the sales of consumer goods, and controls on real estate, and controls on all credit, and controls on all rents, and controls on all wages, and controls on all prices.
Big reductions in security expenditures can only come from perfecting the more effective and more economical defense program which costs less and requires less manpower and personnel. The need for a tremendous planning, work and effort.

Control of spending is essential, because we know that inflationary financing spurs the forces of inflation and finally checks the economy.

We have cut the prospective deficit in the fiscal year now under way from more than $11 billion to less than $5 billion.

The problem in the fiscal year beginning July 1, however, is even more difficult. Probably our estimates show that should spending continue at the present rate, we will exceed our estimated income, and the actual deficit will exceed the estimated deficit of the current fiscal year and result in a continuing fiscal deficit.

We have four alternatives:

First, the government can accept an unbalanced budget—a $1 billion dollar deficit in fiscal 1955.

The government can cut expenses. The government can raise additional taxation. The government can adopt some combination of some or all of the above policy alternatives.

But we have not abandoned efforts to reduce the deficit for an early balanced budget.

And the inheritance which we have gained through the budget policies for present and future generations will increase the overall budget balance one that cannot be achieved as rapidly as we all wish. Only by continuous and detailed work and effort can we reduce the current deficit and eventually accomplish our objective.

Our dollar has depreciated half of its worth in less than 15 years. But in addition, more important, history shows that depressions and inflation always follow high time the latter part of inflation. Our dollar expenditures must be controlled.

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These alternatives: the answers to some of the questions facing us.

We will face a hard road ahead. The road will be full of peril and pitfalls and, it is certain, full of uncertainty. Whether the reduction in our budget will be achieved and accomplished by the next fiscal year, whether we can face the future with confidence and faith, depends upon the actions of political leaders, upon the executive branch of government, upon us, the taxpayers.

The cost of the continuance of the inflationary policies of the last 15 years has already been paid by us, the taxpayers. If we do not act, we will be forced to pay the cost of our previous mismanagement on the basis of the dollar which we have inherited.

Every dollar that is spent is spent for the benefit of someone else, someone who is in a position to accept the burden of the cost of the inflationary policies of the last 15 years.

We must act in a way that will prevent us from being forced to pay the cost of our past mistakes and at the same time be able to control the cost of our future actions.
and used cars and by their profits as indicated by their monthly financial statements. They give us an accurate, up-to-date measure of the consumer demand for new products. Any major trend noted in these reports is immediately reflected in our production schedules.

That, in my opinion, is the only production restriction we or any other industry should have. In a free economy, it is the consumer — with, of course, the help of convincing salesmanship — who decides what and how much shall be produced. There is no more effective arbitrator in the world.

Ways of Limiting Production

As far as I know, there are three ways in which production can be limited within an industry.

One is to return to some scheme of government controls and production allocations as we endured throughout 1915 and 1918. Another is to nationalize the industry and let the government determine what will be produced, how much and by whom, and what the prices will be.

And a third is to repeal the anti-trust laws so that manufacturers could get together among themselves and fix production quotas. The prices would be fixed — and they must remain fixed — to perpetuate an economy of scarcity.

No thinking American could argue seriously that any one of these courses is a reasonable substitute for today's tried and proven competitive system. Anyone who might try to call it a solution of the depression is either a muddlehead or a politician.

Let's agree that the competitive system is a pretty tough game, subject only to certain moral and legal rules of fairness. Just as there are rewards for those who succeed, there are penalties for those who fail. That is bad, so long as we have a chance to learn from experience and do better the next time. That is surely no argument against revolving the company's stocks at any price in the market until they are more attractive than the other investments available. The employer should be free to sell his own stock to whom he pleases and to charge what premium he pleases.

Consumer Benefits Most from Competition

But the greatest benefit of our competitive system falls to the consumer. And let me remind you that corporations are consumers, too, with needs and wants just like any individual. For years, Ford Motor Company and John Smith’s Ice Cream Company have lived in queues, bribing for materials, goods and services. We at Ford feel just the way they feel. We're negotiating for lower prices. We're asking that the fat be removed. And generally, under our system, the customer who gains most by this system of market competition is the American people — new and better products priced low enough to meet the American living demand. That's the secret behind our success. If you want to buy cars, we will sell you a better car for the same price — perhaps even a better car at a lower price.

Money is being spent by businessmen on research and development at a rate never before equaled. Ford has spent $600 million in research and development efforts since 1931. Expenditures in 1953 for research and development were about $100 million higher than for the two previous years. Ford has spent $5 million for research and development in the first nine months of 1955 alone.

For eight years, Ford Motor Company has been planning for just this day. We have made advances in the field of automation—the automation of manufacturing processes that do not change the cost, but eliminate waste.

This is a program of continuing research and development somewhere around 100,000 to 200,000 man-hours per year. Ford Motor Company’s chief engineer has put Ford in the process of building a broad front of research and development aimed at major advances in the automotive industry.

Auto Technology Still "On the Go"

It calls for the brain of someone who has been termed "ingenious." And although our science is growing fast, primarily with the broad field of traditional research, it is also exploring the pure sciences. They are identifying the minutest forms of power that do not spin, and are measuring the effects of temperature, humidity and pressure of the earth for transportation equipment that shall span the earth.

Good deals of our work is directed toward developing new and better factory devices. We're not missing any bets on the development of the diesel engine or the gas turbine engine. Some day we may even get to a stage where the gas turbine would be the better engine.

And the company has some unusual burning combustion would have great advantages over our present methods of intermittent explosions in the combustion chamber. For example, we must find materials that will withstand pressures up to 80,000 or 100,000 pounds and higher temperatures.

When these problems are solved, there will be opened up new avenues of development in the whole system of propulsion and of engines and of materials. These, in turn, will mean new shapes and sizes for the automobile as a whole or the future of the mobile.

This surge and surge and surge of activity in the industry will continue. And Ford stands ready to do its part in this surge.

Ford Story—The Story of American Industry

This is the story of how about one million people to work, of an industry that has spent billions of dollars.

The Ford story is unusual in some respects but, by and large, it is the story of all American industry. It demonstrates that American business can and does meet the challenge. It demonstrates the responsibility for continued progress and the freedom of the American system. Ford is a small part of American industry. It is a part of an industry that has spent billions of dollars and 50 years to develop.

This is the story of Ford—of an American company that has been in business since 1903 and has produced more than 20 million passenger automobiles. The Ford story is important to every man who owns an automobile and to every man who is interested in the freedom of our form of government.

This is the story of the importance of the American automobile industry to the American economy—of the fact that American industry has helped to create an American way of life.

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magic formula. We now know they can only solve, one at a time, by a sound, considered ap- proach. The first sought religious freedom, not economic well-being. These spiritual values still exist and as people whatever our form of worship, Administration gives us all new ways of life, individually, his dignity, and his right to progress towards his own ends above any political or economic dogmas. As long as we live up to these spiritual heritage of our's, America will go forward.

Continued from page 39

In Attendance at IBA Convention

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Secretary of the Treasury, Washington, D.C.
HUNTAR, FRANK M.*
J. HAY, DENNIS, JENKS, JACKSON, R. EDWARD JOHNSON, THOMAS M.*
Continued

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What to Expect from Agriculture in 1954

It is my guess that there will be a strong tendency in that direction, largely due to price adjustment. This period followed a rather long and pronounced period of inflation. It is my guess that there will be a strong pressure of government intervention in the price of farm products. We will likely see the production control program—not because of enthusiasm for price support, but by default. We (you and thousands of others) have been able to come up with a better program that is politically acceptable. Herein lie a real challenge for us, I cannot see a bright future for the small farmer. Our new technologies require much more capital and more capital will be available to get along in a rather satisfactory manner during the next decade.

We have a tremendous productivity of American agriculture. Professor Hendy of Lowa State University, in an article in which he stated that the existing know-how and the most realistic language we could produce, year after year, more and more forage in the form of hay and rotation pastures than the land is actually producing. Production figures of this kind cause one to wonder, how much American agriculture does it have the capacity to produce more than the present number of American land and the export market. We know that the future, will of course, not be exactly like the 1929-30 period. Unfortunately I am not one who has a faith in the government's ability to keep the price of farm products under control. The market will not bring an end to the tension existing between the various segments of the

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What to Expect from Agriculture in 1954

amount and type of production will depend upon the existing price relationships.

The well-being of the American farmer is closely tied in with the export market for farm products. While the domestic market is by all odds the most important market to the farmer, the export market does influence, very materially, the prices received. I am not to entertain the possibility of a great volume of exports, unless we continue a give-away program. The large volume of agricultural exports for the past several years has been due to the fact that Europe has not re-stored her production, plus the fact that by one means or another we were extending credits, which greatly facilitated the movement of our products. Because of the dollar shortage, when other countries have dollar exchange they tend to seek needed food suppliers elsewhere and conserve their dollars for purchase of our industrial products. While the export market does not look too bright on a commercial basis, nevertheless I feel that as long as present international tension continues, there will be a considerable quantity of our excess production will find a use in foreign areas.

One of the optimistic factors in the agricultural picture is our tremendous increase in population. We now have about 28 million more consumers than we had in 1940. It is estimated that by 1960 we will have 16 million more persons, or a total of about 179 million. Some people dramatize our population increase by calling it the "fifth plate"; that is, where we have had four people in 1940 we will have five people to feed by 1960. Our population is now increasing at the rate of about 1% per year. To meet this assurance that this high rate of population increase will continue, it does appear almost certain that the increased population will provide an expanded home market for the American farmer. If we can maintain a fair degree of business activity, with a good distribution of consumers purchasing power, the American farmer should have fairly good markets for his products. It is estimated that our requirements for food and fiber in the domestic market will be 10% higher in 1960 than now.

I am not unduly pessimistic concerning the next decade for American agriculture, neither am I babbling over with enthusiasm as are some of our Outlook

For outlook for 1954 turning now to the shorter time period, the outlook is very promising for 1954. With the continuing progress in the world markets for farm products, and with the increase in income, the outlook for 1954 is very favorable for the farmer. The farm prices of many products have increased, and we are now experiencing a period of stability and high prices. We are not likely to have any sudden declines in these prices. This is an important development for the farmer.

Now let us look into what might be the major causes of this recent decline. The 1953 decline in the prices of agricultural products was 4% as compared to 1952. Exports of farm products were down slightly from the high level that existed in 1952. The combination of increased production and a drop in exports meant that there was too much available of these products and the market was oversupplied. The outlook for this year is very encouraging. We are likely to have a much better year for the farmer, and we should expect to see higher prices throughout the year.
FIGURE I—WHOLESALE PRICES

Source: Warrent and Pearson, 1930-1938; BLS, 1939 to date.
Data for 1933 are preliminary. Neg. 4753-xx Bureau of Agricultural Economics

FIGURE II—FARMERS' PRICES

* Monthly data. Neg. 47483-xx Bureau of Agricultural Economics
Δ Includes interest, taxes, and wage rates. Annual Av. data, 1910-33;
by quarters, 1924-36, 1937 to date.

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Continued from page 86
What to Expect
From Agriculture
in 1954:
Cowden

than having many sources of credit for production goods.
(6) We have found that many of our farmers are not adequately
covered by insurance. They have not increased their insurance in
proportion to the increase in replacement costs. Bankers can be
of help in calling this to the attention of farmers.
(7) Remember that it is not the
size of the loans that counts, but
the ability to pay the interest and
repay the loan. A small loan to
a poorly organized, inefficient
farmer may involve more risk
than a much larger loan to a good
farmer.
Finally let us consider some of
the broad implications for the
banking business:
(1) The credit needs of agri-
culture will expand. If the bank-
ers do not meet these needs, then
sooner or later some other agency
will. Now, the banker can't pull
rabbits out of a hat—the lending
of money has to be profitable
from a business point of view to
both the lender and the borrower.
This is like the minister preaching
on going to church. He does not
reach the people who need it be-
cause they aren't there. The fact
that you are here indicates your
interest. You do, however, have
their farms, how to adjust to
changing conditions in order to
maintain the greatest profit, is
one of the greatest assets that this
country possesses. If farmers in-
sist on high support prices, then
we will have to accept the accom-
panying controls. In my opinion,
we have never experienced the
type of controls necessary to
maintain some of the existing
prices during a non-inflationary
period.
(4) Another big challenge is
the need for bringing about greater
consistency between our farm programs and our interna-
tional policies. A sound interna-
tional relationship is undoubtedly
one of the key problems of our
time. Agricultural programs
should contribute to, not hinder,
this objective. The American
farmer and all of us have a real
interest in maintaining a large
volume of agricultural exports.
In order to export we must also
import.
(5) It is not enough in our mod-
ern day world just to be a good
banker. Bankers by the very
nature of the trust placed in them
should be leaders . . . leaders in
promoting understanding of the
broad problems with which we
are faced, of our international re-
ponsibilities, and the like.
(6) The real strength of Amer-
ica does not lie in Washington . . .
It rests with strong indi-
viduals and in good productive
communities. A bank that is
building its community is not only
building its business but it is
building a strong America.
The outlook for agriculture is
not a bed of roses, nor is it a
crown of thorns.

State and Municipal Bonds
U. S. Government Bonds

SEATTLE-FIRST
NATIONAL BANK

BOND DEPARTMENT
Seattle 4, Washington
Telephone Main 331
Teletype SE 489
Member Federal Deposit Insurance Corporation

Specialists in Securities
of the
Pacific Northwest

JUNE S. JONES & CO.
INVESTMENT SECURITIES
INVESTMENT BANKS • CORPORATE BONDS & BONDS
MUNICIPAL BONDS
SINCE 1927
U. S. BANK BUILDING PORTLAND 4, OREGON
AT 1310
The Commercial and Financial Chronicle ... Thursday, December 17, 1953

The Investment Bankers Association of America Holds 42nd Annual Convention

The following editorial material was supplied by the Investment Bankers Association of America.

The Investment Bankers Association of America is a membership organization representing the interests of the securities industry at home and abroad. The Association was formed in 1914 as a professional educational and lobbying organization. Its members include securities dealers, brokers, underwriters, registrars, attorneys, and others engaged in the securities business.

The Association's annual convention is the major event of the year, bringing together members from all parts of the country to discuss current issues and trends in the securities industry.

This year's convention was held in New York City and featured keynote addresses by prominent figures in the securities industry, as well as panel discussions and workshops on a variety of topics.

Among the highlights of this year's convention were discussions on the impact of technology on the securities industry, the role of the Securities and Exchange Commission in regulating the industry, and the challenges facing securities dealers and brokers in the current economic climate.

The convention also featured a presentation by the Association's developmental programs, which provide opportunities for members to develop their skills and advance their careers.

The Investment Bankers Association of America looks forward to continuing to provide a platform for members to network, learn, and grow in the securities industry.

The Association thanks all of its members for their continued support and encourages all interested parties to join in the ongoing efforts to promote the interests of the securities industry.
Dixie Cup Ptd. Sold

Of the 152,465 shares of 5% convertible preferred stock, series A, of Dixie Cup Co. offered for subscription at par ($50 per share) to holders of its outstanding common stock, 149,068 shares were subscribed for by holders of subscription warrants (including the several underwriters) pursuant to the right to subscribe. The several underwriters purchased from the company at par and resold remaining 3,457 shares.

The offering, underwritten by a group of underwriters headed by Gloucester & Co. and Hornblower & Weeks, had been made to Dixie Cup Co. common stockholders Nov. 15 at the rate of one preferred share for each five common shares held, with subscription rights expiring on Jan. 30.

The preferred stock is convertible for the life of the issue at a rate of 1/1 share of common stock for each share of preferred. The stock is also redeemable at the option of the company at $52.50 per share if called on or before Dec. 31, 1956, and at prices gradually declining thereafter to $50 per share on Dec. 31, 1964, and is redeemable for the ainking fund at the lesser of the optional redemption price in effect at the time or $51 per share, plus accrued dividends in each case.

The net proceeds from the sale of the preferred stock will be added to the company's general funds and will be used in part for an expansion program for which an estimated $7,000,000 will be spent in 1954 and 1955 for additional plant and production facilities.

Dixie Cup Co. is engaged in the manufacture and sale of paper cups and containers and the sale of complimentary equipment, such as dispensers and holders. It also manufactures specially designed machinery and equipment for the manufacture of its products. Net sales for the nine months ended Sept. 30, 1953, were $34,380,312, the highest for any comparable period in the company's history, and compared with $26,327,940 for the like period of 1952. Net earnings for the first three quarters of 1953 amounted to $2,372,697, or $2.98 per common share, compared with $1,859,827 or $2.48 a share in the 1952 period.

H. Mentz Co. to Admit New Partners

H. Mentz Co. & 60 Beaver St., New York City, member of the New York Stock Exchange, Jan. 1, will admit Alvin Schenfeld to general partnership and Edward Jacobson, member of the Exchange, Marina B. Doyle, Leo M. C. Oliver and Julian Hentz to limited partnership. Alvin and Jacob Schenfeld are partners in J. Schenfeld & Co. which is being dissolved on Dec. 31.

Joins Hess & McFeul

(Special to the Financial Chronicle)

PORTLAND, Ore.—William J. Cody has become affiliated with Hess & McFeul, American Bank & Commerce.

ST. LOUIS MARKETS

Our Trading Department Is Active In All Local Listed And Unlisted Securities And Invites Your Inquiries

"If there is a market we can find it."

- We Specialize In Orders For Banks and Dealers

We want offerings, Odd Lots, Missouri D. O. Municipal

EDWARD D. JONES & CO.

ST. LOUIS, MO.

Member American Stock Exchange and Members New York Stock Exchange

Stifel, Nicolaus & Company

Incorporated

ST. LOUIS - CHICAGO

NEWHARD, COOK & CO.

289 North Michigan Avenue

Chicago, Illinois

Underwriters and Distributors

Listed and Unlisted Securities

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SAINT LOUIS

Bell Teletype - SL 151 & SL 152

L. D. S. Louis 310, 311 & 112

1st Natl Bank Bldg. New York Correspondent

Hart, Illinois Commercial Bldg.

Burlington, Illinois

Charles A. Otis

Charles A. Otis of Cleveland passed away Dec. 8 at the age of 85 after being in ill health for some months. Mr. Otis was one of the founders of the investment firm of Otis, Hough & Co. which later became Otis & Co. He was the first investment dealer in Cleveland to hold a membership on the New York Stock Exchange. He founded the Cleveland "News" in 1905 merging the "Herald,' "News" and "Evening Plain Dealer."
Continued from first page

Productive Capacity and Business Performance

ecies may all come true. I de-

Butler, Herrick Partner

Butler, Herrick & Marshall, 30
Broad Street, New York City,

eon of the New York Stock

echange, on Jan. 1. He will ad-

Butler, Herrick & Branch to

Charles Jostes Opens

Charles Jostes is engaging in a securities
business from offices at 6007
Manchester Drive.

Caldwell Phillips Co.

FIRST NATIONAL BANK BUILDING
ST. PAUL 1, MINN.

Butler, Herrick Partner

Butler, Herrick & Branch, 30
Broad Street, New York City,

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Charles Jostes Opens

Charles Jostes is engaging in a securities
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Manchester Drive.

Underwriters and Distributors of Corporate and Municipal Securities

Mutual Funds Shares

SHAUGNESSY & COMPANY, INC.
FIRST NATIONAL BANK BUILDING
ST. PAUL 1, MINNESOTA

MARSHALL & COMPANY
Investment Securities
FIRST NATIONAL BANK BUILDING
SAINT PAUL, MINNESOTA

Albert T. Armitage
Hal H. Dowar
Julienne M. Collins

BERK, GREENBERGER TO ADMIT

Berk, Greenberger & Co. to
60 Beaver Street, New York City,

eon of the New York Stock

echange, on Jan. 1. They will ad-

Julius C. Ransom, partner in
White, Weld & Company, New
York City, passed away Dec. 8 at
the age of 55.

Caldwell Phillips Co.

FIRST NATIONAL BANK BUILDING
ST. PAUL 1, MINN.

Bell System Telephone ST P 130

Underwriters and Distributors of Corporate and Municipal Securities

Mutual Funds Shares

SHAUGNESSY & COMPANY, INC.
FIRST NATIONAL BANK BUILDING
ST. PAUL 1, MINNESOTA

MARSHALL & COMPANY
Investment Securities
FIRST NATIONAL BANK BUILDING
SAINT PAUL, MINNESOTA

that, in between the opening sen-
tences and the closing sentences which I have quoted from
speech, there were some very
sound qualifications that I want
return to later on. But I think
it is not unfair to take this phrase
"Detroit Talk" as characterizing
a jaunty optimism which ema-
nates from many business quarters
today which is often summed up in the assertion that there
is no possibility of the United States
having a recession during the next year or the next few
years "unless we talk ourselves
into it."

That is as it may, most of you
know that I don't live in Detroit.
I have not become indoctrinated
with the indomitable belief that
nothing, no matter how incredible
get done just because we repeat
over and over that they will get
done. I live in the disillusioning
Washington, where the boldest leadership of the Execu-
tive Office can be frustrated by the timidity or the conflicting
interests of Congress and where a program formally adopted
by Congress may meet a Presidential veto. Washington talk includes
both the postponement of the Administra-
tion and the differen-
tly-colored attitudes of
the Loyal Opposition. Then, too, you
occasionally hear a peep from
those of us who are out of
human government—or have been emanci-
ated from government—and who
still have freedom of speech even
ly, if we do not have the right to
vote.

"Washington Talk" Displays

Several Patterns

"Washington talk" in the recent months has been a curious blend
of optimism and opinion—the optimism of the industrial and pro-
duction capacities of a free enterprise system that must whittle a merry tune
even when passing through a gray
ness of trade and the landlords trying to sell goods to the new FBI
(freed by Ike) or to find tenants for their
newly-built office building
department houses, and dwellings
while the government was receiv-
ing a couple of million square feet
of rented office space, and some of the
real estate in form were
being returned to
the provinces.

Now, so, there is one aspect in
which I think Washington talk has
been on stripe superior to the
mere assurance of Detroit talk
as a declaration that it "ain't
gonna rain no more."

I shall limit my comments on
this form of economic discourse
the saga of the official
Washington. Here we find two
somewhat conflicting views—
roughly the January and
December view. The first was that
a new administration would re-
move the dangers of an infla-
tionary burst by putting the country
on a sound financial basis, stabil-
izing the dollar, and underpinning continued prosperity.

As I said a moment ago, this
new step beyond "Detroit talk" in that it does not say flatly all you have
to do in time of doubt is to step
on the gas pedal. It says that government is responsible for
making fiscal, monetary, and some conditions which will help the
company to maintain maxi-
mum safe speed.

While that is respected and in
almost sympathy, it must, how-
ever, be recognized that the new
Administration got two severe
shocks; one a discovery of how
difficult it is to get even the
things they knew were necessary
done in the maze of Wash-
ington; the other, that there is
sometimes blind and often un-
cooperative behavior of the
business people for whom
Washington talk was a pur-
pose economic medicine, diet, or
nutri-

Berk, Greenberger to Admit

Berk, Greenberger & Co. to
60 Beaver Street, New York City,
members of the New York Stock
Exchange, on Jan. 1. I will add
Eugene Greenberger to partner-
ship.

Julius C. Ransom

Julius C. Ransom, partner in
White, Weld & Company, New
York City, passed away Dec. 8 at
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the age of 55.
IBA PAST PRESIDENTS

1946-47

1945-46

1943-44

With King Merritt Co.

Grimm Opens New Branch

ST. PETERSBURG, Fla.—Grimm & Co. have opened a branch office at 532 First Avenue, under the management of Derwin B. Smith.

With Robert M. Didbro

With King Merritt Co.

MINNESOTA

NORTH DAKOTA

MONTANA

SOUTH DAKOTA

MUNICIPAL AND STATE BONDS

TWIN CITY STOCKS

ALISSON-WILLIAMS COMPANY

MINNEAPOLIS, MINN.

Phone: AAtlantic 3475

TWX M 163

KALMAN & COMPANY, INC.

MEMBERS MIDWEST STOCK EXCHANGE

Piper, Jaffray & Hopwood

Established 1893

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CORPORATE & MUNICIPAL SECURITIES

MIDWEST BUILDING

MINNEAPOLIS 1, MINN.

MEMBERS NEW YORK STOCK EXCHANGE

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E. Hopkinson, Jr.

Charles S. Garland

John Clifford Felger

MINNEAPOLIS

ST. PAUL

GREAT FALLS

BILLINGS

With King Merritt Co.

MINNEAPOLIS, MUNICIPAL (Municipal Dept.)

NEW YORK STOCK EXCHANGE

American Stock Exchange (Associate) MIDWEST STOCK EXCHANGE

ENDICOTT BLDG.

ST. PAUL, MINN.

ST. PAUL, MINN.

ST P I IT (Municipal Dept.)

ND 384

ND 384

ND 384

ND 384

With King Merritt Co.

DENVER, Colo.—Kenneth W. Frater joined the staff of King Merritt Co., Inc., U. S. National Bank Bldg.

With Robert M. Didbro

WILLIQUIBY, Ohio.—Arthur C. C. Ron has become associated with Robert M. Didbro, Cleveland Trust Building.

MINNESOTA

NORTH DAKOTA

MONTANA

SOUTH DAKOTA

MUNICIPAL AND STATE BONDS

TWIN CITY STOCKS

ALISSON-WILLIAMS COMPANY

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ST. PAUL

GREAT FALLS

BILLINGS

With King Merritt Co.

MINNEAPOLIS, MUNICIPAL (Municipal Dept.)

NEW YORK STOCK EXCHANGE

American Stock Exchange (Associate) MIDWEST STOCK EXCHANGE
**IBA Past Presidents**

<table>
<thead>
<tr>
<th>Years</th>
<th>Presidents</th>
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<tbody>
<tr>
<td>1942-43</td>
<td>Jay N. Whipple</td>
</tr>
<tr>
<td>1941-42</td>
<td>John S. Fleck</td>
</tr>
<tr>
<td>1939-40</td>
<td>Emmett F. Connolly</td>
</tr>
</tbody>
</table>

**Halsey, Stuart Group Offer Equit. Tr. Gifts.**

Offering of $6,250,000 Western Maryland Railway Co. 3% equipment trust certificates, series H, maturing annually Dec. 15, 1954 to 1968, inclusive, was made yesterday (Dec. 16) by Halsey, Stuart & Co. Inc. and associates.

The certificates are offered at prices sealed to yield from 2.25% to 3.10%, according to maturity. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission. The issue is to be secured by the following new standard-gauge railroad equipment estimated to cost $6,043,885: 7 Diesel Road Locomotives and Switchers; 500 55-ton Hopper cars; and 258 3-ton Gondola cars.

Other members of the offering are—R. W. Pressprich & Co.; L. F. Rothschild & Co.; Ira Haupt & Co.; Wm. E. Pollock & Co., Inc.; Gregory & Son, Incorporated; and McMaster Hutchinson & Co.

**Active Markets Maintained in Municipal Bonds and Stocks**

### First of Michigan Corporation

**Member Detroit & Midwest Stock Exchange**

**Buhl Building, Detroit, Michigan**

<table>
<thead>
<tr>
<th>City</th>
<th>Address</th>
</tr>
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<tbody>
<tr>
<td>New York</td>
<td>388 Madison Ave.</td>
</tr>
<tr>
<td>Chicago</td>
<td>400 S. Dearborn St.</td>
</tr>
<tr>
<td>Columbus</td>
<td>345 S. High St.</td>
</tr>
<tr>
<td>Battle Creek</td>
<td>1600 W. Notre Dame Ave.</td>
</tr>
<tr>
<td>Bay City</td>
<td>855 S. Wabash Ave.</td>
</tr>
<tr>
<td>Flint</td>
<td>322 S. Saginaw St.</td>
</tr>
<tr>
<td>Grand Rapids</td>
<td>1323 Michigan Ave.</td>
</tr>
<tr>
<td>Lansing</td>
<td>825 W. Michigan Ave.</td>
</tr>
<tr>
<td>Port Huron</td>
<td>825 W. Michigan Ave.</td>
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</tbody>
</table>

**Specialists in Michigan and Midwest Bonds and Stocks**

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
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<tbody>
<tr>
<td>Keno, MacArthur &amp; Co.</td>
<td>Member Detroit &amp; Midwest Stock Exchange</td>
</tr>
<tr>
<td></td>
<td>201 E. Michigan Ave.</td>
</tr>
<tr>
<td></td>
<td>Detroit, Mich.</td>
</tr>
<tr>
<td></td>
<td>312-313 State St.</td>
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<td></td>
<td>Detroit, Mich.</td>
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<td></td>
<td>312-313 State St.</td>
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**WATLING, LERCHEN & Investment Securities**

### Members:

- **New York Stock Exchange**
- **American Stock Exchange (Associate)**
- **Detroit Stock Exchange**
- **Michind stock Exchange**

<table>
<thead>
<tr>
<th>Location</th>
<th>Name</th>
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<tbody>
<tr>
<td>Detroit</td>
<td>Abilene</td>
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<tr>
<td></td>
<td>Jackson</td>
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<td></td>
<td>Kalamazoo</td>
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<td></td>
<td>Pontiac</td>
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</tbody>
</table>
Public Utility Securities

By OWEN ELY

Portland Electric Light Company

Portland General Electric Co., with annual revenues of about $30 million, serves the rapidly growing City of Portland, Oregon, and a major portion of the rural and farm areas of the lower Willamette Valley. The company serves also a large area in connection with Pacific Power & Light Co. in Portland, where the rate schedules are identical; however, PGE seems to be in a favored position as it serves approximately 72% of the residential and 31% of the commercial users of electric power.

Portland is the terminus for four transcontinental railroads and two transcontinental air lines as well as large lines and bus companies serving the Pacific Northwest. The city is located 180 miles inland from the Pacific Ocean at the juncture of the Columbia and Willamette Rivers, and is situated on the great fresh water ports of the world, ranking second only to Los Angeles in Pacific Coast tonnage and eleventh nationally.

Location and favorable freight rates make Portland the manufacturing and trading center for a large region of Oregon, western Washington, southern Idaho, and portions of eastern Washington, including the Yakima and Walla Walla areas. It is the natural distribution point of the large agricultural and dairying region. Within the territory served by PGE are located some of the country's prominent manufacturers, including manufacturing and distributing of wood products (ranging in size from paper and pulp, woolen materials and garments, and industrial goods) to food, metals, and metal products.

The population growth of Oregon and Portland in the last decade has been very rapid — in excess of 40% since 1940. Portland itself has registered only small increases in population in the past decade, Portland increased substantially. The company's sales have shown a steady increase, with a total gain of 15% during 1941-52. Residential kwh sales in 1952 were 54% of total output, commercial 31%, and industrial 11%. Residential load reflects extremely high annual usage of electricity — around 6,000 kwh compared with the national average of 2,168. With an average residential kwh, rate of only 1.25c (compared with a national average of 2.7c) the company has built up very heavy use of appliances, with 93% saturation for refrigerators, 74% for electric ranges, 76% for water heaters, 66% for washers and even 3% for electric house heating (around 5,000 customers). The local residential rate is, of course, the result of cheap hydro power, both from the company's plants and from the Northwest Power Pool, which is dominated by Bonneville Power Administration, the huge Federal project.

Last year, due to the drought, Bonneville cut down its deliveries to the private power plants sharply (favoring public agencies and aluminum plants which enjoyed 5-year contracts with BPA) and the private utilities were forced to operate all of their steam plants. Because of the extra expense involved, the Public Utilities Commission of Oregon permitted Portland General Electric and other private utilities to add a temporary 20% surcharge on customers' bills. Under the new administration at Washington, relations with Bonneville have improved for the private utilities, most of which have now signed 20-year contracts with BPA and others are reporting better protection during drought periods.

The abrupt curtailment of power deliveries to the private plants led to the complete shutdown of the aluminum producers and other new industries which have entered the area. While the government has a program under way to construct new industrial dams and hydro plants, these will not be sufficient to meet the needs of future demand during drought periods. It is estimated. A new plan is, therefore, being set up, it is reported, for the combined public and private development of hydro resources on a long-term basis which should work out favorably for the utility companies.

The company's record of earnings has been exceptionally good based on the 1,500,000 shares outstanding:

<table>
<thead>
<tr>
<th>Date</th>
<th>Per Share</th>
</tr>
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<tbody>
<tr>
<td>1923</td>
<td>$2.51</td>
</tr>
<tr>
<td>1932</td>
<td>1.72</td>
</tr>
<tr>
<td>1933</td>
<td>1.39</td>
</tr>
<tr>
<td>1934</td>
<td>1.90</td>
</tr>
<tr>
<td>1940</td>
<td>2.08</td>
</tr>
</tbody>
</table>

Calendar year:

- 1902: 2.48
- 1903: 2.22
- 1904: 2.31
- 1949: 1.72
- 1948: 1.74
- 1947: 2.08
- 1946:

The stock is currently selling around 31½ and paying 1.80c (which rate has been paid for some years) to yield 5.7%.

BAXTER, WILLIAMS & Co.

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Cleveland

Dun awesome Building 24th Street and Cherry Street

Columbus

50 East Broad Street October Stock Exchange

Detroit

3350 Federal Building 520 Madison Avenue

New York

70 Pine Street 41-7828

Minneapolis

60-4161

MEMBER MIDWEST STOCK EXCHANGE

U. S. Now Has Over 50 Million Telephones

A. T. and T. Survey shows that nation's telephone units now complete more than one-half of such units in use throughout the world. Find's telephone facilities have not only more than doubled since World War II, but shows more calls are being made than ever before.

With the number of telephones in the world climbing to a record-breaking 54,000,000 at the beginning of 1953, the world now has twice as many telephones as it did during World War II. This information, which takes almost a year to collect for some 200 countries, has been published by the American Telephone and Telegraph Company, in its annual survey, "Telegraph Statistics of the World."

As in the past, the United States led all other countries in the number of telephones, with more than 48,000,000 at the beginning of 1953 (the 50-million mark was reached in November). The United Kingdom (Great Britain) was second with nearly six million telephones. Among the areas having the fewest telephones are Greenland, where four-fifths of the area is ice-capped, and the tiny island of Pitcairns in the Pacific, which is still inhabited by descendants of the "Bounty" mutineers.

In the U. S., there is a more even distribution of telephones between metropolitan and other areas than in most countries. For example, New York City, with its 3,300,000 telephones, contains only 7% of this country's total. In other major metropolitan centers, such as Paris, the area is ice-capped, and the tiny island of Pitcairns in the Pacific, which is still inhabited by descendants of the "Bounty" mutineers.

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Cleveland, Ohio

Member: Midwest Stock Exchange

Field, Richards & Co.

Established 1908

Underwriters and Distributors of Municipal & Corporate Securities

1707 Union Central Bldg.

CINCINNATI 1, OHIO

Telephone Main 3770

Telegraph—CJ 197 & CI 150

’Buxted for FRASER

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Page 17

The Commercial and Financial Chronicle
From Cold War to Hot Peace

A crucial question facing Europe is raised thereby. Our Allies have found the Eisenhower regime surprisingly receptive to suggestions such as a $6 billion stabilizing fund the British were demanding last spring. They have to consider the possibility that American aid will cease some day or at least be very substantially cut. But they are not prepared for any self-adaptation such as raising their own productivity by 19 to 15% (which is all they would need to be self-reliant). Britain’s foreign exchange recovery last year slowed down in the first half of the current year and is at a standstill at present. As to France, her balance of payment ran a net deficit of $450 million in fiscal 1953, in spite of having gained $220 million from U.S. military expenditures and $460.5 million by way of the Mutual Security program. She is supposed to get in the current fiscal year a total of $1.46 billion, which will not end her dollar deficit and will leave around a half billion dollar budgetary deficit, too, although the counterpart funds will provide $750 million for the Indo-China war alone. It is essential to remember that in the course of the past fiscal year Europe has received a grand total of at least $8 billion in American gifts and is not supposed to receive less this year if the indirect aid is taken into consideration.

This new way of life—based on American support—has been so ingrained into the European picture that its abandonment might mean a quasi-revolution. That is where Russian policy enters. Moscow’s line should be clear. To maintain its claim of being the Pillar of Peace, it has to avoid creating new war-like tensions. It has to take the defensive all along the line (but to threaten the opposite if Europe follows the American program). Peiping should not embark on major new operations either in Indo-China or in Korea, the logic of the situation. But by the same logic, in neither place is there more in prospect than armistice (unless Rhee starts trouble that would put us on the spot as peace-breakers or force us to abandon South Korea). On the other hand, the Soviets would be poorly advised if they were to proceed now to formal peace in those areas. Why not keep the pot boiling as long as they boil for their future benefit? Once a formal treaty has been signed it will be hard to draw the line at any point. The conflict may be dangerous. The least likely of this is如果是通过 simply sitting tight is to break up the Western Alliance on the question of Red China’s recogni-
Sales of gold, in addition to silver and platinum, are the answer to everybody's prayers (excepting the Western producers and hoarders). Russia's gold reserves have been over-rated, but even two or three billion dollars worth may go a long way-in a sort of Eastern Marshall Plan. If Moscow hesitated for years to get rid of its gold-which is totally irrelevant to its monetary system—it was because of the fact, mentioned before, that she could get the world awared through bankruptcy, coercion, and reparations. Then, she may have been waiting for the famous American depression that would raise the purchasing power of her gold, or for the dollar devaluation predicted with great assurance by London. In any case, she could not wait any longer.

Incidentally, one by-product of the Russian gold sales is the quieting down of devaluation propaganda in this country. Raising the American gold price would amount to a huge subsidy to Russia.

Europe's bargaining power has been inexorably enhanced—that is the net result of the circumstances. It does not have to swallow American dictation any longer, as it did twenty years ago at Lisbon. This change in the global political climate may not last long; but as long as it does, it means that America has lost the leadership of the West. It cannot be regained by extra-spendings or by appeasements—not if the Republicans keep their hold on Congress. For the coming months, possibly a couple of years, a relative stand-still or slowing down in the devaluation of Russia is in the cards—until the west awakes to the fact that the political situation without the lack of unity in purpose entails no promise.

Reynolds & Co. Takes Over Davies Firm

Reynolds & Co., 120 Broadway, New York City, investment banking firm, has merged the interests of Davies & Co. of California, and Reynolds & Co., 120 Broadway, New York & Co., and Co., organized in 1908, maintained head offices in San Francisco and 111 Mission Street in California, while Boody, McEllan & Co., formed 74 years ago in 1879, had offices in New York and Brooklyn. The merger marked the third New York Stock Exchange member firm to be consolidated with Reynolds & Co. this year. Erickson Perkins & Co. of Rochester, Y. M. & Co. of New York, by merger, had been absorbed on July 1, 1933.

The merger will continue under the name of Reynolds & Co. and James M. Davies and Co., in fact, Davies & Co., have been admitted to Reynolds & Co., the firms in California. Offices of the newly acquired firms, with present personnel, will be transformed to branches of Reynolds & Co.

Reynolds & Co. was attracted to the West by the rapidly developing business potential of the Pacific Coast and the 11 Davies & Co. offices will have the enlarged Reynolds investment organization a firm position in northern and central California. In addition to its present offices, Davies & Co. had branches in Berkeley, Carmel, Oakland, Sacramento, Salinas, San Mateo, Santa Cruz and Santa Rosa.

Acquisition of these additional offices will increase to 32 the number of offices maintained by Reynolds & Co. to the consolidation, the firm had 18 offices in six eastern states, with principal offices in New York, Chicago and Philadelphia. Headquarters are located at 120 Broadway, New York City, with branches in the Empire, State and Chrysler Building, Rochester and Syracuse, N. Y.; East Orange, Montclair and Vineland, N. J.; Allentown, Lancaster, Philadelphia, New York, Pa.; Hagerstown, Md.; Chicago Heights, Ill.; and Durham, Raleigh and Winston-Salem, N. C. A nation-wide wire system covering 6,967 miles is maintained by the firm.

With the admittance of Mr. Davies and Mr. Rice to general partnership, the number of partners in Reynolds & Co. has been increased to 27.

Neil L. Laughlin with First California Co.

(Special to The Commercial and Financial Chronicle)

SAN FRANCISCO, Calif.—Neil Laughlin has become associated with the First California Corporation at 37 Montgomery Street. Mr. Laughlin was formerly a partner in Davies & Co.

Auerbach, Pollak to Admit

Auerbach, Pollak & Richardson, 30 Broad Street, New York City, members of the New York Stock Exchange, will admit C. Tiffany Richardson Jr. to partnership Jan. 1. On Dec. 31, Seymour A. Steinieder, member of the Exchange, will retire from the firm.
Mrs. Cronan Heads Wall St. Women's Club

Mrs. Katharine Cronan, of Charles P. Noyes Co., Inc., was elected President of the newly organized 40 Wall Street Business and Professional Women's Club at the organizational meeting held at the Town House. The club has just been granted a charter by the National Federation of Business and Professional Women's Clubs, Inc.

The purpose of the Wall Street Business and Professional Women's Club is to promote the status of women in business in the Wall Street area and to help them attain higher level policy making positions. Mrs. Cronan said. She added that the new group plans to participate in any joint programs with the ten other clubs chartered by the National Federation in New York's District No. 1.

Clement A. Evans & Company Incorporated


The Investment Bankers Association of America in 1954 will again hold its Convention at the Hollywood Beach Hotel, Hollywood, Fla. Dates scheduled are Nov. 23 to Dec. 3, 1954.

With Sutton & Co. (Special to The Financial Chronicle)

Beverly Hills, Calif.—Theodore B. Holmes has become associated with Sutton & Co., 215 North Canon Drive. He was formerly with Dempsey-Tegeler & Co.

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Joseph O. Barnes

Battles & Co., Inc.

Philadelphia, Pa.—Battles & Company, Inc., 1228 Walnut Street, investment securities announce that Joseph O. Barnes has been in the investment business in Philadelphia for many years. He was formerly manager of the trading department for Kennedy & Co.

Garvin, Bantel Admitting

Garvin, Bantel & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit John P. O'Brien to partnership. C. Donald Gallagher will retire from the firm Dec. 31.

A Good Program Needed

The program evolved during the remainder of this week must, moreover, be a Republican program, a constructive program, and an American program which has its roots in good hard common sense. It must not smack of "me-too-ism," and it must not subtly accept and embody any of the basic ideas of the New Deal or Fair Deal whether or not they are given a new stamp. Some of the more disturbing current reports about the plans of the Administration have had to do with alleged notions about deficit spending, inflationary monetary policies, and dollar projects as means of combating recession. Precisely what truth there is in these reports, we have no way of knowing, but we have no faith in any program resting upon the assumption that the Federal Government must accept responsibility for the maintenance of full employment under any or all circumstances. Least of all do we look with favor upon any implementation of such a philosophy by means of procedures tried and found wanting for the better part of the decade under the New Deal. Even if some of the current rumors have no real foundation there are, nevertheless, other points where there is too great a tendency on the part of some elements in the Administration to accept certain of the New Deal tenets—although, possibly, without realizing that they are doing so.

But hope of real statesmanship is in danger from other directions, too. Very influential elements in the Republican party which will be present at the White House this week have given all too little evidence of statesmanlike attitudes about current problems and issues. In no considerable degree these are anti-Eisenhower groups who bitterly fought his rise to power in the party, and who still resent his presence there. At times it is all too evident that personal animosities and purely political considerations play a role in the determination of the attitudes of a number of key individuals in Congress. Apart from such factors as these, however, legislators will be parties to these conferences who are fundamentally opposed to
what is reputedly the general drift of the Eisenhower program.

No Course Charted

It would be pleasant if it were possible to say that this opposition is confined to or even centered largely upon the New Deal-like deviations of the Administration. It would be even more encouraging if it could be asserted that these elements of the Republican party had evolved a statesmanlike program of their own. The fact is, however, that no indication of any such action on their part has come to light. Since the unfortunate passing of the late Senator both in the Senate and the House has seemed to reflect something approaching chaos. One is violently opposed to this or that element in the Eisenhower program; another is greatly displeased by the fact that the Reconstruction has not done this or that; still another is dissatisfied with some other factor in the current management of public affairs — including the management of patronage. Nowhere is there-in evidence any systematic, well-rounded set of proposals designed or supported by these dissident groups in the party.

Such are the elements in the situation which threaten not so much a disastrous program as no program. A session of next year will probably damage the party and, for that matter, Congress, and certainly raise a very serious danger of a return to power of elements, groups and factions dominated by the philosophies of the New Deal and the Fair Deal which so nearly brought us to ruin in the Thirties, the 'Forties and early 'Fifties.

Continued from page 17

News About Banks and Bankers

J. Irvin Botson and M. Maxwell Shapiro were advanced to Assistant Vice-Presidents; and Morris J. Feldman and Horace M. Shiffrin were appointed Assistant Cashiers.

Arthur S. Kleeman, President of Colonial Trust Company, New York, announced on Dec. 15 that one of the bank’s officers, Major General Leland S. Hobbs (Retired), had been honored by an invitation from President-elect Franklin D. Roosevelt of the Philippines to attend his inauguration in Manila, P. L, on Dec. 30, 1953, as his personal guest.

Major General Hobbs was stationed in the Philippines as Chief, United States Military Advisory Group of the Republic of the Philippines. When he returned from the Philippines, he was appointed as General Hobbs became Deputy Commanding General of the First United States Army, Governor Island, New York. Upon his retirement on Jan. 31, 1953, he became a Vice-President of Colonial Trust Company.

East River Savings Bank, New York, announces the opening of its new banking office on Dec. 14 at 55 John Street, corner of Dutch Street, New York, N. Y. Established in 1848, East River Savings Bank’s first office was located on the East River, at 145 Cherry Street. In 1952 the Italian Savings Bank and the Norwegian Savings Bank merged on the East River, and now the bank is spread throughout the City with five offices including one in Rockefeler Center and one on the upper West Side—far from the shores of the river whose name it bears.

Now as East River moves into its latest quarter to bring mutual savings banking facilities to the heart of the insurance neighborhood, it approaches once more the old Cherry Street vicinity—less than a mile away—where it was born over a hundred years ago.

The Board of Trustees of The Bowery Savings Bank, New York, on Dec. 14, appointed August M. Strumg, Assistant Vice-President; Edith J. Stephenson, Assistant Secretary; and Edwin W. Billmire, Deputy Auditor.

An elaborate pictorial display showing some of the results accomplished by the International Bank for Reconstruction and Development will be opened to the public on Dec. 17 in the main office of The Dome Savings Bank at 509 Park Avenue and DeKalb Avenue, It is announced by George C. Johnson, President of “The Dome.”

“Now that the United States is playing an ever-increasing role in international affairs,” Mr. Johnson said, “we believe the public should have a clearer understanding of the activities of the World Bank. Likewise, since The Dome is a major bank of Brooklyn it has nearly $4,000,000 invested in International Bank bonds, we feel our depositors should be made aware of what the World Bank is assisting in developing productive resources in foreign countries and rehabilitating countries which suffered war damage.”

The display at The Dome of Brooklyn includes a large map showing the 55 nations which own and operate the World Bank, colored photographs of projects financed by that organization, and samples of actual currency used by the 55 member nations with its value translated into terms of American currency or ounces of gold. This currency display is supplied by the International Monetary Fund, sister institution of the World Bank.

Andrew Wilson, Chairman of the Board of The County Trust Company, White Plains, N. Y., announced that Walter G. Kornheiser was promoted from Assistant Secretary to Assistant Vice-President. Mr. Kornheiser is in charge of The County Trust Company’s Scarsdale office.

The Banking Department of the New York State on Dec. 4 gave the certificate of increase of four of retail stock of The Schenectady Trust Company, Schenectady, N. Y., from $1,700,000 consisting of 17,000 shares of the par value of $100 each, to $1,800,000, consisting of 19,000 shares of the par value of $100 each.

The Northern New York Trust Company, Watertown, N. Y., certificate of increase of capital stock, from $700,000, consisting of 28,000 shares of common stock of the par value of $25 per share, to $800,000, consisting of 32,000 shares of common stock of the same par value, was approved on Dec. 4 by the Banking Department of the State of New York.

George R. Bartlett, President of the First National Bank of Walden, N. Y., died on Dec. 8 at his home in Walden, at the age of 53.

The Annual Meeting of the Shareholders of The First National Bank of Tompkins River, N. Y., will be held on Jan. 12, 1954, when the shareholders will be asked to elect 21 directors for the ensuing year, and to pass upon resolutions to amend the Articles of Association for the purpose of permitting the declaration and payment of a stock dividend as of Jan. 30, 1954 of 125th part of a share for each share of common capital stock outstanding, and to authorize an increase in the capital stock to the sale of additional shares to shareholders of record May 1, 1954. With the approval to shareholders, it is planned to increase the common capital stock of the bank outstanding from $750,000 to $700,000 by payment of a stock dividend, and simultaneously transfer $90,000 from Undivided Profits Account to Surplus Account, increasing the Surplus Account from $1,200,000 to $1,290,000.

Continued on page 98
The shareholders are also being asked to authorize a further increase in the capital stock from $750,000 to $1,000,000, which amount will be divided into 1,000 shares of the par value of $10 each, and the shareholders of record as of May 1, 1954 will be accorded rights to purchase 3,000 new shares at $50 per share in proportion to their respective holdings of common stock of the bank. The sale of the 3,000 shares at $50 a share would amount to $150,000, of which $30,000 would be applied to the Capital Account and the remaining $120,000 to be applied to the Surplus Account. A formal notice of the purpose of the meeting to be held on Jan. 12, 1954 is enclosed.

The Colonial Trust Company, Philadelphia, Pa., announced plans for two mergers. One is an agreement with the First National Bank and Chester-Cambria Bank & Trust Co. of Chester, Pa. The merger agreement provides for the merger of the First National Bank of Pennsylvania, which has its main office and the branch formerly operated by The First National Bank at Wilkinsburg and Wilkinsburg, Pa., effective Nov. 15. A new office will be operated as branches by the Colonial Trust Company.

The Philadelphia National Bank, Philadelphia, Pa., on Dec. 13 announced plans for two mergers. One is an agreement with the First National Bank and Chester-Cambria Bank & Trust Co. of Chester, Pa. The other merger agreement provides for the merger of the First National Bank in Harrisburg, Pa., and the First National Bank of Lancaster, Pa. Under the Philadelphia National and Chester-Cambria Bank merger, First National Bank of Philadelphia will exchange two shares for each three shares of Chester-Cambria Bank stock. The other merger agreement provides for the First National Bank in Harrisburg and First National Bank of Lancaster to receive seven shares of Philadelphia National Bank stock for each share now held. Both of these mergers will be voted on by the board of directors of the respective banks for submission to shareholders for approval.

Ten members of the Board of Governors of the Federal Reserve System, including four Reserve Bank presidents, were elected to the Board of Directors of the Federal Reserve Bank of Minneapolis, the first two days of 1954. They are: Joseph A. Ringland, President of the Minneapolis branch; William A. Heidel, Vice-President; the Board of Directors of The First National Bank of Minneapolis; Milwaukee, Wisconsin; and members of the Board of Governors of the Federal Reserve System.

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Bell Office, as Manager of the new bank, and R. H. Cole, former Assistant Manager of the Wilmington Office, as Assistant Manager, was also announced.

The bank will provide residents of the Gardenia, Albern Park, and adjoining areas with complete banking services including safe deposit and escrow facilities.

The Pacific National Bank of San Francisco, Calif., increased its common capital stock, effective Nov. 27 from $1,122,500 to $1,870,000 by the sale of new stock.

Effective Dec. 2 by the sale of new stock, The United States National Bank of San Diego, Calif., increased its common capital stock from $1,356,000 to $2,500,000.

Favorable news with respect to individual railroads continues to accumulate. Last week directors of Chicago Great Western voted to pay the final arrears of $1.00 on the $2.50 preferred, and the regular quarterly dividend of $0.62%. The road has also asked ICC authorities to negotiate the private sale of $8,000,000 Colateral Trust bonds due in 1976 at a minimum price of 99 and a coupon rate not to exceed 5%. The company turned down a competitive bid for these bonds on a 5.0% interest cost basis earlier this year, borrowing $4,000,000 on a short-term serial basis instead.

If the present application is approved it is expected that proceeds from sale of the bonds will be used in part to pay off the serial loan and in part to return to the company’s treasury a portion of the funds spent on capital improvements in recent years. With preferred dividend arrears now liquidated it is felt in many quarters that the road some time next year will institute dividends on the common stock, particularly if, as expected, earnings continue to mount. No dividends have been paid on the junior equity since the road was reorganized nearly 14 years ago.

Another beneficiary of good news within the last week or so was Western Pacific. The United States Supreme Court has refused to re-hear the suit of the old holding company against Western Pacific Railroad Company (the present operating company) over which of the two should be the beneficiary of substantial tax losses sustained in connection with the old reorganization. The lower courts had held that Western Pacific Railroad Company, which had realized a considerable tax saving through the filing of a consolidated return, was entitled to the benefits. Now this ruling has, in effect, been upheld by the highest court in denying a re-hearing. Sources close to the situation feel that no further attempts to upset the decision are in the offing.

Western Pacific had set aside a reserve of $10.1 million, invested in U. S. Government bonds and not carried among current assets, in connection with this litigation. Presumably this reserve will now be released for general corporate purposes. It has long been assumed that if and when these funds were released they would be utilized to aid the company in a program to eliminate the outstanding $5.00 cumulative participating preferred stock. This participating feature has been a thorn in management’s side ever since the reorganization was consummated. After the common stock has received dividends of $3.00 in any one year the preferred participates equally, share for share, in any further distributions made in that year. The company has consistently held the $3.00 common dividend since reorganization.

The preferred is outstanding in the amount of $158,502 shares and is callable at any time, on 30 days notice at $100 a share, plus 2% of any arrears, after redemption date. It would require $3,150,200 in cash to retire the entire issue. It is felt in many quarters that with the use of the $10.1 million reserve that will be released, the company could complete the operation with a refunding issue of perhaps $20 million, either serial bonds or a new preferred, and the dividends accrued to redemption date. It would require $3,150,200 in cash to retire the entire issue. It is felt in many quarters that with the use of the $10.1 million reserve that will be released, the company could complete the operation with a refunding issue of perhaps $20 million, either serial bonds or a new preferred, and the dividends accrued to redemption date.

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The State of Trade and Industry

Steel Output Rate Scheduled To Decline This Week

A new year's record for steel production is safely tucked in the books, says "Steel," the weekly trade magazine, in the current week.

By adhering to the estimates of this week the 1935 output of steel and ingots and castings has reached a total of approximately 107,353,000 net tons, which is more than 50% of all the record of the year of 1931. Production that year totaled 105,199,848 tons and was the highest that has ever been recorded, which year exceeded 100 million tons until 1933. The 1934 output, which set a record because of the steelworkers' strike, this trade weekly declares.

The 1935 record is due largely to the big sales made partly in the year. Output started slipping at the first of June, and now it is at the lowest rate since the strike is expected to end of period early of August, 1932.

In the week ended Dec. 12, production of steel, castings and steel castings was down to 85% of capacity. That represents a decline from the preceding week. At the 85% rate, the week's yield is approximately 1.9 million tons of steel, a 253,305 tons of record.

The second week of December, 1932, in February, 1934, that capacity was maintained by the Bank since last July and a $10,000,000 issue of the Commonwealth of Puerto May be brought to market during the coming year.

Electric Output Extends Advance of Previous Week

The amount of electrical energy distributed by the electric light and power companies in the week ended Saturday, Dec. 12, 1934, was estimated at 8,941,110,000 kwh, according to the Edison Electric Institute. The current figure represents an increase of 78,872,000 kwh, above the previous week's, and an increase of 523,574,000 kwh, above the corresponding week of 1933, and 195,642, over the comparable week of 1932 and 947,267,000 kwh. over the like week in 1931.

Car Loadings Advance 11% Above Prehistoric Holiday Week

Loadings of revenue freight for the week ended Dec. 8, 1934, increased 65,005 cars, or 11% above the preceding holiday week, ac-
better quality oats were hardly sufficient to meet the demand. Soybean prices moved higher for the 11th successive week but the advances were not such as large as in recent weeks.

Some improvement in bookings of hard wheat bakery flour was noted last week as mill protection against advances declined. Carriers ordered from bakers and jobbers whose balances were running low. Buying, however, was mostly for immediate or nearby shipment.

Coffee was in active demand at advancing prices with much of the buying influenced by prospects of continuing strong in primary markets due to the tight statistical position, plus the threat of a dock strike later this month.

Cocoa values touched new seasonal highs early in the week but later turned downward on profit-taking and hedge-selling, prompted by the recent sharp gains and a lag in manufacturer interest. Warehouse stocks of cocoa declined to 134,546 bags. From 39,656 a week ago and compared with 36,620 bags a year ago. Hog prices fluctuated violently during the week as swine receipts alternately rose and fell in the Chicago market. Closing quotations rose about $1 per hundredweight above the week ago, and were more than $7 above a year ago.

While holding in a narrow range most of the week, spot cotton prices declined sharply early and were later supported at the close of the week by reflecting the slower loan movement, larger-crop expectations, and continued Colin on a considerable number of cotton stocks.

Reports indicated by growers were withholding a large proportion of current ginnings from the market.

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Sales in the 10 spot markets increased last week and totalled 257,600 bales, compared with 224,200 the week before, and 272,800 the corresponding week a year ago. The CCC reported loan entries of the staple totaling 257,706 bales during the week ended Nov. 27, as compared with close to 419,000 bales in each of the two preceding weeks. Loan entries for the current season through Nov. 27 reached a total of 4,168,800 bales.

Trade Volume Falls Short of Seasonal Expectations

Although retail trade continued to gather momentum in many parts of the nation in the period ended on Wednesday of last week, it was generally not up to seasonal expectations. However, most retail merchants were still confident that the 1953 Christmas shopping season would set a new record in retail volume.

Retailers in New York were about equally divided on the effects of the newspaper strike; some felt that volume was adversely affected while others reported little diminution of demand; stores relying heavily on phone and mail orders reported the most marked losses in trade.

Retail volume in Pittsburgh was reduced by the strike of delivery and service employes in 11 department and furniture stores.

The total dollar volume of retail trade was estimated by Dun & Bradstreet, Inc., to be from 0 to 4% higher than the level of a year ago. Regional estimates varied from the corresponding 1952 levels by the following percentages: New England and East—2 to 3% to 1; Midwest 0 to 4%; South and Southwest—1 to 2%; Northwest and Pacific Coast—2 to 1%.

The consumer demand for apparel was centered on traditional Christmas gifts for the past week; particularly popular in most sections were men's shirts and ties, women's blouses and accessories. Despite the early markdowns of Winter outerwear, usually held in January, shoppers were rather slow to respond. The total spent for apparel was close to the level of a year ago.

Food stores increased their sales volume slightly last week as housewives replenished their pantries in preparation for the festive fare of the coming weeks. As during the past year, the total dollar volume of retail food stores remained moderately higher than a year ago.

Shoppers' interest in household furnishings was high during the previous week but did not quite match the high level of a year earlier. Less popular than a year ago were large appliances, casse goods and television sets; more in demand were radios, phonographs, records and decorating materials.

The volume of trade in most wholesale markets expanded slightly last week. The only market that placed many last-minute holiday bargains was prepared for January promotions. Inventories continued at about the same level, with the largest rise in durable goods.

According to the Federal Reserve Board's index department store sales in New York City for the week ended Dec. 5, 1953, registered a decrease of 2% from the like period of last year. In the preceding week Nov. 28, 1953, a decrease of 4% was reported from that of the similar week of 1952, while for the four weeks ended Dec. 5, 1953, a decrease of 2% was reported. For the period Jan. 1 to Dec. 5, 1953, an increased of 2% was registered from that of the 1952 period.

Retail trade in New York last week suffered from a number of factors that worked to reduce sales volume more than 1% from the like week in 1952. Among them was the newspaper strike which affected advertising; Christmas coming one day later this year, and the prolonged warm spell.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Dec. 5, 1953, decreased 2% below the level of the preceding week. In the previous week, Nov. 28, 1953, a decrease of 4% was reported from that of the similar week of 1952. For the four weeks ended Dec. 4, 1953, a decrease of 1% was reported. For the period Jan. 1 to Dec. 5, 1953, department store sales registered a decrease of 1% below the corresponding period of 1952.

Syndicate Annual Xmas Party Held

The Wall Street "Syndicate" held their Annual Christmas Grab Bag Party on Dec. 16. The Club has about 32 members composed of Secretaries of syndicate managers of leading Wall Street firms, and meets each month for lunch.

Officers are Lillian Neysen, Harriman Blyple & Co. Incorporated, President; and Claire Hapanow, Goldman, Sachs & Co., Treasurer.

Past Presidents are Louis West, Bluth & Co., Inc.; Virginia Smithers, Merrill Lynch, Pierce, Fenner & Beane; and Dorothy Dean Boardman, Union Securities Corp. Ruth Courtayne, White, Weld & Co.; Marguerite Alme, W. C. Langley & Co., and Margaret Crenin, Lehman Brothers, have served as Treasurer.

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Foreign Trade—Key to World Peace and Prosperity

overseas countries which would no longer be able to purchase freely on the New United States.

Great Britain seemed a natural location for such facilities. The British market itself was an important one for us. So, likewise, were the Commonwealth nations. Shipments could also be made from Britain to many other countries. A close study of the areas available took us to Scotland and then into Dundee. We were given a hearty welcome by the labor, the board of trade, local government officials and all others with whom we had contact showed us the utmost consideration and cooperated with us in every way. A site for the factory was selected, the factory was erected, and it was in production early in 1947.

The project has been a profitable one for our stockholders—and—for the British economy. We believe it will be more so in the future. The British government has taken a broad view on remitting royalties and dividends. We feel at home in Scotland, and the Scots feel at ease with us.

We have formed the highest re¬
gard for Scottish labor. The Scots are an honest, hardworking, in¬
fatious people. They are willing to work hard. We do not cooperate with management. They are in a very good position in practical conditions, not so far as the physical plant is concerned, but they also appreciate measures tak¬

en to guard their health and everything we have done to pro¬

vide plant and personnel facilities.

My point here is that you could hold up the Dundee plant as a mirror and see what we do in Dayton. We try to make sure our overseas people will have no reason to think of themselves as stepchildren.

Some people have said that the cash registers turned out at Dun¬
dee ring with a Scottish burr, and perhaps they do because our Dundee plant is managed staffed by Scots, with a few Eng¬
lithographers who came in from our London organization. We have sent American technicians to Dundee from time to time to work on special aspects of our programs, but there are no Amer¬
cans permanently located there.

Danger of Our Foreign Trade Dominated by Americans

That is another point I want to emphasize. It is part of our policy not to have our foreign trade operations dominated by Ameri¬
cans. It may be that we learn backwards on that score, but expe¬
ience inclines us to believe that it pays. Our overseas busi¬

ness is spread through 92 foreign offices and the organiza¬

tion of approximately 15,000 employees outside the United States and Canada, only four thousand of whom are Americans. Almost in¬

variably, the direction of our sub¬
sidaries or agencies is in the hands of men who are in the second or even the third genera¬
tion, that is to say, they are the firm and have sons who are now in training for jobs with our com¬
pány.

Frankly—and I think I should say this here—we have a very

close mark on people wherever we are. We have a rather strong policy that if you respect a man he will do more and try to live up to responsibility. We are not afraid to show our respect for people in life in that sort of way, or with us by giving them every opportunity to help foreigners in the employ of an American company—our United States National Cash Register Co. is their company.

The meeting was a great success. I like to think back to that oc¬
casion, because everybody's face was so very, very, very im¬
portant in the Orient where face sav¬
ing is all important. The world trade who doesn't demonstrate a proper respect for face-saving will not be a world trader in the Orient very long.

One day in Tokyo not long ago, I sent out a suit to be pressed. It came back with most of the but¬

ton that was put on it. A n housekeeper and eventually the man who did it was a new one. It seemed to be a kind of the worst. We don't think much of those things, and I was greatly surprised that it was not even machines. Everybody was sorry we sent that out in the first place, but it didn't have the buttons. The old stuff—nevertheless—had saved my face.

Going into a Foreign Country

I'm going to wind up my thoughts on foreign trade at this point by a story which I believe finds a way to survive and grow in the face of the same difficulties that seem to be abroad in the world of the peoples of the world.

In my opinion, the basic answer may be that business is forced to ac¬

quire an understanding of the foreign culture, of the sys¬
tems and traditions and preferences of its peo¬
ple—and then conduct itself accordin¬
g to what it learns. In one case, I could find a common meeting ground—or you couldn't do it in the Orient.

In the idea market, we can at least be realistic. It is a waste of time to believe that journalists or government people of Asia with oratory about democ¬

cy and free enterprise. To sim¬
ply advertise democracy in written or printed words or in pictures may carry a little conviction—or none at all. It is far beyond the understanding of the common man.

About searching for Oil and Gas

When searching for oil and gas, you may have to go into a foreign country to study the conditions of the people and their culture before you can find a way to survive and grow in the face of the same difficulties that seem to be abroad in the world of the peoples of the world.
Slogans are empty chatter to a man with an empty stomach.
The great pride of other peoples rejects -- and renounces -- our salesmanship on social and political ideas. One man said to me, "We want to make our own mistakes rather than have some foreigner make them for us."

Our National Cash Register Co. people use the same salesmanship methods that we developed in Dayton, and, goodness know, they are just as American as a piece of apple-jam. They work, but up to now, our ideological salesmanship has not worked. It is not for me to suggest ways to make it work, but I think we can all agree that even a partial bridging of the gulf of misunderstanding between America and various other countries would represent a step towards human relations -- and an advancement of human understanding.

I do not know to what extent that bridge will ever be built. But I do know that whatever is accomplished will come through example and deed rather than through words.

Zilka, Smither Co.

To Be Formed Jan. 1

PORTLAND, Ore. -- Zilka, Smither & Company, Inc., will be formed Jan. 1, with offices at 813 Southwest 11th Street, to engage in the securities business.

President of the new firm will be Henry J. Zilka and Ralph A. Stein. Others associated with the firm are Pierre A. Kornman, Richard Langton, F. A. Rabehl, Joseph F. Barbagalas, G. Gordon Childs, Walter F. Coad, Jack Danby, Merton B. de Long, Frank R. Johnson, John F. Mottlet, Arthur B. Ogden, Richard E. Watson, H. A. Willecke, and David Zilka. All have been associated with J. R. Williston, Bruce & Co.

Arthur Marx Joining Andrews, Posner Firm

Arthur Marx is becoming associated with Andrews, Posner & Rothchild, 40 Wall Street, New York City, members of the New York Stock Exchange. Mr. Marx was President of Wilson & Marx, Inc., which has been dissolved.

Transwestern Inv. Co.

DALLAS, Texas--Transwestern Investment Company, Incorporated, is engaged in a securities business from offices in the Empire State Bank Building. Robert R. Foley is a principal of the firm.

Westheimer Adds to Staff

(CASEY in THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio -- Fred J. Moser has been affiliated with Westheimer and Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges. He was previously with B. C. Cole & Co.

Montgomery, Scott Admits

PHILADELPHIA, Pa. -- George E. Eddins will be admitted to partnership in Montgomery, Scott & Co., 123 Broad Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, on Jan. 1.

Golf and Tennis Tournament Winners at 1953 Investment Bankers Assn. Convention

GOLF

Alden H. Little Trophy -- Men:

Kicker's Handicap -- Ladies:

Investment Bankers Association of Canada Trophy -- Men:
1st -- V. Theodore Low, Bear, Stearns & Company, New York.

18 Hole Handicap Tournament -- Men (Tuesday, Dec. 1):
1st -- Mead A. Lewis, Dick & Meris-Smith, New York.

18 Hole Tournament -- Ladies (Tuesday, Dec. 1):
1st -- (Low Gross):
Mrs. C. Prevost Boyce, Stein Bros. & Boyce, Baltimore.
2nd -- (Low Gross):
Mrs. Roy W. Doolittle, Doolittle & Co., Buffalo.
1st -- (Low Net):
Mrs. A. F. Baxter, Hayden, Miller & Co., Cleveland.
2nd -- (Low Net):

Robert E. Christie, Jr. Memorial -- Men:

18 Hole Handicap Tournament -- Men (Wednesday, Dec. 2):
1st -- Charles V. Thackara, Jr., Thackara, Grant & Company, New York.

18 Hole Tournament -- Ladies (Wednesday, Dec. 2):
1st -- (Low Gross):
2nd -- (Low Gross):
1st -- (Low Net):
2nd -- (Low Net):
Mrs. F. Brian Reuter, Mellon National Bank & Trust Company, Pittsburgh.

Mixed Fouromes Tournament:
2nd -- Mrs. and Mrs. Dana F. Baxter, Hayden, Miller & Co., Cleveland.
### Indications of Current Business Activity

<table>
<thead>
<tr>
<th>Week Ending</th>
<th>Previous Week</th>
<th>Month</th>
<th>Year</th>
<th>Change</th>
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<tr>
<td>106.5</td>
<td>106.0</td>
<td>105.7</td>
<td>106.0</td>
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</tr>
</tbody>
</table>

#### AMERICAN IRON AND STEEL INSTITUTE:
- **Total net capacity:** 105.7 (Dec. 26)
- **Semi-manufactured products:** 106.0 (Dec. 26)
- **Bands, slabs, and sheet products:** 106.0 (Dec. 26)
- **Flat rolls:** 106.5 (Dec. 26)

#### AMERICAN PETROLEUM INSTITUTE:
- **Total shipments:** 248,000,000 barrels (Dec. 23)
- **Waterborne exports:** 4,134,000 barrels (Dec. 23)
- **Total production:** 267,000,000 barrels (Dec. 23)

#### CIVIL ENGINEERING CONSTRUCTION — ENGINEERING CONTRACTS:
- **Total new work:** $250,000,000 (Dec. 26)

### BUILDING CONSTRUCTION — U. S. DEPT. OF LABOR:
- **New construction:** $250,000,000 (Dec. 26)
- **Residential construction:** 1,000 units (Dec. 26)
- **Nonresidential construction:** 500 units (Dec. 26)
- **Total new work:** $250,000,000 (Dec. 26)

### FUTURE PRICES:
- **Zinc:** 108.1 cts. (Dec. 26)
- **Copper:** 245.0 cts. (Dec. 26)
- **Lead:** 112.0 cts. (Dec. 26)
- **Silver:** 94.5 cts. (Dec. 26)
- **Gold:** $42.00 per ounce (Dec. 26)

### INDUSTRY TRADE AND COMMODITY BOND YIELD TRANSACTIONS:
- **COTTON:** 75.0 cts. (Dec. 26)
- **WHEAT:** 85.0 cts. (Dec. 26)
- **OILSEEDS:** 90.0 cts. (Dec. 26)

### NATIONAL ASSOCIATION OF MANUFACTURERS:
- **Shipments:** 100,000 (Dec. 26)
- **Receipts:** 100,000 (Dec. 26)
- **Retail sales:** 100,000 (Dec. 26)

### DEADLINE AND ACCOUNT RECORDS:
- **Weekly deadline:** Dec. 28
- **Account deadline:** Dec. 29

### THE COMMERCIAL AND FINANCIAL CHRONICLE...
- **The weekly publication:**
  - **Issued by:**
  - **Published on:**

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*The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first hand are either for the week or month ended on that date, or, in cases of quotations, are as of that date:*
**Observations**

The outlook of operations results of fire and casualty insurance companies in the year 1933 appears to be taking shape as the recent market trends would seem to be known for some weeks yet. However, the investment managers of the first half and scattered reports since that time, as well as general experience of recent trends in operations, provide a good opportunity of making certain predictions in the approaching reports.

Business conditions throughout the next two weeks, the large multiple lines groups, within the next two years, and be expected to be expected in the ensuing reports.

Bank and Insurance Stocks

By H. E. Johnson

This Week — Insurance Stocks

The expectation of a rising market through this month, followed by strength on the usual reinvestment demand, is still fairly general. However, it is likely that the first waiting for the seasonal January strength on which to take profits at the record high of this past year. These expectations are not so spread that they should perhaps be suspected.

As a result of evidencing an investing attitude, this seems to no more like a game of musical chairs, with the winning round seat which is now being expected moved ahead to November.

**Tax Take**

Another practical approach in the recomended one’s agility-flexibility technique is that little matter of Uncle Sam’s Revenue Department, ready to cut it on you if and whenever your profit-taking is successful — on a head-loss-tails-no-win basis. The invalid is Mr. Cortese’s above-stated third rule of “a flexible political attitude” as expressed by the tax on profit in which a substitute issue may be more promising.

Surely the accrued experience of the investor involves a part of the cost of a switch as the broker’s commission charge.

A Violation of Investment and Business Logic

But it is in its fundamental attitude toward the common stock that the capital gain approach crucially veers off from business logic — in regard to the stock certificate not as a share in a business property which will afford safety and a reasonable expectation of paying-back one’s capital invested, plus interest, plus a risk bonus, over a reasonable term; but wrongly as a counter in a guessing game of price change as a speculation. Ten shares of attractive stocks have been only that stockholders — be it of 10 shares or 10,000 shares—constitutes a part ownership where a part of whose attractiveness depends on the return from the property and not from the tricky market for it. Even then basic pooling of a capital inversion could be eliminated.

National Income to Set New Peak in 1953

Although the national income data for the past several years is now in September at $2,725,000,000, or to a higher figure in the year 1953, it was only 1.6% larger than the $2,725,000,000 recorded for the same last month year, says the National Income Institute. This indicates the return of a final quarter of this year will set a new record for income as that produced a year ago.

However, the 7% rate of growth in 1953 will reach a new high; but the national income last months, the national income last month year, as against $280,144,0000 last year, an increase of 7.7%.

The national income should exceed $300,000,000 as compared with the 1952 record high total of $291,629,000,000.
Merrill Griswold to Retire

Merrill Griswold, head of the world's first, oldest and largest mutual fund, announced today that he would retire at the end of this year as chairman of trustees of Massachusetts Investors Trust, remaining only as chairman of the Trust's advisory board and relinquishing his post to Dwight P. Robinson, Jr., who has been vice-chairman of trustees since 1950. Kenneth L. Isaacs, a trustee since 1937, will become vice-chairman of trustees in succession to Mr. Robinson's position.

Mr. Griswold became a trustee of the company in 1925 shortly after its beginning. In 1932, he was elected chairman of Trustees, and in the succeeding 21 years led the company in its growth from $10 million to over a half-billion dollars.

Known as a golfer with a highly individual style, who plays not for the score but for the company, a fisherman who, preoccupied with the intricacies of the reel and with a fine backslash, is the best friend the Fish ever had, and at 67, twice a grandfather, Mr. Griswold is described by friends as "a man that looks 20 years younger, even to his occasional opponents!"

Mr. Griswold was born in Washington, D. C., in 1886, graduated from Harvard College in '97, and from Harvard Law School, cum laude, in 1911, editing, in his last two years, the Harvard Law Review.

Throughout his career in the investment company industry, he has been, with an inflexible will, an indefatigable fighter for what he has thought will do the most good for the industry and the small stockholder whose liberal champion he has been. The majority of his ideas, within the Trust and within the industry, once implemented, have proved right, a fact which has served to make his purposes as firm as his convictions. Some of his ideas have been regarded erroneously as it turned out as radical departures from the norm. He is, and has been, highly in favor of greater participation in corporate management by the small stockholder; he is convinced that anti-trust laws have aided American industry generally and believes there is a definite place for government regulation in American business, under proper conditions. In this connection, he fought successfully, as one of a group of investment company leaders, for the passage of the Investment Company Act of 1940.

For a long time, Mr. Griswold maintained a townhouse on Marlboro Street in Boston's Back Bay. This he is now to take up permanent residence in what had been his summer home in Manchester-by-the-Sea on Boston's North Shore.

Mr. Griswold's business affiliations, other than the Trust, include Dewey & Almy, director and member of the executive committee; Sheraton Plaza Hotel, director; The Eberstadt, Inc., director; American Research and Development, director and chairman of the executive committee; Tracer Lab Inc., director; and Consolidated Investment Trust, trustee; Pan American World Airways, director; General Public Utilities, director; Products Development Corporation, chairman; and the John Hancock Mutual Life Insurance Company, director.

LEXINGTON TRUST FUND, in its annual report for the year ended Oct. 31, 1953, indicates that the trustees have maintained a cautious attitude toward the prospects for a continuation of current high corporate earnings. The 15th annual report to shareholders reveals that the following important changes in the fund's portfolio were made during the year:


Increases took place in (1) Bonds of foreign governments and other corporate bonds. (2) Utility equities—both electric and natural gas. Also in electronic and financial stocks and various manufacturing companies' securities. (3) Short-term U. S. Government securities.

Total net assets on Oct. 31, 1953 amounted to $16,197,766 equal to $38.38 a share on the 660,572 shares outstanding among 4,134 shareholders. This compares with total net assets of $15,846,943 on Oct. 31, 1952, or $39.47 a share on the annual receipts for the fiscal year ending $1,522,530, shares held by 3,557 shareholders.

Investors Mutual Crosses Half-Billion-Dollar Mark

Investors Mutual's assets have passed the half-billion-dollar mark and a prospectus was filed with the Securities and Exchange Commission on Friday. The number of shareholders now exceeds 3,000,000.

As a "balanced" mutual fund, Investors Mutual of America, Inc., holds in its investment portfolio a majority of diversified equity securities in large companies, by varying amounts of high-grade preferred stocks and bonds.

Massachusetts Investors Trust still remains the world's largest mutual fund, with total net assets on Tuesday reported at $518,797,608.

Chemical Fund Announces Periodic Payment Plan

F. Eberstadt, President of Chemical Fund, announced that arrangements have been completed with Bankers Trust Company which will permit investors to acquire shares of the fund over a period of time through periodic payments.

Investment accounts may be opened for as little as $250, and subsequent payments may be as little as $50 more providing they total $400 per annum.

Payments sent to Bankers Trust Company are invested by the bank in shares of other mutual funds, thereby offering price on the date of receipt.

All cash dividends received on shares purchased under the plan may be similarly invested. Existing stockholders opening a plan account have the privilege of converting the shares they already own in the plan.

A dividend reinvestment plan has also been announced whereby stockholders may have their cash dividends totaling $10 or more automatically reinvested in shares of Chemical Fund at the public offering price on the dividend payment date.

MUTUAL FUNDS

Mutual Funds

By Robert E. Rich

An Investment Company Specializing in the Securities of the Chemical Industry

Prospectus Upon Request

F. EBERSTADT & CO. INC.

Manager and Distributor

39 BROADWAY NEW YORK CITY

Chemical Fund

An Investment Company Specializing in the Securities of the Chemical Industry

Prospectus Upon Request

F. EBERSTADT & CO. INC.

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39 BROADWAY NEW YORK CITY

The George PUTNAM FUND of Boston

PUTNAM FUND DISTRIBUTORS, INC. 50 State Street, Boston

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Securities Now in Registration

**Alsynite Co. of America, San Diego, Calif.**
Dec. 10 (letter of notification) $9,423 shares of common stock (par $1) to be offered to present stockholders on basis of one new share for each two shares held. Price—$13.50 per share. Proceeds—For general corporate purposes. Underwrite—None.

**Consolidated Growth Industries, Inc.**

**American Development Corp. (Del.)**
Nov. 16 (letter of notification) 85,682 shares of common stock (par $1). Price—$1.15 per share. Proceeds—To expand operations of the company. Price to be determined by the Board of Directors. Underwrite—None.

**American Diamond Mining Corp.**

**American Fire & Casualty Co., Orlando.**

**American-Israeli Cattle Corp., Beverly Hills, Calif.**
Dec. 26 filed 100,000 shares of Class A common stock. Proceeds—To be used for research and development of a cattle industry in Israel. Underwrite—none.

**American Mutual Fund, Inc., Los Angeles, Calif.**

**Armstrong Rubber Co.**
Dec. 16 filed 50,000 of 5% convertible subordinated debentures due May 5, 1955. Price—$1,000 per debenture. Proceeds—To be used by amendment proceedings. Proceeds are for working capital. Underwrite—None.

**Armstrong Rubber Co.**
Nov. 29, 1954 (letter of notification) 1,000 shares of Class A common stock (no par). Price—$21 per share. Proceeds—For working capital. Underwrite—None.

**Arwood Precision Casting Corp., Brooklyn, N. Y.**
Dec. 14 filed 55,000 shares of common stock (par $1) to be offered for subscription by stockholders of Southern Union Gas Co. of record Dec. 28, 1953, on the basis of one share for each Southern Union common share held. Price—To be determined by amendment proceedings. Proceeds for drilling wells and for working capital. Underwrite—None.

**Aztec Oil & Gas Co., Dallas, Tex. (1/4)**
Dec. 14 filed 60,000 shares of common stock (par $1) to be offered for subscription by stockholders of Southern Union Gas Co. of record Dec. 28, 1953, on the basis of one share for each Southern Union common share held. Price—To be determined by amendment proceedings. Proceeds for drilling wells and for working capital. Underwrite—None.

**Baxter Laboratories, Inc.**
Nov. 9 (letter of notification) 2,690 shares of common stock (par $1). Price—At-market. Proceeds—For working capital. Underwrite—None.

**Beamaster, Inc.**
Dec. 11 (letter of notification) 6,000 shares of capital stock. Proceeds—To build new factory. Proceeds—To build new factory. Proceeds—To sell stock. Stockholders—73,000 shares. Price—To be determined by underwriters. Underwrite—None.

**Bethlehem Trust Farm, Inc., Bronxville, N. Y.**
Dec. 7 (letter of notification) 18,000 shares of common stock (par $1). Price—$10 per share. Proceeds—For working capital. Underwrite—None.

**Bridgeport Gas Light Co.**
Nov. 17 filed 69,500 shares of 6% cum. convertible preferred stock, being offered for subscription by common stockholders at a par of $1 and for each one share of common stock held as of Nov. 27, rights to expire on Dec. 22. Price—At par ($15 per share). Proceeds—For construction program. Underwrite—Brannan & Co., Inc., Bridgeport, Conn., and W. W. Scoates & Co., New Haven, Conn. Underwrite—None.

**California Central Airlines, Inc.**
Nov. 3 filed $800,000 of 7% convertible equipment trust certificates, series A, to be sold for offering by public subscription (par $50) of which the certificates and 400,000 shares of the stock are to be offered publicly; 200,000 shares are to be sold to the underwriter (including 50,000 shares to one James Wooten), 70,000 shares to Big Stock, 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 stock. Underwrite—Proceeds to finance the acquisition of four Martinliners and one Douglas DC-3 aircraft from Airline Transport Carriers, Inc. Underwrite—Gearhart & Ols, Inc., New York.

**Carolina Telephone & Telegraph Co.**
Dec. 6 filed 53,283 shares of common stock (par $1) to be offered for subscription in the ratio of one new share for each five shares held. Proceeds—To be supplanted by amendment. Proceeds—For new construction. Underwrite—Stone & Webster Securities Corp., New York.

**Century Acceptance Corp.**
Oct. 16 (letter of notification) 10,000 shares of class A convertible preferred stock (par $1) for $100,000. Price—$150 per share. Proceeds—To be bought by amendment. Proceeds—For construction. Underwrite—None.

**Consolidated Edison Co. of N. Y., Inc. (1/6)**

**Cincinnati & Suburban Bell Telephone Co.**
Dec. 6 filed 2,813 shares of common stock (par $1) to be offered for subscription by common stockholders of record Nov. 27, $1 and 31/2 cents, rights to expire Dec. 15. Price—At par ($55 per share). Proceeds—To refinance debt. Proceeds—To refinance debt.

**Coleman Co., Inc., Wichita, Kan.**

**Consolidated Edison Co. of N. Y., Inc. (1/6)**

**Coral Ware Co., Inc., Miami, Fla.**
Dec. 14 (letter of notification) 10,000 shares of common stock (par $1) to be offered for subscription by stockholders of record Jan. 7, 1954, on the basis of one new share for each five shares held. Price—At par ($100 per share). Proceeds—To purchase additional building and improvements. Proceeds—To purchase additional building and improvements.

**Columbus Power Co., Jackson, Mich. (1/6)**
Dec. 6 filed 4,000 shares of common stock (par $1) to be offered for subscription by stockholders of record Jan. 7, 1954, on the basis of one new share for each five shares held. Price—At par ($100 per share). Proceeds—To purchase additional building and improvements. Proceeds—To purchase additional building and improvements.

**Continental Bank of New York, N. Y.**

**Consolidated Uranium Mines, Inc.**
Nov. 9 (letter of notification) 5,000 shares of common stock (par $1) to be offered for subscription by present stockholders of record Jan. 7, 1954, on the basis of one new share for each five shares held. Price—At par ($100 per share). Proceeds—To be used by amendment. Proceeds—To be used by amendment. Underwrite—None. Proceeds—To be used by amendment. Proceeds—To be used by amendment. Underwrite—None.
Greenwich Co., Greenwich, Conn.

Nov. 12 filed loan of $14,000,000 for refunding lease purchase notes (no par) to be first offered for subscription by the holders of the 19,033 shares of preferred stock. Public. Price—To be supplied by amendment. Proceeds—For redemption of outstanding bonds, interest, and for construction program. Underwriter—L. F. Put


Oct. 21 filed $400,000 of 6% 10-year cumulative preferred stock (no par) to be offered in units of four deuteriums of $100 each. Price—$1,000 per unit. Proceeds—To reestablish and improve Greyhound Arizona. Business—Dog racing with pari-mutuel betting privileges. Underwriter—Friedman.

Guardian Chemical Corp.


Dec. 12 filed 1,000,000 shares of $25 par value common stock of preferred and participating stock (par $15). Proceeds—To develop company concessions. Underwriter—None.


Oct. 17, 1961, filed offer of 76,000 of preferred stock (par $1). Proceeds—For working capital. Underwriter—None.


Dec. 21 filed 25,000 shares of cumulative preferred stock (par $100). Proceeds—For repayment of bank loan and for new construction. Underwriters—To be announced. Proceeds—To repay bank loan and for new construction. Officers—The First Boston Corp.; Lehman Brothers; Blyth & Co.; Merrill Lyell, Pierce, Fenner & Bean and White, Weld & Co. (jointly); and Richard B. Rice & Co.; Salt Lake City.

Israel Enterprises, Inc., New York

Oct. 1 filed 18,000 shares of common stock. Price—At par ($1 per share). Proceeds—For investment in existing industrial enterprises. Underwriter—None.

Jasper Oil Corp., Montreal, Quebec, Canada


Kay Jewelry Stores, Inc., Washington, D. C.

Sept. 28 filed 72,074 shares of capital stock (par $100). Proceeds—To exchange for preferred and common stocks of 71 stores. Proceeds—For purchase of retail jewelry stores. Underwriter—None.

Lambton Shipping Co., New York

Nov. 25 (letter of notification) 15,000 shares of class A common stock (par $10). Price—$30 per share. Proceeds—For working capital. Underwriter—A-Kab & Co., $30 per share.

Lowry Finance Co., Minneapolis, Minn.


MacKinnon’s, Inc., Seattle, Wash.

Nov. 24 filed offer of 200,000 shares of common stock (par $1). Proceeds—To be used for construction of new building. Proceeds—To be used for construction of new building.

Merrill Lynch, Pierce, Fenner & Bean and White, Weld & Co. (jointly); and Richard B. Rice & Co.; Salt Lake City.

Lowrey Financial Corp., Oregon, N. Y.

Dec. 20 filed offer of 3,000 shares of common stock (par $100). Proceeds—For public offering. Proceeds—For public offering.


Medina Oil Corp., Orlean, N. Y.

Dec. 15 filed offer of 30,000 shares of common stock (par $1). Proceeds—For working capital. Proceeds—For working capital.

MERCHANTS CREDIT, Inc., Washington, D. C.

Dec. 21 filed offer of 750,000 shares of common stock (par $1) to be offered in units of one share of preferred stock (par $100) and 750 shares of preferred stock (par $1) to be offered in units of one share of preferred stock. Proceeds—$150 per unit. Proceeds—For working capital. Office—115

Midland Uranium, Inc., Salt Lake City, Utah


Montreal (City of) (1/5)


Nov. 15 filed 150,000 shares of 4.44% cumulative preferred stock (par $50). Price—$100 per share. Proceeds—For construction. Proceeds—For construction.

Nevada tungsten Corp., Minn., Nev.

Oct. 22 (letter of notification) 1,000,000 shares of common stock to the offering treasury accounts, etc. Proceeds—For working capital. Underwriter—None.

New England Gas & Electric Association

Dec. 10 filed 12,366,000 common shares of beneficial interest (par $10). Proceeds—For the offering of a block of 500,000 shares of New Bedford Gas & Edison Light Co. held by minority holders. Proceeds—For New England shares for each New Bedford share held.

New York Capital Corp.


Ohio Edison Co. (1/13)

Dec. 10 filed (letter of notification) 200,000,000 shares of convertible preferred stock (par $1). Proceeds—To be used for building operations of the corporation. Bids—To be received on Jan. 18.

Office Financing & Development Corp.

Dec. 13 filed 20,000 shares of common stock of 50-cent cumulative preferred stock (par $1) and 89,958 shares of common stock of 50-cent cumulative preferred stock of one preferred and three common shares. Price—$10 per unit. Proceeds—For working capital, etc. Office—Office Financing & Development Corp. (jointly). Bids—To be received on Jan. 18.

Oil & Gas Properties, Inc.


Peninsula Broadcasting Co., Salisbury, Md.

Sep. 21 filed (letter of notification) 500,000 shares of common stock. Proceeds—$2.50 per share. Proceeds—For construction and for general purposes. Proceeds—For construction and for general purposes.

Petroleum Service, Inc., Dallas, Tex.

Dec. 20 (letter of notification) $320,000 of 6% convertible debentures due 1963. Proceeds—At par. Proceeds—At par.

Porter-Cable Machine Co., Syracuse, N. Y.

Nov. 28 filed offer of 5,000 shares of common stock (no par). Price—$125 per share. Proceeds—To be used for construction. Underwriter—William H. Pope, Inc., Syracuse, N. Y.


Peninsula Broadcasting Co., Baltimore, Md.


Public Service Co. of Indiana, Ind. (1/2)

Dec. 23 filed offer of 5,000,000 shares of common stock (no par). Proceeds—To be used for construction. Proceeds—To be used for construction.

Republic Aviation Corp., Farmingdale, N. Y.

Dec. 11 (letter of notification) 778 shares of common stock. Proceeds—To be used for construction. Proceeds—To be used for construction.

Ripley & Co., Inc., New York

Nov. 12 filed 150,000 shares of 4.44% cumulative preferred stock (par $50). Price—$100 per share. Proceeds—For construction. Proceeds—For construction.
Prospective Offerings

American Louisiana Pipe Line Co.  
Nov. 10 company, a subsidiary of American Natural Gas, asked Federal Power Commission to authorize construction of a $130,000,000 interstate pipe line, to be financed through the issuance of $75,000,000 of first mortgage bonds, $50,000,000 of preferred capital stock at $100, and $10,000,000 of common stock. Proceeds—For construction. Underwriter—Graham, Ross & Co., New York.

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., New York.

Central Illinois Electric & Gas Co.  
Nov. 9 it was reported company plans to issue $60,000,000 of new collateral trust 4% bonds to mature in 1943. The amount of collateral to support the bonds is $100,000,000 of new and existing collateral. Proceeds—to be used to pay off $60,000,000 of old bonds and for general purposes. Underwriters—to be determined by competitive bidding. Proceeds—to be placed in commercial banks.

Central Power & Light Co.  
Oct. 7 it was reported company plans sale during the first quarter of 1934 of $10,000,000 of common stock after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock.
Otter Tail Power Co.

June 25 FPC authorized company to issue a maximum of $5,000,000 in bonds to banks, the proceeds to provide funds to temporarily finance the construction and issuance of preferred stock and bonds prior to arranging for long-term financing. Underwriters—May be Gates, Forgan & Co. and Kilmann & Co.

Pacific Telephone.

July 2 it announced company plans to issue and sell to its holders, in the aggregate, $22,546,000 of capital stock at a 1-for-7 basis. Price—At about $110 per share. Proceeds—To repay bank loans. Underwriter—Nem. American.

$225,460 of Pacific's outstanding stock. Offering—To be effective as of June 21, 1954.

Public Service Co. of Colorado.

Oct. 13 it reported company is planning to float an issue of $10,000,000 of first mortgage bonds payable in 1984. Next year. Proceeds—For financing, in part, a $17,000,000 electric expansion program to be constructed in Denver, Colo. Underwriters—To be determined by competitive bidding. Probable underwriters—Bancroft, Stewart & Co.; First Boston Corp.; Blyth & Co. Inc.; and Smith, Barney & Co. (Jointly).

Southern Natural Gas Co.


Southwestern Development Co.

See Westepan Hydrocarbon Co. below.

Westepan Hydrocarbon Co.

July 1 SEC granted Sinclair Oil Corp. an extension of the registration statement for an issue of common stock to be sold through securities dealers in the United States, principally in Illinois, Michigan, New York and Ohio. The underwriters—Underwriters—To be determined by competitive bidding. Probable underwriters—Halsey, Stewart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Unic Securities Corp. (Jointly); Lehman Brothers; Kidder, Peabody & Co. 

United Gas Corp. (12.21)

June 25 company filed suit in District Court for the Southern District of New York, against SEC authority to issue and sell 100,000 shares of its holdings of United Gas, Inc. Proceeds—To be determined by competitive bidding. Probable underwriters—Lehman Brothers; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane, New York. Offering—To be expected to be effective no later than Dec. 21, 1954.

United Gas Corp.

Dec. 14 it announced SEC has authorized Electric Power & Light Company to offer $5,000,000 of its stock in United Gas Corp. This is in addition to the offering of common stock made in December, 1954. Proceeds—To be effective in early February, 1954.
Our Reporter's Report

Investment banking firms which make a business of underwriting corporate securities are coming down to the end of the year with their decks cleared and ready for what ever the early part of 1954 may bring along.

Meanwhile, it appears that the municipal underwriters did wind up the year with a substantial volume of unsold issues on their shelves. This week, with its large housing loan and the Indiana Toll Road Commission's bond $200,000,000 offering, the latter due out today, could tell the story so far as that end of the business is concerned.

Among corporate underwriters, however, the situation is quite different from what appeared to be in sight a couple of weeks ago. Right up until the time bankers brought General Motors Corp. $300,000,000 debentures to market it seemed that the end would end with sizable inventories.

Several substantial issues had backed up rather heavily and speculators proceeded to turn these loans in the free market. The results were gratifying since the nationwide demand for the GM offering, once the dust had cleared out of the way, appeared to spill over into all sections of the market.

As a consequence issues that had been lagging badly were swept away and not far from the initial offering prices, reflecting the general firmness which had caused the seasoned market in the Philadelphia Electric Slow

Investors were reported a bit on the slow side in warning up to the offering of $200,000,000 of Philadelphia Electric Co.'s 30-year, first mortgage bonds brought out late last month.

The successful group paid the issue a rating of $9,050,000 for the 3% coupon. Four other bids were submitted, all specifying a $1,500,000 interest rate.

The winning group priced the bonds for reoffering at $9,517 for an indicated yield of 3.18%. However, with only bids and pieces to be quoted between now and the end of the month, the indications are that this issue will be taken in stride.

Atlantic Refining

Indications were that Atlantic Refining might probably go into registration by the week-end to underwrite a sizable issue of debentures reported likely to amount to $60,000,000.

This business has been on the back of the shelf since the company, last March, sent out its proxy statement for the annual meeting on May 6. At that time it was stated that the management was contemplating financing, probably up to $60,000,000, as "later in the year."

The company has not been in the market for long and it might sell December, 1953.

A divided issue of ".50 per share of the "A" Common and Voting Common stock has been offered to the public.

The stock is priced at $11 per share.

Proceeds from the sale of 75,000 of these shares will be added to the general corporate funds of the company and may be used, to finance, in part, completion of the company's new construction project of new underground storage facilities as well as the possible acquisition of new business or plant facilities or additions to existing gasoline plant facilities. Any remaining funds will be added to working capital.

The company will receive none of the proceeds from the sale of 134,000 shares of this stock which is scheduled to go on the market early this week.


DIVIDEND NOTICES

GENERAL REALTY & UTILITIES CORPORATION

DIVIDEND ON CAPITAL SHARED Stock

The Board of Directors has declared the proportional dividend of 13% per share of the Capital Stock of the Corporation, payable December 15, 1953, to stockholders of record at the close of business December 10, 1953.

RAMSEY M. FOX, Treasurer.

December 15, 1953.

DOME MINES LIMITED

DIVIDEND NO. 300, 1953

At a meeting of the Board of Directors held in the Exchange Coffee House, Toronto, on Thursday, November 28, 1953, it was decided to pay a dividend of 10c per share on the Common Stock of the Corporation.

CLIFFORD W. MIKE, President and Treasurer.

December 15, 1953.

DIVIDEND NOTICE

Philip Morris & Co., Ltd., Inc.

Our Institutional SHARE OWNERS

Philip Morris & Co., Ltd., Inc.

109th COMMON STOCK DIVIDEND

The ARO EQUIPMENT CORP.

Bryan, Ohio

Quarterly Dividend Notice

The Board of Directors has declared a regular quarterly dividend of 30c per share on common stock payable January 15, 1954 to shareholders of record at the close of business January 2, 1954.

L. L. HAWK

Sec.-Treas.

December 3, 1953

New York, N. Y.


DIVIDEND NOTICES

UNITED SHOW MACHINERY CORPORATION

The Board of Directors has declared the dividend of 30c per share on the $5.00 par value preferred stock of this corporation, payable March 15, 1954, to stockholders of record at the close of business March 10, 1954.

JOHN R. EICHLER, Treasurer.

March 15, 1954.

The Gallogly Packing Co.

COMMON DIVIDEND No. 318

A meeting of the Board of Directors, held this day, a quarterly dividend of 25c per share and an extra dividend of 5c per share were declared on the common stock of the Company, payable January 4, 1954, to stockholders of record at the close of business December 18, 1953.

H. B. FURSE, Secretary.

December 18, 1953.

NATIONAL SHORES CORPORATION

11 Wall Street, New York

A special dividend of one dollar and seventy cents ($1.70) per share has been declared by the Board of Directors of the Corporation's capital stock payable December 23, 1953, to shareholders of record at close of book on December 18, 1953. It is expected that approximately 300,000 shares of common stock, being a special dividend will be designated as a capital stock and that dividends will be paid in accordance with the provisions of the Internal Revenue Code.

The Directors have declared a dividend of fifteen cents (15c) per share payable January 20, 1954, to shareholders of record December 18, 1953.

JOSEPH STOUT, Secretary.

December 18, 1953.

Seneca Falls Machine Co.

Common Stock Dividend

On December 14, 1953, the Directors of the Seneca Falls Machine Company declared a dividend of 50c per share on the common stock payable January 15, 1954, to stockholders of record January 5, 1954.

President & Treasurer

MANUFACTURERS OF LO-SWING LATHES AND LABOR SAVING SPECIAL MACHINE TOOLS

Dividend Notice

A quarterly dividend of 75c per share has been declared on the Common Stock of the Company payable January 4, 1954 to shareholders of record at the close of business December 15, 1953.

This payment due for the regular quarterly dividend for the last quarter of 1953 was to be paid in order to give shareholders on a cash basis such opportunity as may be gained from reduced-personal-income-tax rates in 1954.

CHARLES P. HART

Secretary & Treasurer

New York, New York, October 29, 1953.

GENERAL DYNAMICS CORPORATION

455 West 33rd Street, New York, N. Y.

DIVISIONS

A quarterly dividend of 60c per share payable on January 1, 1954 to shareholders of record at the close of business December 15, 1953, was declared by the Board of Directors.

ANDREW W. JOHNSON

Vice-President and Treasurer

December 1, 1953.

TECHNICAL COLOR, Inc.

The Board of Directors has declared a dividend of twenty-five cents (25c) per share on the Company's $1.00 par value outstanding preferred stock of the Company, and a dividend of fifty cents (50c) per share on the Common Stock (no Par Value) not yet exchanged under the Company Exchange Instructions dated May 19, 1953. The Company has declared a special year end dividend of ten cents (10c) per share on the Common Stock ($1 Par Value) of the Company, and a dividend of twenty cents (20c) per share on the Common Stock (no Par Value) not yet exchanged under the Company Exchange Instructions dated May 19, 1953. These dividends are payable December 20, 1953 to shareholders of record at the close of business December 18, 1953.

L. G. CLARK, Treasurer.

December 15, 1953.

PACIFIC FINANCE CORPORATION

DIVIDEND NOTICE

On Dec. 9, 1953, the Board of Directors declared a special quarterly dividend of 10c per share of Preferred Stock of this corporation, payable to stockholders of record Jan. 10, 1954.

 Preferred Stock, $100 par value, 10% Dividend Rate.

Dividend Rate.

Preferred Stock, $100 par value, 10% Dividend Rate.


INTERNATIONAL SHOE COMPANY

St. Louis, Mo.

17% CONSECUTIVE DIVIDEND

- Common Stock

A quarterly dividend of 60c per share payable on January 1, 1954 to stockholders of record at the close of business December 15, 1953, was declared by the Board of Directors.

ANDREW W. JOHNSON

Vice-President and Treasurer

December 1, 1953.
WASHINGTON D.C.—When Congress established a social security subcommittee, of which Rep. Carl T. Curtis (R., Neb.) is Chairman, it will have a pro posed program ready for the consideration of both the Administration and Congress.

This program, backed by Chairman Daniel A. Reed (R., N. Y.) of the Full Ways and Means Committee, already has been outlined by Eisenhow her. The President was told about it by Mr. Reed, who sought to explain why he opposed the freeze of the present social security payroll tax at 3% and wants the tax to rise to statutory schedule to 4% on Jan. 1.

Like all reforms which have a chance of passing Congress, this social security set-up as proposed by Mr. Curtis makes some considerable compromises. One of these is that it retains the reserve fund for Federal Old Age and Survivors Insurance.

This reserve fund has been the target of many, especially since it is merely an unequered debt which has been increased by new and additional taxes, or because the nation has been able to do so without incurring considerable losses. One of the things which Mr. Curtis's committee has provided for out of current revenues is:

Retains Insurance Benefits

However, even if the reserve fund is viewed as substantively significant, the social security proposals do not so understand it. Hence politicians could exploit the abolition of the legal fiction. Along the same line, it is understood that the new program which Mr. Curtis's subcommittee has drafted, will retain the insurance "rights" of those whose payroll taxes have been contributed, even if Congress has abandoned actual insurance principles under OASI as much in the breach as in the observance. There, again, this is to avoid free ammo for the demagogues.

Does Away With Indigent Pensions

On the other hand, the new scheme contains one important reform. It does away with the system whereby the Federal and state governments jointly contribute to monthly pensions for the indigent aged.

It does this by broadening the eligibility of social security to virtually every group that wants it. So the preference of those old and destitute will be able to collect some pension direct from the Federal government.

On the other hand, the subcommittee proposes to make some allowance so that new comers on the pension rolls will not fare equally well with those who have contributed for many years.

To do this the subcommittee would like or better than the present entitlements under the contributory plan—a maximum of 5%.

Another would be a minimum schedule, to take care of those from the newcomers to the long-time casually employed, to those who have contributed all their earnings to the compensation program and to whom all the federal and state contributions. In effect, money already given to states under the old age assistance plan would go a long way to pay for those contributions which are not provided for by employer-employee contributions.

Liberalizes Earnings

As Chairman Reed has indicated, the proposed new system would permit certain benefits being paid to Federal old age pensions. The exact exemption is not yet known.

The committee would get around the requirement of providing, however, against payment to the comparatively well off. Persons now over 65 are entitled to two personal Federal income tax exemptions of $600 each. If any person on the pension rolls earned so much (excluding "earned" income) that he felt required to use all personal exemptions after making all other legal deductions from his income tax return, then he would forfeit his monthly pension.

Special Deal on F & G's Postponed

It may be that later this year, years of mortgaging F & G bonds will be of some special security is in which to in vest the proceeds of these maturing savings bonds.

Effect of the Treasury announcment telling holders of these issues that they may buy any other current types of saving bonds, was merely to postpone for a few months the reaching of a decision on whether it would be desirable to offer holders of maturing F & G's a special deal.

Maturities of these issues for calendar 1954 will total $2.2 billion. Of this about $359 million comes due in January and a similar amount in July.

"I wish Mr. Buldozer would emunctuate more distinctly I can't hear a word he's saying to his wife!"

On Dec. 14 Mr. Spiegel issued a statement declaring that there must be "a major overhaul of the government's housing credit facilities" to prevent "a recurrence of the recent mortgage crisis" which he said threatened to touch off a general business recession.

(The housing constructors, the farm lobby, the A.F. of L. and the CIO now all insist upon one common point, which is that government maintenance of their respective high incomes is absolutely vital to prevent a business set-back.)

On Dec. 15, however, Mr. Spiegel made another statement. He said that "the home building industry maintained its postwar record high volume of construction in 1953, with $100,000 housing units built, and we look forward confidently to another banner year in 1954."

Under the expired Title VI of FHA, mortgage money was so plentiful and cheap for mult- family housing that "money was no object." In time the left wing in Congress began to see an opportunity therein to desecrate private industry and a desire for apartment housing to the govern ment's maw of public housing. To do this the left-wingers began, as a way of softening private industry for the kill, to carp about the greedy pri vate contractors making a kill- ing on this governmental program.

This drive petered out with the termination of Title VI. Indeed, Mr. Spiegel was even on the point of being asked if he thought it would be possible to relax the Taft-Hartley Act to please labor—would still like to do a few things, but sensible people might approve gestures without some popular noises, but would not pass legis lation making a further and de bilitation of the T-H Act.

Pro-Tabor T-H amendments would not be sufficient alone to revi ew the Taft-Hartley Act.

Part two of the program, however, has been the great liberalizing of unemployment compensation. Coalition pay is a state affair, but Federal "civil servant" planners have long been acrimonious. Federal take-over, however, it might be discovered by the labor leaders would be tellingly to this point. So any scheme to boost payments and other benefits which the na tional government could receive, would receive an additional boost.

Hence all Federal move would threaten some form of coercion over the states and raise this states' rights battle.

Finally, Labor Secretary William B. Taft-Hartley would raise the statutory Federal maximum wage and require its applicability to be expanded greatly. This is another prime Southern issue.

All three schemes, if passed, would thus make like Mr. Eisenhower an heir of Mr. Truman and Mr. Ford.

(Roger (this column is intended to reflect the "behind the scenes" interpretation of the nation's Capitol and may or may not coincide with the "Chronicler's own views.)