A Merry Christmas

The COMMERCIAL and FINANCIAL CHRONICLE

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EDITORIAL

As We See It

Secretary Dulles' "blunt warning" early last week has attracted much attention in most of the countries concerned with NATO and related matters. If more recently other urgent developments have crowded this statement out of the headlines, this is no indication that the utterance is not still a topic of serious and anxious study in interested circles. Nowhere in all that has of late been said on the subject have we noticed any responsible allegation to the effect that the government of the United States did not have ample cause for deep dissatisfaction with the behavior of France, and good reason for being forthright about the limits to which it felt warranted in going in this matter of military aid to Europe in the absence of more appropriate action on the part of the French.

As for ourselves, we certainly could not find fault with the Secretary's position, unless it be that he did not go far enough. It seems to us that it would be both foolish and foolhardy for this country to continue indefinitely to pour out its substance in an effort to build up in Europe a military force to protect Europeans against the advance of Russian imperialism unless and until assurance is forthcoming that Europeans themselves are earnestly desirous of having such a defense and the will to do their full part in the establishment of it. This much, one would suppose, would be almost universally regarded as both incontrovertible and obvious. Even confused

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Outlook for the Aluminum Industry

By JOHN H. KREY*

Assistant to the President, Reynolds Metals Company

Stressing the new and substantially expanded uses for aluminum as basis for his optimistic view of the industry, Mr. Krey recounts recent growth of the aluminum industry and points out factors in evaluating its progress and its future. Foresees not only use for present expanded aluminum production facilities, but also says "managements are thinking most seriously of where they can locate additional plants in the years immediately ahead." Cites increasing uses of aluminum in construction and in industries, and discusses displacement of other metals by aluminum.

Now right at the outset, I want to make this statement—that I know of no time during the 13 years in which I have been associated with the aluminum business when our sales management has been as optimistic or excited about the prospects of aluminum as they are today.

John H. Krey

Mark you, I am not speaking of sales volume for the next six months or a year. That would appear to be governed by future business conditions about which I suspect very little can be accurately forecast. What I am speaking about are the new or substantially expanded uses for aluminum which are either now in the manufacturing planning stage or in the design engineering departments of the thousands of businesses throughout the nation.

It is at a time like this, while standing before you, that I get the full flavor of that wonderful observation made

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*An address by Mr. Krey before the Philadelphia Securities Association, Philadelphia, Pa., Dec. 9, 1953.

The Outlook for Interest Rates and Bond Prices

By GEORGE T. CONKLIN, Jr.*

Financial Vice-President, The Guardian Life Insurance Company of America

Pointing out supply-and-demand forces, as a determinant of interest rates, were relegated to the background during last two decades because of "New Deal" economic concepts, Mr. Conklin stresses inflationary effects of this policy in the war financing. Says economic philosophy of the new Administration will probably mean a return to demand-and-supply forces in fixing interest rates, but Federal Reserve and fiscal policy influences will still be important. Looks for lower business activity, and cites reasons for belief that interest rates will decline.

In classical economics the level and movement of interest rates were considered to be governed by the supply and demand for capital; yet we know that any one following this theory with reference to the bond market would have been wrong more times than right in the past 20 years.

G. T. Conklin, Jr.

The retreat of supply-demand forces into the background began with the Roosevelt Administration and it reflected a basic change in the concepts of economic thought on the part of the government. The new concepts ushered in amid the depressed '30's may be briefly summarized as follows:

(1) The concept of a mature economy—It was reasoned that our country was approaching its economic frontier, with a stabilized population and with opportunities for growth distinctly limited.

(2) The concept of over savings—Following from the

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*A talk by Mr. Conklin, before the Seventh Mid-Year Conference of the National Association of Mutual Savings Banks, New York City, Dec. 7, 1953.

ON THE INSIDE—A glance at the Index on page 3 vividly shows the wealth of information of vital importance to the securities industry, investors and businessmen which is available in the Thursday "Chronicle" every week throughout the year.

The Security I Like Best

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

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

This Week's Forum Participant and Selection

THEODORE F. BULLEN
Securities Analyst, Shearson, Hammill and Co., New York City
Members New York Stock Exchange

The W. L. Maxson Corporation

In the past, earnings from war contracts have traditionally, and to a large extent correctly so, been regarded as "low grade" and transient, and the securities involved have consequently commanded low price-earnings ratios. We are currently witnessing the phenomenon of Government military spending at a rate exceeded only by the peak years of World War II; yet we are not presently engaged in a shooting war and have not been so involved with a major power for over eight years. On the record, then, huge military expenditures have, to a very considerable extent, become a part of the peacetime economy. Most observers of the international scene would agree that this situation will probably continue for the indefinite future, and their differences are largely confined to the numbers of billions of dollars involved in any given fiscal period.


Theodore F. Bullen

That brings me to my second point, namely, that within the framework of military appropriations themselves, there are widely fluctuating degrees of "quality." Expressed most simply, the outlook for capital ship construction is a far cry from, let us say, that for guided missiles. In other words, whatever the trend for the sum total of military spending over the next decade may be, certain segments of that total may not only not decline, but may be in a phase of sharp expansion. This finally brings me to "the security I like best," The W. L. Maxson Corp.

Maxson operates in the very heart of the electronics portion of the government's preparedness effort, which I believe is an expanding "industry within an industry" even if the total military budget should decline quite sharply in the years ahead. Only the complete internal collapse of Russia could upset this thesis. Advances in the direction of "push-button warfare" have already proceeded too far — further, indeed, than most of us realize—to allow any turning back. Each new weapon immediately begets the need of counter-measures; then the counter-measures must be combated —and so on, in a never-ending and, indeed, accelerating cycle. Reduced to stock market terms this means that not only are Maxson's current excellent earnings here to stay, but that they should register important increases in the years immediately ahead. If this thesis is correct, the price of Maxson common stock must rise substantially for two reasons. First, and most obviously, if merely the same price-earnings ratios which the market has accorded this security in the past several years (in Maxson's case, approximately five to one) are maintained, then a doubling of present earnings should double the price of the stock. Second, and more important, when the market eventually realizes that the manufacture of electronic war weapons is a permanent peacetime industry — at least for many years ahead—more liberal earnings ratios should be accorded to such "higher quality" earnings. It is quite reasonable to expect that Maxson stock will sell for ten times earnings instead of five times in the not-too-distant future, and it is almost a certainty that those earnings will be much higher than they are now.

The W. L. Maxson Corp. was founded in 1935 by the late William L. Maxson, U. S. N., retired. Initially a small engineering organization, the company gradually turned to the manufacture of the stream of new products which it was continually designing. Products developed by Maxson in its early days included the Line-of-Position Computer, the Lunar Computer, the Automatic Mercator Chart Plotting Board, the Dead-Reckoning Tracer, and the M-1 Gun Data Computer for directing seacoast guns. Subsequent equipment developed by Maxson included the multi-caliber .50 machine-gun mount (M-45), which saw extensive service in World War II, the electro-mechanical variable-speed drives and gyro stabilization for gun turrets, reflex gun sights for bombing computers, power-driven rocket launchers, gyroscopes and a variety of similar products. Maxson was very definitely in the war effort back in the early 'forties; sales in 1943, 1944 and 1945 ran around $14 million annually, and net per share in this three-year period averaged $1.38. Then with the end of the war sales fell just under $3 million in 1946, and a small loss of 52 cents a share was incurred. For the next three years sales remained small, and the company just about managed to break even.

Then in 1949 Maxson made the all-important decision to branch out into the electronics field. In effect it became almost a new company. With the advent of the Korean War and the subsequent defense program sales shot up, and today the end is nowhere in sight. But this time there was one all-important difference. Whereas in World War II Maxson was almost exclusively a subcontractor — hence the rapid falling off in sales as soon as the war was over—today the company is mainly a prime contractor, and therefore its sales are on a much more permanent footing. Very few companies engage in electronics defense business on as large a scale as Maxson, which in some instances is one of only two or three prime suppliers of a given piece of equipment and in others, the only prime supplier. Indeed, in a few cases, Maxson is the only firm in the country with the engineering know-how to manufacture a given piece of highly technical war equipment.

In the electronics field proper, representative Maxson products include in part radar fire-control and mapping systems, radio and radar jamming counter-measures, Shoran and dive bombing computers, and various devices for aircraft and anti-aircraft operations. Military demand for this type of equipment has been so strong that Maxson's sales have risen from $3,230,000 in 1950 to $34,300,000 in 1953. In each of the last three years sales have doubled, and the outlook for 1954 is for a further increase of about 50% to a total around $50,000,000, nearly four times the peak figure attained in World War II. Moreover, and just as important, consistent profit margins have been maintained. From a net of 81 cents a share in 1950, profits rose to $3.54 in the fiscal year ended last Sept. 30, and reliable estimates based primarily on a current backlog of around $44,000,000 place the net for 1954 around $6 a share. Several years hence sales in the order of $100,000,000 annually are a realistic possibility, and on them earnings of $10 and more a share can easily be demonstrated by merely applying present profit margins and a normal tax rate somewhere around 50%. With only 305,924 common shares outstanding, long-term debt of only $1,086,000 and a management determined not to to dilute the equity, volume of the size which Maxson envisions over the next several years can really show up in net per share.

Although currently primarily engaged in defense work, Maxson's civilian business now accounts for about 10% of sales and is growing. The company's eventual goal is vastly increased sales, divided about fifty-fifty between civilian and military items. Of course, the growing civilian business carries higher profit margins than the war-work and hence becomes a powerful additional factor making for eventual higher price-earnings ratios.

Maxson has excellent manufacturing facilities. Its two-year old plant at Old Forge, Pennsylvania, is the last word in efficiency and equipment. Of its approximately 3,100 employees the unusually large number of 580 make up the research and development staff. These are primarily engineers; Maxson's engineering know-how enjoys the highest reputation in the industry and with the military, members of which are permanently stationed at the company's plants.

Maxson is in the electronics defense business on a permanent basis, not as a temporary expedient. Its management believes that defense business is good business and will aggressively go after all that the company's growing facilities can handle.

With a fine plant, an unusually competent engineering force, close and harmonious relations with the several branches of the military, a demonstrably able and highly aggressive management, and with vastly increased sales creating earnings on a very small common stock capitalization, the outlook for the W. L. Maxson Corp.

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The Consumer's Position In the 1954 Business Trend

By A. W. ZELOMEK*
President, International Statistical Bureau, Inc.

Mr. Zelomek predicts disposable income will average slightly higher in 1954 than in 1953, despite prospective increase in unemployment. Maintains consumer will be helped by lower income and possibly reduced excise taxes, combined with fairly stabilized cost-of-living. Expects psychology and confidence in 1954 to be "good but reserved."

This is the forecaster's season; and maybe it's going to seem to you that by offering you forecasts for all of 1954 and even more, I'm rushing the season like too many merchants do these days. I think the consumer may be right when he turns his back on the Christmas stockings that the merchants display right after Labor Day, the Palm Beach suits that get hung on the racks before Easter, and the straw hats that begin to appear around Jan. 2.

A. W. Zelomek

But the advice and forecasts that I'm going to offer you are not in the category of Christmas stockings, Palm Beach suits, and straw hats. When I first started forecasting 28 years ago, it was customary to wait for the year-end annual issues before cautiously expressing an opinion about what was in the offing. Well, economic forecasting has come of age since those old days. The New Deal and war years taught us how to accumulate data and how to use them. And if my remarks this noon seem to you to be pushing too far and too confidently into the future, I think you should remember that we economic forecasters now have the techniques to do this.

I'm going to talk about the **consumer** in 1954. And I concentrate on the consumer for two reasons. In the first place, because this is the side of the economic equation on which you stand. You have to know how much the consumer **can** buy, how much he **will** buy, and **what** he will buy. And in the second place it is appropriate to concentrate on the consumer in our 1954 analysis, because it is the consumer who will be the decisive element in the 1954 general business trend.

During the war and in the immediate postwar years we were inclined to neglect the consumer. Poor fellow, let him take what he could get and be glad of it! At that time our best brains were working on the production side of the economic equation.

The consumer is not a poor fellow now. He's not poor in the way he was in the '30s, when it didn't do any good to concentrate on him because he had no money to spend anyway. And he's not poor in the way he was in the '40s when he had the income but the goods weren't there.

The consumer is the strong man in the 1954 equation. He will be able to spend and he will spend if you take the trouble to sell him. And this is why we have to concentrate on distribution and on marketing if we want to make the most of his strength.

I'm going to give you some facts that will explain to you the consumer's strength. And then I'm going to tell you how I think we can make the most of his strength.

The Depression "Bogy"

The first item in the factual analysis that needs to be cleared up is the depression "bogy." This "bogy" has been with us since before the ending of the war. Students of the history of business cycles, in particular, are afraid of another 1873 or another 1930-32.

You know it is possible to read too much of the past into the present. America is not the same as it was in 1873 or 1883 or 1930. Our political position and our economic leadership in the world are new, and they are factors that influence our domestic economy favorably.

I can't give you a thorough analysis of America in the international scene now. I can't give a full analysis of all the factors in the internal situation that contribute to our long-term economic strength. I have done this to some extent in my latest book, "No Major Depression in Our Lifetime"; and my thinking about the specific problems I am discussing this noon is based on the general analysis I have made in that book.

I did not say in that book, and I don't say to you, that there will be no recessions or readjustments, like the one in which we are now. We may have from time to time a total unemployment of three or five or, at the most, seven million. But these are not depression items, or even beginning-of-a-depression items.

The present moderate decline in general business should continue through about the first six months of 1954, perhaps even through the third quarter of 1954. It is almost certain to be reversed by the last quarter of 1954.

Even during the months of the decline, the consumer position will remain strong. While total production, based on the Federal Reserve Board index, and gross national product or expenditures will average moderately lower for 1954 than for 1953, personal in-

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*A talk by Mr. Zelomek before the New York Chapter, American Marketing Association, New York City, Dec. 16, 1953.

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Christmas Kaleidoscope

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

Wherein economics takes a holiday and hangs up its stocking with a bizarre Xmas list for industries and organizations; corporations and individuals.

Who wants to pore over a balance sheet the day before Christmas? Or project a sales trend, cite a dividend record, view with alarm the national debt? So let's approve the treasurer's report, as read, and switch into some Kris Kingly prose about gifts for a wide assortment of creatures, corporate and otherwise. Your reading should be light before Christmas. First request—Santa won't you please put a good future into the cigarette industry's stocking? It's a vast enterprise and has, for centuries, brought puffs of contentment to hundreds of millions. Don't let it stop doing that. Take the tar baby out of its Christmas stocking! If people drink too much they get DT's, join AA, and Prohibition sets in — all due to excess. If people eat too many sodas and sweet foods, they get fat and diabetic—due to excess. If people drink too much coffee they get the jitters and switch to a drink free of caffein—on account of excess. So it is with cigarettes. Let the wisdom of moderation apply here, and many problems will fade. If cigarettes do really create a health problem, the industry can, and will, research the offending element out of existence.

Ira U. Cobleigh

Another cigarette excess has been in claims. One brand has less irritants, one is kinder to throats, another makes you cough less, one is just ducky on your various zones. It's like saying "Take cocaine; it won't kill you as fast as arsenic!" Let Santa take away all this negative advertising in his little sleigh. Smoke for contentment, serenity, pleasure, fellowship, and the easing of tensions. Filter if you like, king it up if you're partial to longitude; smoke and be blessed —but not to excess. Why do I say this? Because I'm one of those independent impartial experts they're always talking about — I've never smoked!

For the labor movement Santa, again please put moderation in the Christmas sock. No needless strikes next year. No stubborn hold-outs to please the vanity of an individual, and wreck the income of thousands of workers. No excessive demands which hot-rod the inflation we've had for a decade, and aggravate the income disparity between industrial wages, and those of teachers, firemen, government workers, etc.

Santa, please put nice low dams on the Snake River out in Idaho —not a great big high job that will louse up thousands of acres of good farm land, and disturb the irrigation of hundreds of square miles surrounding.

And Santa please, before you fill the movie industry's sock, figure out the ultimate in dimensional technique. We're a bit weary and baffled by an assortment of wide, deep curved, multiphonic movie screens; and while it's nice to look at the world through rose-colored glasses, it's a bit of a nuisance in the movies. And please, Santa, more fine features like Roman Holiday and The Robe. They'll be good box office and dividend fodder for the shareholders.

And, Santa, what can you bring to the textiles? More demand? Better prices? Lower inventories? Perhaps a couple of mergers that will hop up the market prices of some company's shares where the cash position is swell but the earnings uneven? Anyway, Santa, leave a nice present for the textiles—they haven't had one for a long time.

Santa, the motor car people are real nice. For eight years they've had wonderful Christmases. They don't need really very much this year because they've been a bit spoiled in the past. So give them salesmen—you know, the old fashioned kind that called people up after dinner, said they were bringing the latest model around to your house to take you and the missus out for a demonstration. They'd point out the "exilerator," the shock absorbers, the cantilever springs. They knew their stuff and they used to even get up off a swivel chair to greet a prospect! Yes, Santa bring 'em back—the only thing wrong with the motor car trade is (you'll pardon the expression) The Dearth of the Salesmen!

And Santa, what are you going to do about gold? It was historically the very first Christmas gift, you'll recall. Today, however, it's the most neglected mineral on the whole planet. For 20 long years it's gone without a change in price. Still the same old 35 bucks an ounce, while most everything else, except electricity, has doubled or more. Can't you do something, Santa, for all the mines that have closed, all the stockholders whose gilded certificates have dwindled, some from dollars down into pennies? How about a nice sociable $50 an ounce for 1954? What a sockful that would be, especially if you were long Kerr-Addison, Dome or Homestake. Think it over, Santa—don't leave gold out in the cold.

Then too, Santa, what about the rails. You know it isn't really Christmas without a smooth running set of trains about the place. What have you been doin' for the choo-choos lately? Just as the lower-priced ones like Central, B & O, Pennsy looked like they might really be going some place, all of a sudden they jammed their brakes, way below the year's highs. Can't you send 'em a booster engine, or lop off a few hundred miles of light density trackage? Please, Santa, the rails are supposed to supply market leadership, remember?

And, Santa, don't forget to leave something for the Canadian oil shareholders. They've had it pretty tough. Many of 'em are only "half safe" now. They've dropped the other 50% in the market place. What can you do for 'em, Santa? A new pipeline to Toronto for gas would help. When will it be? Will Canadian Delhi bring it about? That's pretty tough permeability up in the Turner field — they're only getting out about 11% of the known oil. How about a new method to maximize recovery? Know anything about that, Santa? That would be a nice Christmas present.

In atomic gifts, Santa, I've got news for you. President Eisenhower has already offered a plan to the world to spread the use of atomic energy about the world. This is a wonderful Christmas present to mankind. If it were not illegal to mention Santa Claus in Russia, we'd ask you to fill the stockings in the Kremlin with good will so they'd accept this atomic offer; and carry it through to sincere cooperation for world peace. Saint Nicholas was for some centuries the patron saint of Russia. Reinstate yourself there, Santa, old boy! What a present that would be!

And, Santa, can't you put something nice in the stocking for poor old Wall Street? Conditions haven't been good there. The volume is soggy, and the bonuses ain't what they used to be. And half of the customers brokers are frightened by the mutual funds. They say they (the funds) will put Wall Street out of business. What rot! Why only one in ten who buy mutual funds, ever bought any stock whatever before. Instead of drying up Wall Street, the mutuals are bringing to the market tens and tens of thousands of new customers — customers, who, when they get the hang of stock transactions, may well spill over into extensive general market buying. Then instead of 6,500,000 stockholders in these United States, we may have 20 million. Is that bad for customers brokers? Or exchange houses? You tell 'em Santa—they won't listen to me. Anyhow, Santa, put some stocks in lots of Christmas stockings. That'll help Wall Street and please the recipients.

And for individuals, just a bit let down by the total performance of the share market in 1953, Santa, provide a nice list of swell performers next year. Do you still like Minnesota Mining, and Aluminium Ltd. for the long swing? What's good in atomics? Vanadium? Walter Kidde? Will Texas Land really split 5-for-1? Is Security-First National Bank of Los Angeles going to be a bank share leader again next year? What's the best electronic? Zenith? Clark Controller? Canadian Marconi? Is Inspiration Copper, yielding 15% currently, at a buying level? Please, Santa Baby, slip me the answers in my stocking!

And while we're all waiting for the Rotund One to come down the chimney, God rest you merry, gentlemen; and gentlewomen, too!

R. P. Miller V.-P. of Woodcock, Hess & Co.

PHILADELPHIA, Pa. — Woodcock, Hess & Co., Inc., 123 South Broad Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, announce that R. Peters Miller has acquired an interest in their corporation and has been elected a Vice-President.

Richard A. Miller, Theodore F. Kruk, Robert T. McDugall, Donald Le Vine, George W. Williams, Kenneth W. Priest and Reginald Arthur have become associated with them.

LETTER TO EDITOR:

The Stock Dividend Defended

Commenting on recent communication from Dr. Carothers, Benjamin Graham, investment expert and Fund manager, disclaims belief that stock dividend is equivalent to cash dividend; but that in event of increase in equity capital, former represents financing alternative most desirable for shareholders. Concludes overall effect of a stock dividend policy—like that of a cash-dividend or a no-dividend policy—depends largely on what investors think of it.

Editor, Commercial and Financial Chronicle:

The recent letter of Dean Carothers to the "Chronicle" makes three points: (a) Stock dividends are not income, but only a rearrangement of the stockholders' interest (as has been held by the U. S. Supreme Court); (b) therefore a stock dividend has no value or utility whatever; and (c) those who think that stock dividends may be helpful — including the New Your Stock Exchange authorities — apparently know less about this elementary matter than any sophomore in economics.

Benjamin Graham

Dr. Carothers' first point is legally correct, but the other two do not necessarily follow. The heart of the controversy may be located in the following two sentences from his letter: "As any management knows, it is sometimes better to get new capital from surplus earnings rather than from the sale of new stock. And issuing a stock dividend has no earthly connection with the matter."

Three Alternative Techniques

Assume three companies each earn $12 per share and reinvest a like amount in the business. Company A pays no dividend; Company B pays $9, and sells an equivalent amount of new stock at about the current market; Company C pays no cash dividend but pays a stock dividend worth $9 a share at the market. Companies B and C and their stockholders end up in the same position, except for the income-tax advantage to the latter group. The B stockholder who wants cash income without reinvestment sells his rights; the C stockholder similarly situated sells his stock dividend and receives $9 per share in cash. In both cases some other investor must be found to supply the new money required.

If Company C paid no stock dividend it would then be doing the same as Company A — i.e., nothing for its stockholders — which would be an entirely different matter. Thus the payment or non-payment of a stock dividend has a vital connection with the position of the stockholders of these companies, and of all companies which must choose between (a) paying in cash and then selling stock, or (b) paying in stock.

The Tax Saving Element

Dr. Carothers labels as absurd the statement that there can be an income-tax saving through stock dividends. This implies that the Company C stockholder saves no income tax by receiving his (non-taxable) stock dividend directly, as against the Company B stockholder who first receives cash—subject to tax—and then pays back the entire amount for the same number of new shares. How can that be? His argument must hold that even though the stockholders of both companies end up with no cash and the same additional shares, it is still true that the A stockholders got income of $9 per share on which they should be glad to pay tax, while the B stockholders got nothing at all, and therefore saved nothing in taxes. This is semantics carried to an extreme.

Proponents of stock dividends are often accused of claiming that a stock dividend is as good as, or the same as, an equivalent cash dividend. No such claim is made. There is a real difference for stockholders between a decision to pay out profits and a decision to reinvest them in the business. If it were true — as Dr. Carothers seems to me to imply at the end of his letter—that stock dividends are a device to cover up the improper withholding of earnings from the owners, this would be a valid argument against them. But that is not the real issue. Reinvestment of profits—and to a lesser degree the sale of an equivalent amount of new stock—is the assumption we start with. It is a proper assumption, not only because the practice is all but universal, but because it is a mainspring of our dynamic American economy. The real issue is whether—assuming equity capital is to be increased—it is best (a) to pay no dividends, (b) to pay out cash and then sell stock, or (c) to pay stock dividends representing the reinvested profits.

Best of the Choices

We contend that the third alternative is best for the stockholders. It is important to note that this applies not only to all-or-nothing cases, but also to the more numerous instances where only a subnormal cash dividend is considered practicable, e.g., the Caterpillar Tractor example. Dr. Carothers denies that the 4% stock payment by Caterpillar is any kind of a dividend, which would mean that the stockholders would be as well off if they just got $2 in cash and no stock. If all investors felt as he does this would be true. Actually, of course, a periodic stock dividend is valued in the market somewhere between nothing at all and the full equivalent in cash. The overall effect of a stock-dividend policy—like that of a cash-dividend or a no-dividend policy—depends largely on what investors think of it.

Discussion and Education Needed

A great deal of discussion and education is still needed before the position of stock dividends in corporate and investment police can be properly evaluated. The distinction between a "stock split" and the capitalization of *current earnings* via repeated small stock dividends —which the Stock Exchange recognizes but Dean Carothers violently rejects—is vital here. May I suggest that readers ponder carefully the relative consequences—taxwise and otherwise—of (a) cash payments with equivalent sale of new shares and, (b) equivalent stock dividends. The whole argument turns largely on this point.

BENJAMIN GRAHAM,
President, Graham-Newman Corp.
(An investment company)
Beverly Hills, Calif.
Dec. 14, 1953

Paine, Webber Co. Admitting Partners

Paine, Webber, Jackson & Curtis, members of the New York Stock Exchange and other leading exchanges, will admit four new


J. S. Watterson, Jr. James A. Swoboda


John F. Curley Nelson J. Darling

partners to the firm on Jan. 1, Lloyd W. Mason, managing partner announced.

John F. Curley, who has been with the Boston office of Paine, Webber since 1928, will move to New York on his admission to the partnership, where he will be in charge of all sales activities.

Other partners to be admitted to the firm are Nelson J. Darling, of Boston; James A. Swoboda, of Milwaukee, and John S. Watterson, Jr., of Cleveland. D. W. Chamberlin, resident partner in Cleveland, will become a limited partner. R. C. Mees, one of two resident partners in Minneapolis, will retire from the firm.

After the year-end partnership changes, Paine, Webber, Jackson & Curtis will have 35 general partners. The firm operates 39 offices from New England to the Pacific Coast and is one of the largest member firms of the New York Stock Exchange.

Mead, Miller to Move to New Office

BALTIMORE, Md.—Mead, Miller & Co., members of the New York and Philadelphia-Baltimore Stock Exchanges, remove their offices from 111 East Redwood Street to Charles and Chase Streets, effective Jan. 4.

The new location is in the mid-town area of Baltimore, across the street from the Belvedere Hotel. It is a ground-floor office and has large picture windows, which the firm expects to utilize to the fullest for display purposes. Since the pedestrian traffic density is heavy in this area the firm believes the move will result in many citizens becoming better aware of the facilities the brokerage industry provides.

The financial community of Baltimore has been concentrated within two or three blocks for the last 100 years, and Mead, Miller & Co. feels that since it is now the sixth largest city in the United States, the community deserves stock exchange and investment facilities in the mid-town area.

The State of Trade and Industry

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

A seasonal decline was evident in total industrial production for the nation as a whole in the period ended on Wednesday of last week from that of the preceding week. Compared with the similar period a year ago, the decrease amounted to about 3%.

The principal cuts from the 1952 level continued to be found in the output of durable goods.

Labor-management disputes, it was reported, were more frequent than at this time last year and following Christmas were expected to rise perceptibly.

Foreign aid spending in the fiscal year ending June 30, Foreign Operations Administrator Stassen indicates, will be between $5,000,000,000 and $6,000,000,000, but less than the latter figure. This estimate, according to Mr. Stassen, may drop as much as $1,000,000,000 below Administration projections last summer. He noted that free nations boosted industrial production in calendar 1953 to an all-time high, with Western Europe's output 4% above any preceding year.

United States gold holdings have increased by $1,000,000 during the past three weeks. This reversed the heavy outflow of the metal from this country's coffers which began late last year. Since November, 1952, United States gold stocks have dropped by $1,300,000,000 to a total of around $22,000,000,000 — lowest since Oct. 3, 1951. The turn in the tide is due partly to an increase in United States commercial exports. These were slightly ahead of a year ago during the third quarter; in the first half of 1953, they were 15% behind the like 1952 period. Imports, which had been rising steadily earlier this year, have leveled off.

Residential construction put in place this year, according to the United States Department of Commerce, will reach an estimated total value of $11,700,000,000. This will bring outlays for new dwellings in the postwar period to $75,000,000,000.

Although down seasonally from October, the total of building permits in November remained above the year-ago volume for the fourteenth successive month, reports Dun & Bradstreet, Inc. Permits issued in 215 cities, including New York, last month amounted to $375,582,397, a gain of 14.6% above the November, 1952 total of $327,647,057, but a drop of 11.6% from October with $424,708,960.

The estimated cost of building plans filed in New York City alone during November was $49,037,818, up 25.4% above the same month last year with $39,097,490, but a decrease of 13.5% from the preceding month with $56,692,401.

Building permit valuations for the 215 reporting cities reached a total of $4,720,656,928 during the first 11 months of 1953. This marked an increase of 15.0% above last year's total of $4,105,980,623 for the cumulative period. It reflected a drop of 7.9%, however, from the record high volume of $5,123,687,079 for the comparable 1950 period.

By the end of next week American steel companies will have set a new record for steel produced in a year, "The Iron Age," national metal-working weekly, states this week. It is estimated that 1953 output will total 111,900,000 net tons. This is only one-tenth of a million tons less than "The Iron Age" predicted early this year the industry would pour during the 12-month period.

Production this year, it notes, stands head and shoulders above the industry's best previous record of 105,200,000 tons poured in 1951. Output in 1952 totaled only 93,200,000 tons, as the operations of most companies suffered from a 54-day strike.

Operations this year, based on highest capacity in history (117,500,000 net tons), averaged 95.2% of rated capacity. Highest average operating rate was achieved in 1951 when industry output averaged 100.9% of rated capacity.

Steelmakers are using the year-end holidays to balance out operations for 1953. Operations this week are scheduled at 67.0% of rated capacity, down 17.5 points from last week's revised rate. Indications are the rate will be about the same next week, this trade authority states.

A good many furnaces will be banked over each of the holiday week-ends; a few will go out of production before Christmas and will not resume until after New Year's.

While operating rates were sagging, the order outlook actually improved, this trade journal observes. Best news in several weeks was the Fisher Body request to its steel suppliers that its entire January and February delivery schedules be advanced a full two weeks. In most cases suppliers were more than glad to oblige.

This will boost January bookings from the auto industry significantly, it asserts. Elsewhere in the Midwest there is a late move underway among some manufacturers to improve their January bookings. While this is tightening the market somewhat, they are having little trouble finding all the mill space they want.

Many important consumers are actually placing bigger first quarter 1954 orders than they did in 1953, "The Iron Age" reports. The major mills tell the same story. The chief difference between now and last year appears to be a sizable increase in capacity and a noticeable decline in military orders.

This trade magazine adds, the market should remain at a good level through the first half of next year. After that, it's a good bet there will be a slump, especially if a new wage contract is negotiated without a strike.

In the automotive industry production rose last week, but despite these current actions, it will fall again this week. The current week's decline will be due to more than the Christmas holiday, as some plants will be down entirely this week while others will work only three days. No important production upturn will occur until January, "Ward's Automotive Reports" states.

Last week industry car output rose 16% to 99,985, from 85,929 in the previous week, according to "Ward's." In the like year ago week about the same number were assembled—99,509.

Continued on page 30

Observations . . .

By A. WILFRED MAY

MARKET versus VALUE JUDGMENT

In last week's column we cited with detailed quotation the significant excerpts from an article, "Virtues of a Flexible Investment Policy,"* by Mr. A. J. Cortese, well-known market analyst and commentator, because it set forth ably and clearly the argument on behalf of the "market" versus the "value" approach. Mr. Cortese's thesis for "flexibility" in investing embodied the following points, which not only are important but are embraced by a wide sector of the investment community:

A. Wilfred May

(1) Basically, that investing can be made more productive by greater e m p h a s i s on judgment about the future of security *prices* in the market place (in lieu of concentration on long-term intrinsic company *value* criteria); with "closer attention to the near-term outlook."

(2) That "flexibility" is b a s e d on the ability to profit from agility in forecasting price changes and relative activity in trading. (His tenet number one: "The investor will sell an issue when he first experiences, for whatever reasons, doubts about its outlook.")

(3) Hesitancy to take a profit or a loss (as because of the tax bill) entails "sterility" in portfolios.

* * * *

OUR DISSENT

With this thesis we expressed hearty disagreement. While, as Mr. Cortese and others frequently point out, there is necessarily some shadowiness between the two viewpoints in some of its aspects, the difference in the *degree* to which they are held, renders the schism between the two approaches essentially real and absolute.

Specifically, we offered the following conclusions in rebuttal:

(1) The possibility of predicting price changes (either in the case of individual issues or via "beating the so-called market-as-a-whole") offers a tempting bait of *escapism* to an oasis of safety-and-profit, from the more easily recognized shortcomings and rigors of value factors which are relevant to consideration of a share of stock as a part ownership of a going business.

(2) On empirical as well as theoretical tests, the capital gains appeal is a mirage. Objective analyses have consistently revealed that efforts to catch-the-swings, via so-called *trend* anticipation or otherwise, by the highly expert as well as the inexpert, have proved abortive.

(3) Midst the many foibles embraced both by the professional and the lay investor, and the disturbances unbalancing his emotions and judgment where his own portfolio is concerned, to base decisions on "doubt" or other playing-by-ear is to rely on a mighty thin reed.

(4) Equally nebulous is the implied endorsement of the process of trying to out-guess the other guessers.

(5) That the actual mathematical incidence of the tax levy on capital gains should not be overlooked with wishful-thinking.

(6) Affirmatively: instead of a stock certificate being regarded as a counter in a glamorous game of forecasting price changes in a liquid market; it should be judged according to its attractiveness as part ownership in a going property; and pursuant to the expectable degree of safety, and the amount of return to cover annual amortization for the recouping of one's capital, after charging one's self the going rate of interest, plus profit, recoverable over the long-term future. Thus, and only thus, are the multiplier and the yield given real meaning.

On the test of hard-boiled material results, as well as logic, such an approach keyed to value is preferable!

* * * *

REBUTTAL FROM MR. CORTESE

In rebuttal to our commentary, and in elaboration of his thesis, Mr. Cortese has sent us the following communication:

DEAR MR. MAY:

Your comments in last week's column on my "Flexible Investment Policy" call for a reply.

Your principal dissent seems to be that investing for appre-

Continued on page 38

*Mr. Cortese's article appeared in "Trusts and Estates" for October, 1953.

Legislation for Industrial Participation in Atomic Energy

By JAMES E. VAN ZANDT*
U. S. Congressman From Pennsylvania
Member, Joint Congressional Committee on Atomic Energy

Holding "we are several years late in development of atomic energy for civilian uses," Congressman Van Zandt explains his Bill to amend the Atomic Energy Act so as to promote the development of atomic power by private enterprise. Says a feature of Bill is to allow patents on non-weapon developments. Defends giving private enterprise opportunity to develop atomic power, and decries fear this participation will turn over control of atomic energy to monopolistic corporations.

Section I of the Atomic Energy Act of 1946 states "The utilization of atomic energy shall be directed toward improving the public welfare, increasing the standards of living and strengthening free competition."


James E. Van Zandt

Since 1946 when the act was written, vast changes have taken place in the field of atomic energy —not only in the field of accumulated technical knowledge but in our thinking as to the best ways of utilizing atomic energy to improve the public welfare, increase the standards of living, and to strengthen free competition.

Since the first controlled fission, or burning of uranium in 1942, our nation has steadily improved its position in the field of atomic energy until today we have enough atomic explosives, either in hand or in sight, to support a program both for national defense and domestic use.

In my opinion, we are several years late in the development of atomic energy for civilian uses. With that thought in mind, on April 20, 1953 I introuced H. R. 4687, a bill to amend the Atomic Energy Act of 1946. My bill, which is at present pending before the Joint Committee on Atomic Energy, will promote the development of atomic power by private enterprise for industrial development — first by allowing private enterprise to own or hold, on long term lease, the material to run atomic power plants.

Secondly, the bill will authorize the Atomic Energy Commission to regulate such power plants; and thirdly, it will prevent an atomic TVA by prohibiting the Atomic Energy Commission from selling power, except as produced in conjunction with manufacture of weapons materials.

In addition, the bill will allow patents on privately financed non-weapon developments. It will also allow the United States to give assistance to friendly governments in building atomic power plants—whenever it is in the interest of national security to do so.

Purpose of Bill

My main purpose in introducing H. R. 4687, which by the way, might be called a minimum bill, is to place before Congress the principal elements of the legislative problems of development of domestic uses for atomic energy—principally in the industrial field. As I told the House of Representatives last spring, finding a solution to this problem is a major issue before this Congress, and the nation, and while my bill may not be an ideal one, it does raise the main issues involved.

*An address by Congressman Van Zandt before the 58th Annual Congress of American Industry sponsored by the National Association of Manufacturers, New York City, Dec. 4, 1953.

As many of you recall, lengthy hearings were held by the Joint Committee on Atomic Energy, and while my bill was not the subject of the hearings, practically every witness agreed that the Atomic Energy Act of 1946 should be amended to permit private enterprise to participate more freely in the Atomic Energy program.

It was the general consensus of opinion that only the minimum of long term decisions should be made by Congress, and only decisions necessary to launch a healthy development program.

As was expected, there developed during the hearings protests on the part of some against what they termed the "turning over of atomic energy development to the big monopolistic corporations."

Such opposition is merely the repetition of the debate that has been going on for years in the United States between those who favor the socialistic scheme of putting the government in business through subsidized public projects to the detriment of private enterprise.

In this connection, I am pleased to report to you that there are many of us in Congress who have been and are today making a great effort to get our government out of business and out of the hair of you businessmen. In a few words, we are determined to halt Creeping Socialism by allowing private enterprise to perform its functions in a free economy.

Those who oppose the opportunity for private development of atomic power by American industry ignore the fact that the greatness of our nation stems primarily from free enterprise. They fail to realize that private enterprise can play an equally important part in attaining the objectives of Section I of the Atomic Energy Act—"The utilization of atomic energy shall be directed toward improving the public welfare, increasing the standards of living, and strengthening free competition."

The opponents of giving free enterprise greater latitude in the atomic energy program point to the nearly $13 billion that will have been spent in the field of atomic energy by the American taxpayers, including this fiscal year. They cry aloud that it would be foolhardy to turn over such an investment to private enterprise.

They forget, however, that the expenditures in the field of atomic energy to date have been primarily for military purposes, and as a nation we have received great benefits in the field of national security at a time when such security depended to a great extent on a stockpile of atomic weapons.

Regard for Interest of the Taxpayer

Let me assure you that Congress will never disregard the welfare of this nation and the interest of the American taxpayer.

Then, too, it should be borne in mind that the money of the American taxpayer has been, and is being spent in many other fields, just as it is being spent today in the development of atomic energy.

We should not forget the billions of dollars of tax money spent in developing the airplane, the turbine and diesel engines, and in many other fields of industrial development that were later turned over to free enterprise for further improvement and development for the benefit of mankind.

Let me read to you an interesting quotation from Vice-Admiral Earle W. Mills, USN (Ret'd), President of the Foster-Wheeler Corp., when appearing, the past summer, before the Joint Committee on Atomic Energy: "It has not been many years ago that we were almost dependent upon licenses from abroad, particularly the English, for the production of turbines used in our combatant and auxiliary ships. Having decided that was not a good position to be in, we enlisted the aid of industry to solve the problem, and I think the outgrowth of that development through the help of industry has resulted in the United States Navy having the finest motive power of any navy in the world today."

In my opinion, this statement by Admiral Mills proves that by permitting private enterprise to become a greater part of the atomic energy effort, such action will not establish a new precedent to the contrary, but will serve the best interests of this nation.

Our government, working arm in arm with private industry in the field of free enterprise, has given the American people a nation that is recognized as the leader of the world.

In my opinion, Congress will not hamper that leadership by giving recognition to the spurious charge that to permit private industry freer participation in the development of atomic energy amounts to "turning over atomic energy development to the big monopolistic corporations."

The leadership that we enjoy today in the field of atomic energy for peaceful aims, is being challenged by several nations of Europe, who are developing atomic furnaces to generate cheap electric power.

What Russia is doing in this field no one seems to know, but I am sure you will agree it would be very embarrassing and our prestige abroad would be seriously injured if Moscow would announce that she had perfected an atomic furnace and was ready to provide the world with electric power in plentiful quantities.

As you can imagine, and as I know from my visits to various foreign nations, these power-hungry nations would flock to Russia to enjoy the benefits of cheap electric power. In other words, Moscow would have these nations literally "eating out of her hand."

To maintain our leadership in the world, we must take advantage of the great supply of uranium that we have at our fingertips today. We can do this by recognizing that the time has arrived when the government should relax its monopoly in the field of atomic energy. This can be brought about by permitting private industry to enter this field on a competitive basis which we know will expand our domestic progress at a rapid rate in a growing America.

In the early days of our atomic energy effort not a great deal was done in exploration for uranium. Since 1948, however, with incentive payments being offered prospectors and through contracts with foreign nations, our supply on hand and procurable represents an "energy potential" that excels all other fuels. In plain words, since we have the uranium market of the free world cornered, we can continue our prog-

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Resource Development—Joint Job Of Local and Federal Government

By HON. DOUGLAS McKAY*
Secretary of the Interior

Asserting how national resources are managed today will determine whether we can hold our place in world, Secy. McKay urges program of development of water and power resources by localities jointly with Federal Government. Maintains, however, Federal power facilities must not be hampered and Federal reclamation projects must go forward: Contends resource development of water, minerals, public lands and forests must no longer be centralized in Washington. Hits at extravagance in Government.

The major portion of the work of the Department of the Interior is located in the States west of the Mississippi River. The great hydroelectric projects are confined to 17 Western States The vast public domain upon which the bulk of the nation's meat supply is produced, sprawls over several Western States. Much of our minerals supply comes from Mountain States.


Douglas McKay

These resources, with many others, are under the jurisdiction of the Department of the Interior. Westerners having close contacts with the department are generally conversant with the rich values of our natural resources and are deeply concerned with their management.

Easterners whose stake in these resources is of equal importance in many instances appear to be less concerned.

All Americans, whether they live in New York or Colorado, in Florida, or Maine, should be interested in how their government manages their national estate. The estate is the untold riches which have made the United States the world's greatest nation.

How the national estate is managed today will determine what sort of life our grandchildren and their grandchildren will have in the years to come.

To the same degree, the management and development of our natural resources will determine whether this nation will continue to hold its proud place in the vanguard of the countries of the world.

If we permit wasteful practices to plunder our forests, if we exploit the public lands, destroy the beauties in our national parks, we are lax in the discharge of responsibility.

Conservation then, is not the job for a restricted few. It is the duty of every citizen, whether he lives on a reclamation farm in Montana, or in a towering apartment building in New York.

True conservation does not mean the locking up of our natural resoures. It must be interpreted a proper development, the wise management of them, so that future generations will be able to benefit form them as we do today.

Partnership Between Government And Citizens in Resource Development

Certainly it cannot be done by the Federal government alone. Nor can one group of citizens carry out a conservation program successfully.

How then can it be best accomplished? It must be done in partnership between the citizens and the Federal Government. That is the aim of this Administration. It is a sound policy. It will succeed when the people are fully aware of their responsibility and move to exercise it properly.

One of the great tasks before the Administration is the development of the water resources of the nation. The East has had several experiences in recent years that brought home to you the vital importance of water in your daily lives.

The discomforts experienced because of the water shortages eventually passed, and with reservoirs replenished, any concern for future shortages disappeared.

That is not the case in the arid and semiarid states of the West.

There water is the lifeblood, the great and most important resource. The population of the West can expand only as rapidly as the rivers' basins are developed.

Industrial growth and agricultural development is dependent almost entirely on how wisely we develop the Columbia, the Missouri, and the Colorado rivers.

For the past two decades, the Federal Government has attempted to exclusively impose on the states and local communities its own ideas for river basin development. By accepting this full responsibility, it, of course, assumed the financial burden for the initial construction of the projects.

Long-term contracts were worked out with water users for the ultimate payment of the debt. Rates for electric power which was created as a by-product of the giant dams were likewise paid by consumers.

The pay-out period on most of the projects might cover 50 years.

Reclamation of land through irrigation is a costly necessity. It is estimated since 1933, the Federal Government has spent more than three billion dollars for reclaiming western lands.

Every taxpayer in the United States has shared in this tremendous burden. The national economy has been strengthened by the programs, but direct benefit to the people of nonreclamation states is rather remote.

Arguments against reclamation heard most frequently in the East emphasize that fact. In many respects the argument is worth consideration.

Reclamation Job Must Not Be Abandoned

The Federal Government, however, must not abandon its important job of reclaiming the arid lands of the West. The Eisenhower Administration has no intention of limiting the development programs which have contributed so greatly to strengthening the national economy.

As Secretary of the Interior, the Department which is responsible for this work, I am determined that the reclamation program be carried forward with vigor.

The expansion of Federal power facilities must not be hampered. I am a firm believer in Federal

Continued on page 39

*An address by Secy. McKay before the Calvin Bullock Forum, New York City, Dec. 1, 1953.

NEW ISSUE

$280,000,000

INDIANA TOLL ROAD COMMISSION

3½% Toll Road Revenue Bonds

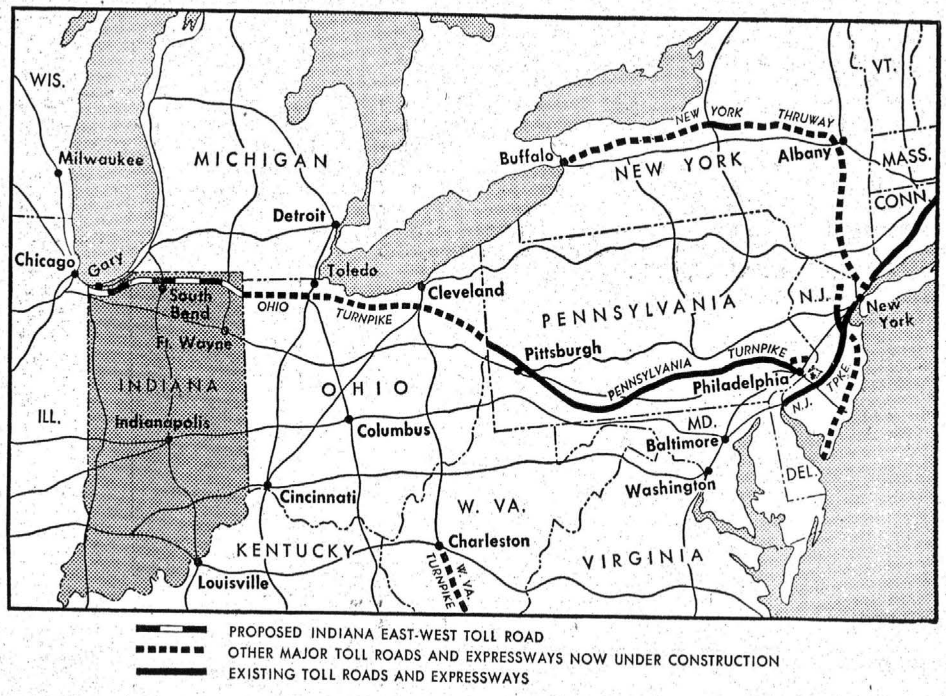
(East-West Toll Road)

Dated January 1, 1954 Due January 1, 1994

Principal and semi-annual interest (January 1 and July 1) payable in Indianapolis, Indiana; South Bend, Indiana; Chicago, Illinois; or the Borough of Manhattan, City and State of New York, at the option of the holder. Coupon bonds in $1,000 denomination registerable as to principal only, or registered bonds without coupons in denominations of $1,000 and any multiple thereof, interchangeable as provided in the Trust Agreement.

Redeemable prior to maturity, on not less than 30 days' published notice, as a whole otherwise than by operation of the Redemption Fund at any time on or after January 1, 1962, or as a whole or in part by lot, by operation of the Redemption Fund, on any interest payment date on or after January 1, 1959, at the following prices and accrued interest to the date fixed for redemption:

Period	*Redemption Price* — *Redemption Fund*	*Redemption Price* — *Otherwise*
January 1, 1959 to and including December 31, 1961	103%	Non-Callable
January 1, 1962 to and including December 31, 1964	102½	103%
January 1, 1965 to and including December 31, 1967	102	102½
January 1, 1968 to and including December 31, 1970	101½	102
January 1, 1971 to and including December 31, 1973	101	101½
January 1, 1974 to and including December 31, 1976	100½	101
January 1, 1977 to and including December 31, 1979	100	100½
January 1, 1980 and thereafter	100	100



Interest on the bonds is exempt, in the opinion of Bond Counsel, from present Federal income taxes under existing statutes, regulations, rulings and court decisions.

The bonds, their transfer and the income therefrom (including any profit made on the sale thereof) are exempt, in the opinion of Bond Counsel for the Commission, from all taxation within the State of Indiana except estate and inheritance taxes.

The bonds are issued under the terms of a Trust Agreement dated as of December 15, 1953 between the Indiana Toll Road Commission and The Indiana National Bank of Indianapolis, as Trustee, and Merchants National Bank & Trust Company of Indianapolis, as Co-Trustee. The bonds are issued for the purpose of paying the cost of construction of the East-West Toll Road of the Indiana Toll Road Commission.

The bonds and the interest payable thereon do not constitute an obligation of the State of Indiana or of any political subdivision thereof, but are payable solely from the revenues available therefor under the terms of the Trust Agreement.

Price 100% and Interest

The bonds are offered when, as and if issued and received by us, subject to the unqualified approving legal opinion of Ross McCord Ice & Miller, Indianapolis, Indiana, Bond Counsel for the Toll Road Commission, and Hawkins, Delafield & Wood, New York, New York, Bond Counsel for the Underwriters.

Offering of these Bonds is made only by means of the Official Statement, copies of which may be obtained from such of the undersigned as are registered dealers in securities in this State.

Smith, Barney & Co. The First Boston Corporation Drexel & Co. Halsey, Stuart & Co. Inc.

City Securities Corporation Collett & Company, Inc. Indianapolis Bond and Share Corporation Raffensperger, Hughes & Co. Incorporated

Blyth & Co., Inc. Harriman Ripley & Co. Incorporated Lehman Brothers Stifel, Nicolaus & Company Incorporated B. J. Van Ingen & Co. Inc.

C. J. Devine & Co. Eastman, Dillon & Co. Equitable Securities Corporation Glore, Forgan & Co. Goldman, Sachs & Co. Hemphill, Noyes & Co.

Kidder, Peabody & Co. Merrill Lynch, Pierce, Fenner & Beane John Nuveen & Co. Phelps, Fenn & Co. Union Securities Corporation

A. C. Allyn and Company Incorporated Bear, Stearns & Co. A. G. Becker & Co. Incorporated Blair, Rollins & Co. Incorporated Alex. Brown & Sons Estabrook & Co. Hornblower & Weeks F. S. Moseley & Co.

Paine, Webber, Jackson & Curtis R. W. Pressprich & Co. Salomon Bros. & Hutzler Shields & Company Stone & Webster Securities Corporation White, Weld & Co.

December 18, 1953

Dealer - Broker Investment Recommendations & Literature

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

Canada—Monthly bulletin—Ross, Knowles & Co., 330 Bay Street, Toronto, Ont., Canada.

Fire & Casualty Insurance Results for 1953—Preview—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y. and Russ Building, San Francisco 4, Calif.

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

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

Poor's 1954 Register of Directors and Executives—Contains corporate listings of nationally known companies, titles and duties of all leading officers and directors, technical personnel, traffic managers, sales managers, purchasing agents, etc.; includes histories of 80,000 executives; breakdown of 203 classifications of industry, with a products index of over 2,500 commodity and service items—For examination copy write Dept. A735127. Standard & Poor's Corporation, 345 Hudson Street, New York 14, N. Y.

Steel — Analysis — Calvin Bullock, 1 Wall Street, New York 5, New York.

Stocks Near 1953 Lows With Favorable Prospects for 1954—List—Eastman, Dillon & Co., 15 Broad Street, New York 5, New York.

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

* * *

Arden Farms Co. — Memorandum — Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available is a memorandum on **Title Insurance & Trust Co.**

Avon Products, Inc.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y. Also available are memoranda on **Colonial Stores Inc.**, and **International Cellucotton.**

Baxter Laboratories, Inc. — Analysis — Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Brunner Manufacturing Co.—Memorandum—De Pasquale Co., 55 William Street, New York 5, N. Y.

Burlington Mills Corp.—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Chase National Bank of the City of New York—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

County Trust Company of White Plains—Bulletin—Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

Diesel Power, Inc.—Memorandum—Graham & Co., 610 Smithfield Street, Pittsburgh 22, Pa.

Federal Paper Board Company, Inc.—Brochure—Bertrand W. Hall & Co., 41 East 42nd Street, New York 17, N. Y.

Fire Association of Philadelphia—Memorandum—Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

Foster Wheeler Corp.—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is data on **Empire District Electric** and **Audio Devices.**

General Electric—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

General Gas Corp. — Memorandum — Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Gulf Life Insurance Company — Analysis — Equitable Securities Corporation, 322 Union Street, Nashville 3, Tenn. Also available is an analysis of **Tennessee Production Company.**

Interlake Iron Corp. — Memorandum — Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Shell Oil Co.**

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

Iowa Public Service Co.—Memorandum—Milwaukee Co., 207 East Michigan Street, Milwaukee 2, Wis. Also available are memoranda on **P. R. Mallory & Co. and Royal Dutch Petroleum Co.**

National Distillers Products Corp.—Memorandum—David A. Noyes & Co., 208 South La Salle Street, Chicago 4, Ill. Also available is a memorandum on **Pullman, Inc.**

Plastic Wire & Cable Corp.—Bulletin—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

Radio Corporation of America—Bulletin—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a list of stocks which appear to have been under year-end tax pressure.

Riverside Cement Company—Analysis—ask for report T-31—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Texas International Sulphur Company and Central Minera, S. A.—Bulletin—Vickers Brothers, 52 Wall Street, New York 5, N. Y.

West Penn Electric — Memorandum — Josephthal & Co., 120 Broadway, New York 5, N. Y.

NSTA Notes

BOND TRADERS CLUB OF CHICAGO

F. Girard Schoettler of Wayne Hummer & Co. has been elected President of the Bond Traders Club of Chicago, Inc., to succeed Leonard J. Wolf of A. G. Becker & Co. Inc. George R. Torrey of McCormick & Co. has been elected Vice-President and

F. Girard Schoettler

George R. Torrey

Raymond Hofer

Raymond Hofer of Ernst & Company was elected Treasurer. Henry A. Gorder of Stone & Webster Securities Corporation was elected Secretary.

The club announced that its mid-winter meeting will be at the Furniture Club on Jan. 25.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Dec. 17, 1953, is as follows:

Team:	Points
Klein (Capt.), Fredericks, Murphy, Weseman, Huff	44½
Bean (Capt.), Bass, Valentine, Eiger, Bradley	38½
Leone (Capt.), Nieman, Gannon, Tisch, Greenberg	38
Serlen (Capt.), Rogers, Gold, Krumholz, Gersten	37
Krisam (Capt.), Pollack, Cohen, Smith, Strauss	35
Meyer (Capt.), M. Meyer, Frankel, Wechsler, King	34
Growney (Capt.), Boggs, Siegel, Voccolli, Lienhardt	31½
Donadio (Capt.), Craig, Gronick, Bies, Demaye	30
Kaiser (Capt.), Hunt, Werkmeister, Swenson, Ghegan	29
Hunter (Capt.), Brown, Reid, Farrell, Barker	28
Burian (Capt.), Gavin, Clemence, Montanye, Whiting	27½
Manson (Capt.), Jacobs, Topol, Weissman, H. Frankel	17

200 Point Club
Roy Klein 233

5 Point Club
Charlie Kaiser
George Leone

Sweepstake winners were Roy Klein, 437; Bill Eiger, 419; Hoy Meyer, 408.

A Merry Christmas & A Happy New Year

President's Housing Commission Recommends A National Mortgage Marketing Corporation

Says, by thus creating a "secondary mortgage market," facilities will be provided for free operation of the mortgage market and make savings available for home financing in all parts of the country and for all types of housing.

According to the recently issued report of the Advisory Committee on Government Housing Policies and Programs, set up by President Eisenhower, legislation should be enacted to create a secondary mortgage market facility to be known as the National Mortgage Marketing Corporation.

The Committee recommends that such a corporation be Federally chartered, with its initial stock of $50 million to be subscribed by lenders eligible to use its facilities. At the end of 90 days the Federal Home Loan Banks will subscribe an amount necessary to achieve an aggregate subscription of $50 million. The initial stock would be retired from earnings and the sale of stock to participating institutions. The Corporation would be authorized to issue debentures on the private market and without a governmental guarantee up to 12 times the amount of its stock and surplus but in no event in an amount exceeding the unpaid balance of FHA insured and VA guaranteed mortgages which it holds. It is expected that the Corporation would purchase and sell only those mortgages for which a normal market exists. Institutions selling mortgages to the Corporation would be required to maintain at all times stock of not more than 4% of the unpaid balance of their mortgages held by the Corporation. It is believed that a corporation of this type can be successfully established without government funds and government guarantees, that it can successfully raise its own funds in the private market, and that it can fulfill an unmet need by facilitating the flow of long-term savings into sound programs and areas of the country where such investment funds are not available in adequate supply. It is further recommended that the Home Loan Bank Board be abolished and that a broadly representative five man board be created to supervise the Federal Home Loan Bank System, the Federal Savings and Loan Insurance Corporation, and the National Mortgage Marketing Corporation. (Appendix 4, Rec. 2).

A substantial minority of the Committee has disagreed with certain aspects of the National Mortgage Marketing Corporation as recommended by the majority. Those who differ with the proposal believe that the Treasury should have authority to guarantee limited amounts of the debentures of the Corporation, as necessary, to enable the Corporation to support the proposed new programs for insurance of mortgages in urban renewal areas and for the insurance of long-term, small down payment loans to low-income families. They believe, also, that the Corporation should not be capitalized with funds subscribed by the Federal Home Loan Banks but rather by the temporary utilization of funds to be transferred from the Federal National Mortgage Association and thereafter retired from the proceeds of stock subscription purchased by participating institutions. In addition, the Corporation should be authorized to make loans on the security of insured and guaranteed mortgages.

Although the majority report did not prohibit the granting of advance commitments by the Corporation, the minority desired to have this authority made explicit. The minority also believed that the minimum stock investment of financial institutions selling mortgages to the Corporation should be 2% of the unpaid balances of mortgages held by the Corporation rather than the 4% figure contemplated by the majority. The minority, moreover, did not believe that the new National Mortgage Marketing Corporation should be administered by the same board which would also be in charge of supervising the Federal Home Loan Bank System.

John J. Lucas Joins Sutro & Company

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John J. Lucas has rejoined Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Lucas has recently been a partner in Davies & Co.

Hemphill, Noyes Admits Bradlee As Partner

BOSTON, Mass. — Hemphill, Noyes & Co., members of the New York Stock Exchange, on January 1 will admit Dudley H. Bradlee II to partnership. Mr. Bradlee is co-manager of the Boston office, 10 Post Office Square.

Robert E. Keane Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert E. Keane is engaging in a securities business from offices at 210 West Seventh Street. In the past he was with Paul D. Speer & Co. and Nelson Douglass & Co.

The Stock Market—What It Is and What It Means

By W. CARROLL MEAD*

Mead, Miller & Co., Baltimore
Members, New York Stock Exchange
Chairman, Education Committee, Investment Bankers Ass'n

Commenting on the maze of economic and financial developments that make us realize we are living in a really dynamic economy and a constantly changing world, Baltimore investment banker holds the most accurate interpreter of news and figures is the stock market. Describes, by classes, the various investment media and the separate groups of stocks listed on the exchanges. Says there is a "fifth freedom"—"the right to put your savings to work in the way you deem best."

. . . Although some may understand all the financial news, there may be some who wonder what it all means.

We do have an interpreter —a pretty accurate interpreter—of all the maze of news and figures, and that interpreter is what is commonly called "the market." This interpreter expresses its opinion in the quotations you read daily in the paper. They fluctuate on the basis of this never-ending news. They represent the opinions of the investing public in a free auction market — one of the great free markets of the world. The hopes and fears of the investing public are constantly expressed daily in these quotations. Capital is restless, constantly seeking a better return for equal quality.

W. Carroll Mead

Because the market is an interesting subject, I thought I would talk to you a little about the market and how it is made up by classes of various investment media.

The Government Bond Market

The basic of all markets is the government bond market, and for all fiduciaries and institutions that have dollar liabilities, the U. S. Government bond is still the premier investment bond of the world.

On this easel, we see a blow-up of a typical bond offering sheet. The issues you see constitute the government marketable bonds, and these marketable bonds plus the savings bonds bring our government debt to approximately $275 billion, which is the current debt limit. Few of us can visualize what $275 billion is, but some idea of this amount may be gained when we realize that the total market value of all the stocks listed on the New York Stock Exchange comes to a little over $100 billion.

The government debt may be divided into four classifications:

(1) Government bills, which mature in 91 days and are offered usually in the amount of $1,500,000,000 at competitive bidding. This is our most sensitive interest rate, and these bills provide prime investment for short-term funds.

(2) Treasury Certificates, which are issued for one year.

(3) Treasury Notes, which are issued for five years or less.

(4) Treasury Bonds, which are issued for over five years.

It may be broadly stated that our commercial banks are the biggest buyers and holders of government bonds up to five-year maturity and that the long-term government bonds have their appeal to savings banks, life insurance companies, and other fiduciaries. This government bond market is being constantly scanned by our commercial bankers and other professional investors. All security markets are highly competitive. Every bond is competitive with existing outstanding bonds. The market is close and is expressed in 1/32nds.

The composition of this debt structure was an inheritance from the previous Administration, and the policy in previous years was short-term borrowing through the banking system to secure the lowest possible rate. You will observe that 75% of this government debt matures within five years or on demand such as the series E and F savings bonds.

The new Treasury team is making the attempt to lengthen the maturity of this debt and take it out of the banking system and make it attractive for the long-term investor. The first such attempt was the issuance this year of the new Treasury 3¼% bonds of 1983. This bond is now the bellwether bond of all long-term debt, and at their present price of 105, yields slightly less than 3% to maturity. All long-term corporate debt is tied to these new 3¼% bonds.

I have broken down the maturities of the government debt to show you how the yield increases as the maturity lengthens and where our corporate debt fits into this picture and to show you the yields obtainable from various investment media.

Yields of Various Investment Media

91 day Treasury Bills	1.50%
1-year Treas. Certificates	1.40%
3-year Treasury Notes	2.24%
5-year Treasury Notes	2.43%
10-year Treasury Bonds	2.63%
Victory 2½% 1972-67	2.84%
New Treas. 3¼% 1983-78	3.00%

Public Utility Long-Term Bonds

AAA	
Chesapeake & Potomac Telephone Co.; Cons. Gas Elec. Lt. & Pr. Co., Baltimore; Philadelphia Electric Co.	Av. 3.15%
AA	
American Telephone & Telegraph Co.; Cons. Edison Co. of N. Y.; Detroit Edison Co.	Av. 3.21%
A	
Carolina Pr. & Light Co.; Florida Power & Light Co.; Illinois Power Co.	Av. 3.40%
BAA	
Tennessee Gas Transmission, United Gas Corp.	Av. 3.77%
Preferred Stocks	4 - 4½%
Common Stocks	5, 6, 7%

Thus, you will see that the average return on an "AAA" bond of 30-year maturity is 3.15% and how this return shows a progressive increase on various quality-rated bonds. These utility bonds are sold at competitive bidding to investment banking groups, and when you read an advertisement in the "Wall Street Journal" of a public utility issuing bonds and the price confuses you, you may rest assured that this price is in direct relationship to the price of outstanding equally-rated obligations. The investment banker tries to offer the bonds at a slight concession to existing levels to attract the potential buyer to accept the new bonds for his portfolio.

The buyers of our public utility debt and other high-grade bonds are largely life insurance companies, pension funds, college endowment funds, and savings banks. The individual bond buyer is pretty much a thing of the past. The commercial banker, being a short-term lender, is, of course, not interested in bonds of long maturity.

The reason for the success of the recent $300 million bond offering of General Motors Corporation was the fact that these bonds were offered at a slight price concession from other AAA bonds, plus the fact that the company had no outstanding debt with the the public, and the bonds have a scarcity value.

We see the increased return when we come down the ladder to the preferred stock category. Every preferred stock is competitive with existing preferred stocks. Many of them have certain indenture provisions, which make them more attractive than other preferred stocks. Many of the recently-issued preferred stocks have a sinking fund.

The Common Stocks

We now arrive at the common stock level. We see returns of 5, 6, 7%. To the average individual investor, this is the most attractive segment of the market. Without considering the thousands of common stcoks that have a public market in the over-the-counter market, I will confine my remarks to the approximately 1,200 stocks that are listed on the New York Stock Exchange. They have gone through the most exacting requirements as to size, earnings, age, etc.

These 1,200 companies represent the cream of our industrial economy. In 1952, 975 paid dividends for an average yield of 6%. Many have paid divdends without interruption for 20, 50, and even 100 years, through wars, panics, and every conceivable economic upheaval. If you want advice, this is available free of charge from any New York Stock Exchange firm. Countless opportunities are available to you—yields of 5, 6, 7%—by becoming a partner in the company of your choice. From this broad list of equity stocks, it is possible to make an intelligent investment for any conceivable purpose. You can select a defensive stock if you feel the economic weather is threatening. You can select a growth stock, yielding a small return but with very excellent prospects of future growth and long-term appreciation, or you might choose an out-right speculation in some currently depressed industry or a new industry. If properly chosen, they tend to increase in value. They are easy to handle. They have fine collateral value, and although it may be said that the inflation threat is somewhat lessened by the new Administration in Washington, the potential threat is still there, and they do offer some protection from possible future inflation. Up-to-date statistical analyses are available at any broker's office on any of the listed corporations. For individuals, I commend the stocks of our listed corporations for your most careful scrutiny and consideration.

Earning power is by far the greatest factor in the appraisal of common stocks. What does the company earn and what are the potential earnings?

Groups of Stock Exchange Stocks

We can divide many of the stocks on the stock exchange into groups: namely, the public utility stocks, merchandising stocks, railroad stocks, stocks of the chemical industry, and we can see a correlation in the price of the companies within a given industry. When we see a price of 27 for Consolidated Gas Electric Light & Power Company of Baltimore, that stock is selling in direct competition with similar grade utility stocks. Thus, this list is being constantly scanned by investors to see if a little more yield can be obtained from a comparable utility stock without a sacrifice of quality. They are highly competitive with every other comparable stock. The appraisal of the market place, of the management, and the stewardship of the company is all taken into consideration.

The current status of the market is usually expressed in what we commonly know as the Dow-Jones Averages. The Dow-Jones Average for 30 industrial stocks is currently hovering around the 280 level. At this price, the 30 stocks are selling at an earnings multiple of little less than 11 times, and the dividend income is about 5¾%. There has never been any adjustment in this average to take into consideration the cheapened dollar. So, if we consider the present dollar is worth approximately 52¢, the current Dow-Jones Average would be around 145 instead of 280. The United States dollar will buy less today in terms of purchasing power than at anytime in our 178-year history. It is my opinion that stocks represent one of the really great values obtainable today.

This is the time of the year for our annual economic forecasts. You will read many and translate them to your respective companies. I will not make any, but will suggest that you use your imagination and look forward. You have seen the transformation of our railroads with the deisel locomotive. You have seen the birth of the television industry, the plastics industry, the air conditioning industry, the electronics industry, and we are on the threshold of the atomic age for useful purposes. We have seen the telephone company install 50,000,000 telephones, nearly one for every three people in this vast country. Our corporations are spending $3,000,000,000 a year for research.

Tonight, another dinner is being held in our neighboring city — Washington. This dinner commemorates the 50th anniversary of the aircraft industry, as it was on Dec. 17, 1903 the Wright Brothers first lifted powered aircraft off the ground at Kittyhawk, North Carolina. Thus, in the short period of 50 years, a giant industry has been created. An industry that has dwarfed the world geographically. This industry has come into being by the constant investment of capital and more capital. It has been created by men who did not fear to take a chance, by men who also realized that there were rewards. Our local companies like the U. S. F. & G., The Commercial Credit Company, Black & Decker, and countless other local industries were started by men looking to the future. Men unafraid to take the risk for the rewards that were to follow. We hear much in talking about stocks of the risk element, and I would suggest that when we talk of the risk, we also should consider the rewards.

U. S. Growing in Numbers

Few people realize how we are growing—2,500,000 a year. A town the size of Cumberland is being added to the economy every week or a city the size of Birmingham every month. Realize, if you will, that a decade hence we will have 25,000,000 more people to house, clothe, and feed. Just this prospective increase is twice the size of our northern neighbor—Canada. You can and should share in this growth, and I can suggest no better way than through ownership in the shares of our fine American corporations.

I am sorry to tell you that out of 160,000,000 Americans less than 6,500,000 own our listed stocks. We, in the investment business, are determined to measurably increase this total. Early next year, the New York Stock Exchange will institute a means of buying the shares of your choice on the installment plan where you can start with as little as $40 a month or quarter, and this newly devised plan should prove of interest to countless Americans. It should appeal to many of you, and in your fields of influence, I feel you should use your influence to tell your associates and your friends what makes up our free enterprise system. We should all be ambassadors for the American way of life.

The utility industry advertises the four freedoms:

(1) **The Bible**—To worship as we please.

(2) **The Pencil**—To write and say what you please.

(3) **The Front Door Key** — To assure you privacy.

(4) **The Secret Ballot Box**—For free elections.

We might well add a fifth freedom. The right to put your savings to work in the way you deem best. To hold a stock certificate that indicates ownership in our nation's plants and machinery. This is the best means to combat the world-wide virus of communism; the means of keeping our country strong and free and to give our people an increased standard of living. We have got to believe in public ownership of industry, ownership by our masses of people.

Buy yourself a living income in this wonderful economy. We will continue to grow, to prosper. Use your imagination. Dream of this country a decade hence. The progress of the past will seem small compared with the progress of the future.

*From an address by Mr. Mead before the Baltimore Chapter, Comptrollers Institute of America, Baltimore, Md., Dec. 17, 1953.

Morgan Stanley Co. To Admit Three

Morgan Stanley & Co., 2 Wall Street, New York 5, N. Y., members of the New York Stock Exchange, on Jan. 1 will admit William Ewing, Jr., Frank A. Petito and H. Edward Vollmers to partnership.

Alex. Brown to Admit Turner As Partner

BALTIMORE, Md. — Alex. Brown & Sons, Calvert & Redwood Streets, members of the New York Stock Exchange, on January 1 will admit Joseph J. Turner to partnership. Mr. Turner has been with the firm for some time in the research department.

Wm. J. Mericka Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — James R. Mericka has been added to the staff of Wm. J. Mericka & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Abbett, Sommer Co. Formed

FT. WORTH, Tex. — Abbett, Sommer & Company has been formed with offices in the Dan Waggoner Building to engage in a securities business. Charles W. Sommer is a principal of the firm.

A Best "Cellar" List

By SAM GLASSER
San Antonio, Texas

Pointing out the diversity in stock market behavior of the "blue chips," Mr. Glasser, in directing attention of those seeking behind-the-market situations, offers two tables of stocks, constituting a best "cellar" list.

The action of today's stock market has been aptly described as enigmatic, paradoxical and anomalous. Its performance is, indeed, strangely divergent. While the Dow Jones Industrial average hovers within 5% of the year's top, many new highs and lows are recorded daily. On one item most investors, analysts and writers agree. The blue chip, the big name company is the favorite, a fact well evidenced by the heights these stocks have attained. Here, again, however, there is a diversity. Right in the midst of the bluest of the azure section, there is inconsistency. Many of the acknowledged leaders in their respective fields, household names, are not only avoided but actually ease fractionally to new lows almost daily.


Sam Glasser

Naturally, there is a reason for all this. mainly, the unpopularity and lower prices portend an unfavorable outlook for the company affected. The solid financial status and the proven ability of the management of most of them, however, warrant the attention of those seeking "behind the market" situations. At some stage and price level, the securities of these well-known companies will have discounted most of their adversities.

In referring to the two tables of stocks as a best "cellar" list, it is not to be concluded that they are a purchase recommendation. A thorough investigation of each is urged before any action is contemplated. Group I securities range from good quality to investment calibre while those in the second section are mainly highly speculative.

GROUP I

Stock—	1953 High	1953 Low	Recent Price	1952 Book Value	1953 Yield	Some Div. Since
American Viscose (Largest rayon producer in world)	60¾	35⅛	36	51.85	5.8%	1941
Celanese (World's biggest celulose maker)	38⅝	19½	19½	18.13	5	1939
Chrysler Corp. (A leading car & truck mfr.)	96¼	60⅝	61	64.82	9.8	1926
Colgate Palmolive (One of the big 3 soap, etc. mfrs.)	47½	39½	39½	41.27	5*	1895
Elec. Storage Battery (Biggest battery maker in the world)	37¾	25	25	58.57	7.8	1901
Great West Sugar (Leading beet sugar producer)	19¼	17⅛	17½	15.52	8.3	1933
H. J. Heinz (Establ., leading food processor)	34½	31	31½	52.33	5.6	1911
International Harvester (Biggest farm machinery maker)	33	24½	27	45.07	7.2	1910
International Nickel (Dominant nickel producer in world)	47⅝	34¾	34¾	22.93	5.8	1934
International Shoe (Biggest shoe maker)	40⅞	38¼	38¾	27.59	6.2	1913
International Silver (Largest maker of silver goods)	54	38½	39	82.25	6.3	1941
Kennecott Copper (Largest copper mining company)	82	59	63	55.50	9.7	1934
Montgomery Ward (A leading mail order house)	65½	53⅝	55	91.06	5.3	1936
New Jersey Zinc (Biggest zinc producer)	60¾	39¼	39½	53.40	7.2	1832
Norfolk & West. RR. (Most profitable coal carrier)	53⅛	40⅛	40⅛	87.78	8.1	1901
Pepperell Mfg. Co. (World famous sheet maker)	70½	58	61	97.53	7.4	1852
Pennsylvania Salt (Leading salt & chemical maker)	52¼	40½	43	38.40	4	1863
Singer Mfg. Co. (World's largest mfr. sewing machines)	42⅜	30	30	63.40	8	1836
J. P. Stevens (Biggest in its field, textiles)	36¼	25⅛	25¼	47.82	7.9	1946
Texas Gulf Sulphur (Top sulphur producer in world)	110⅞	78¼	81	20.84	6.2	1921
United Fruit (Biggest banana grower in world)	58⅛	44	45	36.83	7.4	1899
United Shoe Machinery (Largest maker of footwear machinery)	40⅞	35⅜	36	36.33	6.8	1905
Woolworth (Largest variety chain)	48	42⅞	43	33.70	5.8	1912

*Plus stock.

GROUP II

Stock—	1953 High	1953 Low	Recent Price	1952 Book Value	1953 Yield	Some Div. Since
American Airlines (Largest airline in the industry)	15⅜	11½	11¾	6.82	4.2%	1950
American Banknote (Biggest stock certificate engraver)	20¾	14¾	15	27.41	5.5	1941
Armour & Company (2nd largest meat packer in world)	12⅜	8⅛	9	43.00	---	----
Bigelow Sanford (Largest carpet & rug mfr.)	16	10½	10½	38.19	---	----
Bayuk Cigars (A leading cigar manufacturer)	11⅜	9⅛	9½	22.79	6.3	1934
Bond Stores, Inc. (Biggest tailoring plant in country)	14¾	12⅝	13	26.51	7.6	1937
Burlington Mills (One of the larger textile mills)	17	10¾	10¾	21.35	5.6	1931
***Columbia Gas** (Serves heavily industry in the east)	15	12½	12½	13.10	7.1	1943
Crown Cork & Seal (Leading producer of bottle caps)	15¾	11¼	11¼	30.02	1.5	1953
Felt & Tarrant (Makers of the famed "Comptometer")	13	8½	8½	13.32	9.2	1932
Glen Alden Coal (Largest U. S. anthracite miner)	11⅝	6⅛	7	48.42	---	----
Hires Company (Well known root beer dispenser)	12½	8⅞	9	14.85	6.7	1936
Holland Furnace (A leading mfr. of heating equipment)	22	11	11	20.08	8	1936
Hollander (World's largest fur processor)	7⅝	5	5	15.38	---	----
Internatl. Tel & Tel. (Controls extens. tel. & mfg. facilities)	20¼	13⅝	14	42.56	7.1	1951
Loew's, Inc. (Front rank motion picture producer)	14⅜	10⅝	12½	26.61	6.3	1923
Publicker Industries (Well known commercial & beverage alcohol)	15⅞	9¾	10	31.20	5†	1946
Servel, Inc. (Maker of popular air conditioners & refrig.)	14⅜	7	8	10.20	---	----
Smith, Alexander Co. (One of largest makers floor coverings in U. S.)	17½	8⅛	8¼	38.98	---	----
Spiegel, Inc. (3rd largest mail order house)	9⅝	5⅛	6	18.84	---	----
Tri-Continental Corp. (Largest U. S. closed-end invest. co.)	17⅞	13⅜	16	26.00	6.4	1945
Wayne Pump (World's biggest mfg. of filling station equip.)	13¼	8	9	23.20	---	----

*Recent financing, prospectus available. †Stock

LETTER TO EDITOR:

Odd-Lot Investor Praises Stock Exchange Investment Plan

George J. Meyer of Forest Hills, N. Y., finds brokers have been lax in soliciting small investment accounts, and urges more and better salesmanship as a means of creating stockholders and combating Communism.

Editor, Commercial and Financial Chronicle:

After reading your "Securities Salesman Corner" (page 37, issue of Dec. 10), I would like to comment as an investor on the Stock Exchange Investment (installment purchase) Plan.

For a long time the Stock Exchange was for most people, and still is by some, considered as a speculative or gambling institution, and its Investment for Estate Building qualities ignored. Also brokers have always looked upon the small investor as a bother, the more so when he kept his certificates himself. Margin accounts were solicited as more profitable in many ways. As of now, only about 10% is margin trading; 90% is outright purchase (as per news reports). So why not follow and sell the trend for more business and profit. As per selling the Investment Plan by the larger houses and the mutual funds, the higher sales cuts down overhead and makes the larger profits they now show. Not many investors will be in the few dollars a month class and any loss on them will be more than made up on the higher amount class. And as I have found out in my daily contacts, many knowing little of investing and having fair sums of moneys, speak of their interest in buying stocks and only need a salesman to sell them.

Brokers' offices have impressed me and no doubt others, as too stiff and stuffy, particularly to the new investor, who too often is judged by his appearance instead of his future purchasing power. And many are scared away by wrong actions and words. Why not talk their language and not your own until they understand the fundamentals of stock investment? We all had to learn some time and knowledge comes from study and experience.

Look at the television personalities (Godfrey, Berle, Gleason, Benny, etc.) that sell the goods: they cut out the 64 dollar words, add a smile and a joke and make friends and customers. Also having faith in a product makes a good salesman. How people are sold stocks, or anything else for that matter, in the beginning will determine their future attitude. There is still plenty of money in the banks waiting for this outlet. Selling individuals good quality stocks will bring repeat orders and make them stockholders and not "stock hoppers." As for price changes, everything in life changes as well as stocks, bonds and dollars.

I have been an odd-lot investor for over 25 years and can prove it a success. I bought stocks in *odd-lots only* and now own 1,285 shares that cost $45,000 and now are worth $73,000. I show a profit of $28,000 and will receive $3,890 in dividends this year.

All Common Stocks

Stock	No. of Shares
Santa Fe	50
General Motors	200
General Electric	100
Woolworth	50
General Foods	50
Bethlehem Steel	50
National Biscuit	100
National Dairy	50
Texas Company	200
United Gas	165
Corn Exchange	50
Best Foods	20
Halliburton	100
Louisville Gas	50
A & P Food Stores	*50

*American Stock Exchange.

The above tells the story of what a successful investor thinks about the Stock Exchange Investment Plan.

To have Faith and win,
With new ideas and better methods,
To sell free enterprise and combat communism,
Let's all pull together for more stockholders.

GEORGE J. MEYER.

6911 Yellowstone Blvd.
Forest Hills, N. Y.
Dec. 21, 1953.

Three New Partners for W. C. Langley & Co.

W. C. Langley & Co., 115 Broadway, members of the New York Stock Exchange, on January 1 will admit Frank A. Wood, Geoffrey R. Mellor and Edwin W. Laffey to partnership. All have been associated with the firm for some time, Mr. Wood as manager of the bond department.

Chemical Fund Elects V.-Ps.

Ferdinand Eberstadt, President of Chemical Fund, Inc., has announced the election of Jack W. Castino and John F. Van Deventer as Vice-Presidents.


Jack W. Castino John F. Van Deventer

Mr. Castino was graduated as a chemical engineer from Purdue University and also received a degree from the Harvard Graduate School of Business Administration. During World War II he spent four years on active duty with the Ordnance Department of the U. S. Army, leaving the service with the rank of Major. Subsequently he was associated for two years with the treasurer's office of Allied Chemical & Dye Corporation, and for four years was on the staff of J. H. Whitney & Co. He has been a member of the Chemical Fund Investment research staff since 1952.

Mr. Van Deventer is a graduate of Hamilton College and of the Columbia Graduate School of Business. He spent six years with the Bankers Trust Company in the trust department. During World War II he spent five years on active duty with the U. S. Navy, leaving the service with the rank of Lieut.-Commander. Thereafter he was associated for two years as an investment analyst with Van Alstyne, Noel & Co. and for three years as financial assistant to the treasurer of General Aniline & Film Corporation. He has been a member of the Chemical Fund investment research staff since 1951.

Jamieson & Company Opens in San Francisco

SAN FRANCISCO, Calif.—With an initial personnel of 15, Jamieson & Company will open Jan. 1 as investment security dealers specializing in mutual funds, estate programming, profit-sharing plans, and pension funds. Offices will be in the Russ Building.

Founder of the firm is Henry L. Jamieson, whose identification with the financial field dates back to 1934. Charles W. Scribner, Captain, U. S. N. R., associated with Jamieson the last four years, will be in charge of the military personnel department; Robert H. North and Robert A. Cornell will handle pension and profit-sharing planning, and Bing Wong will be Chinatown manager.

Mrs. Lillian Horton will be cashier and office manager.

San Francisco environs will be handled by Eldon Peterson, Redwood City; Lee Holm, Burlingame; Anders Montin, Napa, with the following covering San Francisco: Richard Swan, Colonel Arch Layman, Ernest Colant, and Eugene Marty.

To Form Asher & Gianni

On January 1, the New York Stock Exchange firm of Asher & Gianni will be formed with offices at 60 Beaver Street, New York City. Partners will be Harry W. Asher, Jr., Exchange member, and Carroll V. Gianni. Mr. Asher has been active as an individual floor broker Mr. Gianni is a partner in D. T. Moore & Co.

"Bail-Out" Stock Dividends

By ALEX. M. HAMBURG

Attorney; Lecturer on Federal Taxation, New School for Social Research

Tax attorney, pointing out that stock dividends affect annually accumulated earnings in various ways, cites the vulnerability to income tax of various types of distribution, as dividends. Maintains that mechanism of preferred stock dividend distribution can limit recipients' liability to capital gain rates on authority of recent court decision. Observes determination awaits Supreme Court decision.

The stock dividend, long a problem child, has again attained prominence. Financial writers have disagreed not only on the financial concept but on the tax consequences of a payment in the common stock of an issuing corporation. More recently, a high Federal Court has brought into sharp focus the tax status of preferred stock dividends. By reason of the use of such dividend declaration as an effective bail-out device, it merits further examination.

Alex. M. Hamburg

Tax Effects

A basic premise in this area of Federal income tax law is the existence of corporate earnings and profits accumulated at the end of each year. Stock dividends affect such earnings in various ways. First, a distribution of a true stock dividend capitalizes such earnings and profits. Obviously, this is something different than the mere split-up of a certificate into more identical pieces of paper. Secondly, such a distribution may effect changes in the proportionate interests of the shareholders in the assets and earnings of the corporation.

Thus, a dividend of voting common shares where there is no other class of stock outstanding would result in no substantial change. On the other hand, if common stock were distributed to preferred stockholders as a dividend, where both common and preferred stocks were already outstanding, changes are effected in voting, dividend and liquidation rights. Various other types of distributions of stock will result in taxable dividends.

The Federal Income Tax Law has followed this theory since the famous Supreme Court decision in *Eisner vs. Macomber* in 1920. A payment of a stock dividend of common on common, where there was only one existing class of stock outstanding has been constitutionally exempt from income tax. Such bona fide stock dividend, it was consistently declared, did not change the "proportional interest" of the stockholder in the corporation, or alter his pre-existing relationship with respect to the corporate assets. In subsequent cases, this doctrine has been questioned but not rejected by the Supreme Court and the Congress. Insofar as other than common stock dividends are concerned, it may be said their immunity is presently uncertain. The exempt status of a distribution of preferred stock on previously outstanding common has been under attack as changing the recipient's proportional interest in the assets of the corporation. Realistically considered, vital changes are actually effected by such dividend. For the purpose of this discussion, however, a preferred dividend has been previously held non-taxable in at least the case of a closely held corporation.

Certain stock dividends are, therefore, presently taxable to the recipient who has received nothing more than pieces of paper. Hence, the outcry against double taxation—that is, taxing the same earnings and profits in the hands of a corporation and again when received as "dividends." Constant efforts are made to bail-out such corporate earnings to the stockholders at a minimum cost to them.

A preferred stock dividend plan, motivated by a natural desire to avoid punitive double taxation, has recently received judicial approval. From the standpoint of the corporation, its earnings were, of course, subject to income tax. If they had then been distributed in cash to its shareholders the latter would have been subject to taxes at the normal and surtax rates applicable to ordinary dividend income. Instead the mechanism of a preferred stock distribution was used at a tax cost to the recipients which was limited to the capital gain rates.

Thus, under this device upheld by next to highest legal authority, the same practical results were achieved as if cash dividends had been paid. Accumulated earnings of the corporation were siphoned off to its shareholders. *Chamberlin vs. Commissioner of Internal Revenue,* (decided Oct. 14, 1953) is judicial recognition by the Federal Court of Appeals, Sixth Circuit, of this method of bail-out. This tax savings plan is important for its impact and implications. Vast amounts of tax revenue are at stake. If this ruling is ultimately upheld by the Supreme Court, the Government stands to lose much in taxes. Should the use of a preferred stock dividend as a medium of payment furnish a tax exit it will doubtless influence and shape the pattern of future corporation financing.

The Tax Avoidance Plan

On analysis of the facts, it appeared the corporation had a substantial surplus made up of cash and government bonds. The corporation sought a means whereby its stockholders could withdraw about a million dollars of its accumulated earnings, preferably in the form of capital gains rather than as taxable dividends. The pressure was acute as the retention of such large accumulated earned surplus subjected it to a possible surtax under Section 102 of the tax law on undistributed earnings. It was a vital consideration not to distribute ordinary cash dividends because of the extraordinary high surtaxes which would then be levied on the majority stockholders.

During October and November of the tax year and prior to the dividend declaration the corporation undertook negotiations with two insurance companies for the purchase of an $800,000 issue of preferred stock. The terms as to dividend rate, sinking fund, restrictions of payments of dividends on common stock, redemption provisions, etc., were worked out and a stock purchase agreement was executed on Dec. 30. As a result, the corporation readjusted its capital structure and first declared a dividend of five shares of common stock for each share of common outstanding. This required a capitalization of $500,000 of its earned surplus. Thereupon it issued $800,000 of preferred stock as a dividend to its stockholders by distributing 1⅓ shares of newly autnorized preferred for each share of common outstanding. This required a further transfer of $802,000 from earned surplus to capital account.

In accordance with the prior arrangements, all of the shares of preferred stock were then immediately sold to the insurance companies. Reporting this sale, each stockholder treated the transaction as subject to tax as long-term capital gain. The Commissioner of Internal Revenue, however, taxed the entire amount received as proceeds of the sale as an ordinary dividend. The case before the Tax Court involved additional personal income taxes of about one-half million dollars. The Tax Court upheld the Commissioner's determination, but the Court of Appeals reversed in favor of the taxpayers.

Its reasoning should enlighten some hitherto dark areas, and will be summarized. Cutting through form to the substance of the issue, the Appellate Court rested on the finding that the declaration of a stock dividend in this case was not a sham. It disagreed with the Tax Court's conclusion—that the preferred stock dividend changed the stockholders' proportional interest.

The two courts held opposing views of the legal effect of the concurrent sale of the preferred stock. In effect, said the Tax Court, such sale substantially altered the common stockholder's pre-existing proportional interest in the assets. Answering this, the appellate tribunal said events following the distribution had no bearing on this and that an otherwise non-taxable stock dividend does not thereby become a taxable cash dividend upon its disposition. Rights were determined at the time the dividend stock was received, not by what stockholders did with it thereafter. The presence or absence of a corporate business purpose, or good or bad judgment of directors, does not convert a valid dividend into an invalid one.

Another issue was considered the dominant one: Did the use of the stock dividend technique in combination with the redemption feature destroy the bonafide quality of the plan? It was pointed out that the new stock was to be redeemed in a short time. Again, the courts split in their views. The Appellate Court pointed to periodical redemption provisions as being in accord with sound principles of corporate financing. Since some of the issue remained unredeemed after nearly seven years, the court concluded the redemption feature was not a sham.

Conclusion

Viewed in all its aspects, the Tax Court held the plan was a distribution of cash rather than a distribution of a stock dividend. Tax avoidance was conceded to be the impelling motive of the taxpayers. Their desire for a share of retained cash earnings without subjecting the corporation to the penalty of a Section 102 surtax was subsequently validated on appeal. By resorting to the medium of a stock dividend, corporate managements may now bail out their shareholders at capital gain rates. Essentially the steps involved in the Chamberlin case were the issuance of preferred stock as a dividend to common stockholders; the sale of such preferred stock in accordance with a pre-arranged agreement and the provision for redemption of the preferred stock.

One should not venture to predict the final outcome of this controversial issue. Until the Supreme Court has spoken, caution should be exercised. Until then comforting clues will be sought in the earlier decided cases.

Noteworthy in this connection is the language in a series of cases decided by that high court in 1947. Referring to a recapitalization device used to substitute marketable debenture bonds for part of the existing common stock, the Judges said in effect: You may not legally create new corporate obligations and distribute them prorata to equity holders so as to produce the same practical tax result as an equivalent cash dividend. Tax immunity was denied such a vehicle whereby the stockholders would have also obtained accumulated earnings of the corporation through the operation of periodical redemption plan. Having rejected the bail-out concept cast in the form of a recapitalization, will the Court uphold it when cast in the form of a preferred stock dividend which is intended for immediate sale?

Purchasing Agents Report Normal Year-End Business Slowdown

Composite opinion of Business Survey Committee of the National Association of Purchasing Agents, shows a leveling off to a normal seasonal pattern, but there seems to be more optimism on 1954 outlook than several months previously.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, New Haven, Conn., indicates that industrial activity at the year end shows more of a normal seasonal pattern. Business held at November levels through the first half of December, but has since shown indications of sharp declines in new orders, accompanied by further production cutbacks, continuing the narrow gap between falling order books and production that was reported last month. Prices are leveling out, with no real show of strength. Inventories are down again, and in better balance; in fact, some have reached bottom. Employment is lower, much of it attributed to the normal, seasonal decline. Buying policy remains within the short range of 60 days and under.

Robert C. Swanton

Taking a look at 1954, purchasing executives seem to have more optimism in the outlook than they have expressed in several months. By a little more than 2 to 1, their estimates are for industrial production and orders to halt the gradual decline and even strengthen somewhat beginning in the first quarter and going through most of the second quarter. No sharp upswing is indicated, but the predominant opinion is that business will be fairly good for the period, although below 1953. The approximately one-third seeing a continuance of the decline consider there are further adjustments to be made, but with no depression in sight.

As to prices, the large majority view is that more weakness will develop as the fight for orders steps up already sharp competition in a buyers' market.

Plans for 1954 capital expenditures are optimistic. 36% forecast substantially higher commitments for the year. 28% expect to spend the same amount as in 1953. The general comment of the 36% budgeting lower than 1953 is that capital goods projects started in 1952 and 1953 are now complete or nearing completion. A few report waiting for more definite business trends to develop before making set plans. Again this year, as in the 1953 forecast, the majority of planned capital expenditures is for modernization of facilities rather than capacity expansion.

Commodity Prices

The industrial commodity price structure shows no more strength than in the past three months—slightly on the weak side. Price testing is increasing, with many more quotations open, indicating a stronger trend to negotiation of price and terms. Concessions have been small, but forward commitments are limited, as purchasing agents expect further weakness.

Inventories

Production and maintenance inventories of purchased materials are sharply down this month, accentuating the trend of the past several months. Part of this is the normal stock reduction for end-of-year inventories. Turnover rates are higher; items are in better balance with each other and with production schedules. Some report inventory liquidation goals have been reached. Overall, industry appears to be in a healthy position regarding unworked material inventories.

Employment

Further payroll reductions due to layoffs and lower working hours are reported in December. Holiday speed-up is over and industrial employment is reacting to the more normal seasonal conditions. Unskilled help is generally available, as are skilled workers in several areas. Replacements are either not being made or are on a more selective basis.

Buying Policy

In line with conservative inventory policy, price weakness, order and production cutbacks, and short lead time for deliveries, buying policy continues "hand-to-mouth" to 60 days for the majority of purchased materials. A very slight movement into the 90-day bracket is noted, not strong enough to indicate a change in the trend.

Paynter in New York Office of Doremus

Richard K. Paynter, III, has joined the New York office of Doremus & Company, 120 Broadway, advertising and public relations firm, as an account executive. Mr. Paynter was previously with Anderson & Cairns, Inc.

Now W. R. Cotter & Co.

DALLAS, Tex.—W. R. Cotter is now doing business as W. R. Cotter & Co. from offices in the Gulf States Building.

Joins F. I. du Pont

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Atherton F. Messmore has become affiliated with Francis I. duPont & Co., 677 South Figueroa Street. He was previously with Samuel B. Franklin & Co. and Edgerton, Wykoff & Co.

Sheldon R. Noble

Sheldon R. Noble, partner in Smith, Hague, Noble & Co., Detroit, Mich., passed away December 14.

The Labyrinth of 2800 Clearing Currencies

By DR. FRANZ PICK*
Publisher, Pick's World Currency Report

Dr. Pick maintains world's most important and destructive disease today is printing of paper money and debt certificates, having common distinction of an irrevocable depreciation and guaranteed confiscation. Offers "gruesome figures" manifesting world-wide monetary disorders, which he states are practically unknown to monetary managers of dollar-bloc countries. Cites five compact payment, or clearing, unions outside Dollar-Area.

Webster's Dictionary defines labyrinth as follows: "an edifice or place full of intricacies or formed with winding passages which render it difficult to to find the way from the interior to the entrance. The most remarkable of these edifices were the Egyptian and the Cretian Labyrinth."


Franz Pick

The saga goes that the Cretian Labyrinth was the residence of a horrible creature, called the Minotaur. This monster, a male giant with a menacing bull's head, tyrannized the population of the island of Crete and was finally killed by Thesaus, King of Athens.

I cannot find a better comparison for today's currency problems, from which all have suffered for more than 16 years, if not longer, and are going to suffer for quite a long time.

All over the world, the race to depreciate currencies has gone on for nearly a generation's life time. Monetary management, one of the most difficult tasks of economic statesmanship, has been entrusted to mostly political men, who either work for their personal interests or who are absolutely incompetent for the jobs with which their party organizations rewarded them for electoral help or contributions.

One of the most tragic facts in our present history is that only poor countries have good financial management and rich ones afford themselves the luxury of calling amateurs to direct their financial administrations.

But, as history repeats itself, there is not much we can do to change such circumstances. We can ask why it is that, in order to become the head of the medical school of a University, a man has to have a brilliant scientific record; or to lead a Philharmonic Orchestra, a musician has to have dozens of years of successful public conducting; but to run the financial destiny of millions of people, he can be a general, a small town lawyer or a former executive of a small savings bank.

The world's most important and certainly most destructive disease today is the printing of paper money and debt certificates. These have one common distinction, and that is, the guarantee of an irrevocable depreciation!

Guaranteed Confiscation

Whether we call it a constant increase of the cost of living or a constant decline of purchasing power of the currency, is immaterial. A cynical friend of mine defined paper money as a "certificate of guaranteed confiscation by the government."

These facts are now the walls of the labyrinth that surround your business of trading with the world, your assets, as well as your investments.

There is no protection, whatsoever, that any government would try to give its citizens against the destructive effects of amateurish money management.

Because inflation, as long as it lasts, is good for politics. It keeps people satisfied and gives the illusion of prosperity. Sound money needs financial skill and a lot of brains, which were and still are scarcer than uranium or plutonium.

Therefore, we progress in a monetary mess, which, as far as my knowledge of currency history goes, has never reached proportions of its present world-wide disorder.

Gruesome Figures

The situation can be illustrated by a few tragically fantastic figures:

	Billion
Total free world trade 1953	$155
Estimated Soviet, satellite & Chinese foreign trade	8.5
	$163.5=100%
Of which amount trade in convertible currencies (No. Amer. & Caribbean Countries & Venezuela)	42.3=25¼%
Trade in non-convertible or clearing currencies	121.2=74¾%

These gruesome figures are practically unknown to the monetary managers of the few countries that form the so-called Dollar-bloc.

If we assume that the world's population has reached approximately 2,400,000,000 people in 1952, we also have to state that the combined population of the Dollar-bloc Republics totaled only about 227,000,000 people, a little more than 9% of the globe's inhabitants!

These cold figures indicate that 91% of the world's population dominates the international trade of which they master three-quarters of its volume.

It also shows that only 9% of humanity have relatively free convertible currencies with which they conduct one-quarter only of the international trading volume.

Their encirclement, in any quantity and value-consideration is complete.

The "convertible currency nations" do not make the slightest effort to learn from the systems of trading in non-convertible currencies, while the countries that I would like to call the "clearing nations," have built up efficient and often extremely clever organizations to get along without dollars, and, what is more, to **move merchandise!**

Every analyst of clearing currencies and clearing trade has to admit that this kind of merchandise exchange has succeeded. It has replaced the dollar and has enabled the **have-not countries** to keep their economic systems going.

If we go back into the history of such transactions, we find that they began as early as 1931, when Switzerland concluded the first two bi-lateral trading agreements with Austria and Hungary. Since then, the clearing systems have grown and grown until they have become recognized practically all over the world.

Five Clearing Unions

Today, we have to cope with the following situation — there are five compact payment, or clearing, unions outside the so-called "Dollar Area."

(1) **The Sterling Bloc** comprising all the Commonwealth countries and possessions, except Canada, including Burma, Ceylon, India, Iraq and Pakistan.

(2) **The European Payment Union,** (EPU) comprising 15 European countries, including the United Kingdom and Ireland.

(3) **The Ruble Bloc,** formed by the Soviet Union and its European and Asiatic satellites, as well as Red China and Northern Korea.

(4) **The New Arab Clearing Union,** including Egypt, Iran, Syria, Lebanon, Kuwait, Trans-Jordan, Saudi Arabia and a certain number of Sheikdoms.

(5) **The Unorganized Clearing Currencies** comprise about 24 countries, including Japan, Argentina, Brazil, Uruguay, Iran, Spain, Finland and Yugoslavia.

Each of these groups has two different kinds of clearings. I should like to call them (a) Inner Clearings and (b) Outer Clearings.

Inner Clearings — Define shipments of merchandise or sale of services between two members of one clearing bloc.

If for instance, South Africa ships peanuts to Britain, we call such a transaction between two members of the Sterling Area an inner clearing.

The same definition applies for a case in which Germany ships automobiles to Switzerland, both members of the European Payment Union. Another example is the shipment of shoes to Poland by Czechoslovakia, both members of the Ruble-bloc.

In all these transactions, either Pound Sterling, Clearing Dollars or Rubles are the accounting unit, according to the rule of the Clearing Organization.

Accounting systems which clear operations at the end of every month function in London for the Sterling-Bloc; in Basel for the EPU; and in Moscow for the Ruble-Bloc.

No special Central Bank permits are needed for anyone of these inner clearings, making them agreeable to the exporter as well as importer, who carry no foreign exchange risk whatsoever and get paid in their own country's currency.

Outer Clearing

But when, for instance, Western Germany wants to sell precision instruments to Spain, we have to face the facts of an

Outer Clearing—Germany is a member of the EPU. Spain does not belong to a clearing union. Commercial relations between the two countries are regulated by a bi-lateral trade treaty, with monthly accountings in which the Peseta and D-Mark have a fixed relation. Should Germany deliver more goods to Spain than Spain ships to Germany, the German Central Bank (the Bank Deutschlander) will try to get rid of the clearing balance by selling it at a discount to buyers in other countries that are willing to buy this clearing claim.

And it might happen that, let us say, an 8% discount makes the German clearing balance attractive enough to induce an American buyer to acquire it to pay for imports of cork from Spain.

I could give you a thousand such examples. But we are short of time.

Let us, therefore, make one important point:

All these clearing transactions are absolutely legal. They cannot be performed without Central Bank licenses on both ends, that means, in the sellers' as well as in the buyers' country.

There are, as in any other business, a few slightly gray elements that could be involved in such dealings, like changes of documents or destinations of shipments once they have left the country of origin. But, in 90% of the cases that I know, Central Banks have diligently cooperated with buyers of goods in clearing currencies and have made all kinds of official concessions to all of the dealers or brokers involved in this trade.

Here again, the desire to reduce clearing debits and to move merchandise is imperative for all countries.

Before entering into other considerations, at the risk of shocking you, I have to give you an idea about the multitude of such clearing currencies.

Here are the cold figures:

	Inner Clearings	Outer Clearings
Sterling Bloc	40	82
European Payment Union	225	615
Ruble Bloc	81	432
Arab Clearing Union	64	*
Unorganized 24 Countries	576	682
	986	1,811
Total Clearing Currencies	2,797	

(And I think I may underestimate this amount by at least 300 to 400)

*The figure is unknown to me; might be a few hundred.

May I add that this unbelievable number of "Ersatz-Currencies" does not seem complete to me. I believe that there are, as I said, a few hundred more, but hesitate to be affirmative on the subject.

To take only a few examples at random, there are five different Indonesian Rupiahs, six Venezuelan Bolivars, three or more Chilean Pesos, five official Spanish Pesetas, etc., etc.

They are all to be added to the Clearing Currencies and complicate even more their dealings when the so-called "official parity" of one country's money has to be determined, in order to fix the clearing account.

But complicated or not, trading goes on and has become fairly organized.

The object of clearing transactions is to transfer unused clearing balances between two countries.

Let us suppose that in the French-Argentine clearing, France has delivered more goods to Argentina than Argentina was able to deliver to France.

The Banque de France then licenses the sale of French Clearing Balances in Argentina. Whoever wants them can be the buyer. It might happen that an American tanner in Massachusetts acquires such French clearing francs in Buenos Aires at a discount of about 12% and ships hides from La Plata to France, but unloads them in New York.

Thus, France reduced her clearing credit balance; Argentina moved merchandise, and the U. S. importer bought hides at a discount!

These new trends of international trade are here to stay as long the the world's currencies remain administered by men who are political nominees. And that is for a long time.

Let me give you a few other examples from my daily practice. An Australian exporter of coal came to see me from Melbourne. He sold about a dozen cargoes of coal for shipment from Australia to Pusan, Korea, and had chartered his freight on Japanese Conference ships.

The freight was payable in Yen and/or U. S. Dollars, at his option. Having to move the coal, he closed the deal without profit, in order to keep his miners employed. He came to see if I could help him make a small profit, at least.

The case was simpler than it looked at first. Freight on this deal was 50% of the CIF price of the coal. In buying Dutch-Japanese open account, as the Dutch-Japanese Clearing is called, the freight could officially be paid in Yen.

The Dutch were long in their Japanese clearing balance and glad to sell their balances in dollars at a 4½% discount. This rebate of 4½%, applied to 50% of the value of the shipment, enabled the coal exporter to make a profit of a little less than 2% on his 12 full cargoes, after deduction of all expenses and broker fees.

The Brazilian Example

Let me give you another example. The Brazilian Government, short of dollars, needed 100,000 tons of wheat. Rio invited offers, which had to be made in clearing currencies only, and not in Sterlings or Dollars.

Five world-known grain shippers submitted sealed offers. None of them was accepted.

A sixth sealed envelope contained an offer of 100,000 tons of wheat, of unspecified origin, but in Finnish - Brazilian Clearing. This offer was the good one, which was accepted.

The fact that Finland does not grow wheat did not bother Rio, and that it was really Russian wheat, which the Finns had to accept in their clearing with Moscow did not bother the Brazilians either.

Rio got its wheat; Helsinki its Brazilian clearing credit, which it will sell in any market at discounts of about 10% or more, and only the American farmers are the unhappy ones. They would have loved to sell 10 full cargoes of wheat to Rio. And did not.

Still another and final example. New York's furriers buy a few million dollars worth of Russian furs yearly. This year's auction in Leningrad gave them all the furs they wanted. But the Russians were not "dollar-hungry."

They had a clearing deficit with Holland. The furriers knew it. It was more than easy for them to pay for these furs in the Dutch-Russian clearing, which they bought from the Nederlandsche Bank (the Central Bank of Holland) at a discount of 4¼%. The Russians moved furs and reduced their clearing deficit in Amsterdam.

Holland, with a clean slate, could now extend new credits to Moscow and deliver more goods of Dutch manufacture to the Soviet.

With the dollars the New York furriers paid her, she bought more gold from the U. S. Treasury, in order to increase the metal cover of her Guilder.

And everybody, except Fort Knox, was happy.

But, if you try telling someone that your wife's new coat of Russian Sable was paid for really with American gold, neither the furrier, nor your friend will believe you.

And your banker will simply shrug his shoulders because **of all people, he could not know!**

And I will tell you why.

None of our commercial banks in New York have any kind of experience in dealing with Clearing Currencies. There seems to be some unwritten regulation to abstain from such activities. Only five private banking firms, two of them members of the New York Stock Exchange, are dealers in such clearings.

It is difficult to give you any idea of the volume of such dealings in Manhattan. There are days when a few million dollars worth of clearings, including Sterling, change hands.

Then there are some days, when less than one million dollars are objects of dealings.

Transactions in the U. S., outside New York, are non-existent. The east shore of the North River, as the Hudson is called in New York, is a geographical border line for the understanding of difficult foreign exchange problems in the U. S. Therefore,

*A paper by Mr. Pick delivered before the Export Managers Club, New York City.

most of the world's trading in clearing currencies is done outside of this country.

Paris, Zurich, Amsterdam, Frankfurt, Vienna and Moscow are principal centers in Europe; Tangier in Africa; Beirut, Hong-Kong and Tokyo in Asia; Montevideo, Rio Curacao in South America.

But in all these mentioned trading centers, the American banking branches wherever they exist refrain from dealings in clearing currencies.

I do not have to analyze the reasons for such a policy, but I believe that many American manufacturers, export agents and also importers could do much more business if they knew how to deal in clearings that move merchandise.

None of our Universities have courses which explain the merchanics of bi-lateral or multi-lateral clearing currencies. Our Administration seems to consider them as unimportant, and bank Presidents, in this country, look to them with suspicion.

Apathy by Experts and Press

Only a few specialists in the International Monetary Fund in Washington know what they are, but would be unable or embarrassed to give you any idea about the present quotation of let us say, "the French-Brazilian Clearing, Payment Rio."

The financial press tries to ignore them; the Bank Bulletins cover them with icy silence, and the only internationally recognized rate list, carrying about 150 different discount rates of principal clearings, existing in the Western Hemisphere is one which I publish.

There are, to my knowledge, not more than 30 to 40 of our large corporations who know how to take advantage through clearings.

Then, there are the oil companies; the shipping concerns; the international grain traders; the coffee importers and the metal dealers who master the problem.

But, the medium-sized manufacturer, exporter or importer, has no opportunity to study the mechanics, the complications and the unavoidable risks of such operations.

And you all know that without risk you cannot make a profit!

What is the solution?

Frankly, I do not see any. The banks, your free suppliers of financial information, will not try to learn this trade in the near future.

They will, perhaps, do so when the present recession deteriorates into a depression.

But even then, their experience in the business will not measure up to the experience of the Swiss or the Dutch banks or the dealers in Central and South American countries.

In the meantime, we are going to lose more and more of our export business to the Non-dollar Trade.

And we will not wake up until it is too late!

The only real remedy would be to establish some sort of a school for bank executives who could learn the elements of the trade in a few months and then give the necessary information to their customers.

The Treasurers and Comptrollers of corporations doing international business should also take such courses in order to learn how to cease their generally stubborn opposition to any clearing deal of their company.

But, I am afraid that the Indian comparison, according to which it might be easier to teach an elephant to dance, also applies here.

And so, I will have to terminate my paper with the regret of having shown you a beautiful flower garden in which the experts harvest and the uninformed cannot even open the gate!

Complete Sale of Stock of American Fidelity & Casualty

George Geyer (right), President of Geyer & Co., Inc., leaders of an investment banking group which underwrote the recent subscription offering of 150,000 shares of American Fidelity & Casualty Company's new $1.25 convertible preferred stock, is shown receiving a check in payment of underwriting commissions from Samuel A. Markel (left), Chairman of the Board of the insurance company, the world's largest insurers of trucks and buses. The stock issue, which brought the company some $3,000,000 in new capital, was completely sold through exercise of subscription rights which were offered to holders of the insurance company's common stock.

Holds Market Forces, Not Unions, Account for Basic Wage Changes

U. S. Chamber of Commerce points out share of the national income going to labor has not changed perceptibly since 1936, and if unions could or would raise wages by 2 or 3 percent a year, it would merely amount to no more than the normal rise in productivity.

Do unions have any effect on wages? The Chamber of Commerce of the United States raises this question, because, as it states in a bulletin, it has an important bearing on whether there is any need, insofar as the progress of the working man is concerned, to strengthen the hand of union leaders by relaxing the Taft-Hartley Act.

In the last 20 years—a period of fabulous union growth—the share of the national income going to labor, while shifting a bit from year to year, has not changed perceptibly, the Chamber reports.

In 1936, for example, compensation of employees, according to the Department of Commerce, was 66% of our national income. In 1952, the figure was almost the same—66.3%. Yet during this period we have had the Wagner Act, mimimum wage laws, political promotion of unions, and a terrific amount of labor turmoil, strikes and threats of strikes and enmity.

The Chamber points out that even if it were conceded that unions through one all-out effort could raise their members' share of the national income by 2 or 3%, this would be no more than the normal rise in productivity which occurs year by year.

In fact, there is good evidence that some unions have held wages down. This is partly because contracts ordinarily are opened only once a year. It is also due to the fact that union leaders insist on getting credit for wage increases. Thus to cite the case for one farm implement company, in July, 1952 when the contract expired, the union made very extreme demands. Management offered a wage increase varying from 5¢ to 9¢ per hour. The offer was turned down and up to a recent date employees had received no wage increase whatever.

A study of wage movements from 1909 to the present shows no systematic correlation with the percentage of workers unionized, according to the Chamber. Perhaps many workers are becoming aware of this. At any rate, since the mid-1940's the percentage of the labor force unionized has declined fairly steadily. Yet since 1945 average hourly earnings in manufacturing increased 74%, with roughly similar increases in other sectors of the economy, some of which are less unionized and some more unionized, the Chamber states.

Thus, the Chamber concludes, market forces and not legislation account for basic wage changes—union and non-union. A competitive free market economy automatically passes into the hands of workers the gains of rising productivity. In fact, under competition there is no way for inventors, savers, stockholders or businessmen to keep the gains of technological progress to themselves.

Firm Name to Be J. R. Williston Co.

Effective Jan. 1 the firm name of J. R. Williston, Bruce & Co., 115 Broadway, New York City, members of the New York Stock Exchange, will be changed to J. R. Williston & Co. On the same date, Richard Ricks White of the Miami Beach office will be admitted to partnership.

On Dec. 31 Malcolm C. Bruce, Donald W. Hinton, Frederick L. Morrison, Edwin F. Peabody and Henry J. Zilka will retire from the firm.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Operating earnings of the major New York City banks for the current year are expected to show a favorable increase over 1952 and reach new records.

Final reports to be issued within the next two weeks will show considerable variation in the gain in operating results. All banks, however, should report some increase in final earnings.

The variation will arise because of a number of diverse factors. While loan volume at present is slightly below a year ago, the total has averaged between 5% and 7% higher for most of 1953. Of more significance is the fact that the level of interest rates this year has been higher, so that the return on loans has been greater. This combined with the fact that the overall rate of return on total investments has improved has meant that gross earnings have increased substantially.

The gain in gross has been more than sufficient to absorb a further increase in wages and other operating expenses with the result that earnings before taxes show a large increase.

This has been the general pattern although the impact of the forces at work has varied among institutions. Those that have been able to expand loans have also been the ones, in most instances, to show the best percentage gain in gross and pre-tax earnings.

Neither has the impact of taxes fallen evenly on all banks. Some institutions accrued excess profits taxes in the early months which were later offset by the establishment of security losses. In other cases security losses helped to minimize regular corporate taxes.

How these transactions will be reflected in the operating statement will, to a large extent, determine the earnings reported for the year. Practically all of the banks have been extensively engaged in these transactions yet their methods of accounting vary considerably. In reviewing the annual reports close attention should be paid to this factor as the method of handling may actually distort comparisons of earnings between institutions. Also, as the large losses of this year are believed non-recurring a close examination of how they are reflected in the operating statement should be considered.

Taking these factors into consideration and making allowance for some increase in total taxes, higher operating earnings by the New York banks should be reported early in January.

In the tabulation below we have estimated the operating results to be reported in the coming weeks for 16 of the major institutions on a per share basis.

The estimate of Bank of Manhattan is that stated by the management at the time of the annual meeting earlier this month. The estimates of Chemical Bank and National City have been adjusted for stock dividends paid this year. The other estimates are as indicated.

	Estim. Earns. 1953	Oper. Earns. 1952
Bank of Manhattan	$2.69	$2.52
Bank of New York	30.00	29.24
Bankers Trust	4.10	3.97
Chase National	4.00	3.77
Chemical Bank	4.10	3.54
Corn Exchange	5.00	4.71
First National	24.00	22.53
Guaranty Trust	4.40	4.04
Hanover Bank	8.30	7.60
Irving Trust	1.75	1.63
Manufacturers Trust	5.60	5.31
Morgan, J. P.	22.00	20.72
*National City	4.10	3.83
New York Trust	9.00	8.70
Public National	4.15	3.64
U. S. Trust	21.25	20.13

*Includes City Bank Farmers Trust.

MERRY CHRISTMAS TO ALL!

E. S. Beaumont With Farwell, Chapman Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Edgar S. Beaumont has become associated with Farwell, Chapman & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Beaumont was formerly Manager of the municipal bond department for the Chicago office of Bache & Co. and prior thereto was with Braun, Bosworth & Co., Inc.

Albert Gordon Director

Walter P. Paepcke, Chairman of the Board, Container Corporation of America, has announced the election of Albert H. Gordon, partner, Kidder, Peabody & Co., New York to membership on the company's board of directors. The action came at the meeting of the board held in New York, Dec. 10, and increases the size of the board from 8 to 9 members. A partner in Kidder, Peabody & Co. since 1931, Gordon also serves on the boards of Commercial Credit Corp., Textile Banking Co., Selected Industries, Inc., Raymond Concrete Pile Co., General Security Assurance Corp., Burlington Mills Corp., and Western Public Service Company. A partner in Kidder, Peabody & Co. since 1931, Gordon also serves on the boards of Commercial Credit Corp., Textile Banking Co., Selected Industries, Inc., Raymond Concrete Pile Co., General Security Assurance Corp., Burlington Mills Corp., and Western Public Service Company.

Hayden, Stone Partner

BOSTON, Mass.—Jesse I. Doyle will become a partner in the New York Stock Exchange firm of Hayden, Stone & Co. on January 1. He makes his headquarters in the Boston office, 10 Post Office Square.

With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John C. Hoyt has joined the staff of Sutro & Co., 407 Montgomery St., members of the New York and San Francisco Stock Exchanges. He was previously with Davies & Co. and Paul C. Rudolph & Co.

Edwin H. Smith Opens

LAKE GEORGE, N. Y.—Edwin H. Smith is conducting a securities business from offices at 337 Canada Street.

Private Enterprise and Adequate Old Age Security

By G. WARFIELD HOBBS*

Vice-President, National City Bank, New York
Chairman, National Committee on the Aging

New York banker, in presenting the problem of private enterprise in providing for the ever increasing older workers, says it involves "fantastic billions of dollars, plus political and economic pitfalls, that can make or break our economy." Holds solution of the problem lies in more productivity to be provided by increased rise in capital, which can come in part from investment of pension funds. Contends private enterprise system can and will provide adequate social security, and will benefit therefrom.

I have been asked to relate what I, as a banker, believe the role of private enterprise should be in relationship to the older worker. I am going to take the liberty of enlarging on the identification to say that bankers also are people. Thus, I appear here not only as one whose background happens to be finance and economics, but as a citizen very deeply and personally concerned that whatever our occupation, be it government, business or labor, we must all cooperate if we are to solve successfully the tremendous social and economic problems arising from the fact that Uncle Sam is growing older. That is simply put, but as most of you here well know, failure can mean economic disaster to the nation.

G. W. Hobbs, III

Likewise, I feel justified in expanding the connotation of "the role of private enterprise" beyond the bare question of will, or should, industrial and other corporations take care of their older workers. Private enterprise cannot be separated from its twin, free enterprise. They are not just parts of our democratic system. They are our system.

Consequently, before defining too precisely the responsibility, relationship and economic support to the older workers, should we not restate the overall goal of our free enterprise system? And then see how far we can soundly go in fitting in what we would like to do for our older workers.

Naturally, I can speak only for myself, but to me our foremost goal is to maintain the liberty, rights and dignity of the individual, as guaranteed by our Constitution and Bill of Rights. And, secondly, through our private enterprise, competitive spirit, research, and ingenuity, to strive for an ever increasing standard of living, for all free men; not only materialistic standards, but cultural, physical, and spiritual standards.

Let me emphasize—the increasing standard for ALL men, for that is the point that leads back to our older group. We must keep our progression in balance, and not embark upon a course that could raise the standard of one group, only by lowering the standard of other groups.

Must Avoid Pension Benefits Beyond Capacity to Pay

That is exactly what could happen if we are either sentimentalized or pressurized into adopting pension benefits beyond our productive capacity to pay.

Let me state clearly my own personal position. As the days of my "late youth" became numbered, the very word pension has an increasingly poignant meaning for me. Furthermore, because of my professional connection with employee benefit plans, and, as Chairman of the National Committee on the Aging, I am increasingly aware of the imperative need for providing adequate financial security for our older workers. I am all for it; and I am convinced that we can do it soundly, without disruption to our economy, if all groups both recognize the immensity of the problem and cooperate in seeking solutions.

To emphasize the economic peril, if we leap before we look, I am going to cite a few figures even though I am sure many of you have heard some of them before.

The Population Figures

First, a few population figures; perhaps from a different angle. You know that there are today close to 14,000,000 people 65 and over, and that is close to 9% of our total population. Did you realize that this is over 14% of the total over age 21 eligible voting population. As you know, the ratio of older people is increasing. If they are mesmerized into voting as a class they will exceed any other group, including farm, labor union or religious. Demagogic abuse of this voting power could force upon us government and state security programs ill-thought out and prohibitively costly. To Townsendites "Ham and Eggs" programs could easily grow into somebody else's "Steak and Caviar" program. We must guard against going down this subtly deceptive path to Socialism. The government's social security program should provide only the first basic layer of the security cake. It should leave to private enterprise the other layers, and the icing. I am confident our system can meet this challenge, if we cooperate, and recognize the other fellow's problem, and do not try to go too fast.

To illustrate the magnitude of the financial miracle necessary to provide adequate pensions, I will recite a few figures not so generally known. Today, there are something over 20,000 private pension and profit-sharing plans covering more than 10,000,000 employees, and requiring contributions in excess of $3,000,000,000 per annum. That sounds like a lot, but actually it represents only about one-sixth of the eligible gainfully employed. This includes the over 5,000,000 self-employed who presumably before many years will be covered in private pensions.

If all 60 million employees were to receive pensions at no more than current levels, and the benefits were fully funded on an actuarially sound basis, the total dollars in such a fund would exceed—just what would you guess? For example:

(1) Total assets of all Legal Reserve Life Insurance Companies were $69 billion.

(2) Total market value of all stocks listed on the New York Stock Exchange Oct. 31, 1953 was $115 billion.

(3) Total United States Government bonded debt now is $274 billion.

Actually, none of the foregoing would be enough. The figures would, of course, vary according to the actuarial assumptions used, but even liberal assumptions would require more than $20 billion a year, and a total fund of over $300 billion.

It does not take a banker, or any kind of expert, to realize that the tremendous weight of such vast sums even if they are only a little to the right or a little to the wrong can do us collectively a great deal of good or harm.

We always talk in the familiar terms of dollars. To understand why pension costs present a problem, we must realize that dollars are merely a convenient medium for expressing the value of economic goods and services. You can't eat dollars, but they will buy you some mighty nice food. We must realize that our standard of living is not money, per se, but goes up or down in proportion to the annual production and distribution of goods and services.

How Pensions Can Be Provided

Consequently, if several billion dollars a year are required for pensions, they can be provided in only two ways: First, merely by raising the price of goods and services to meet the required dollar amount. This method, I think you will agree, would immediately lower the purchasing power of the dollar, and hence lower the standard of living of all of us. It could lead only to a repetition of the inflationary two-horse race between wages and prices. In this race none of us is quite sure who won, but we all know who lost—those living on fixed incomes; and especially hurt are our retired citizens, no longer able to supplement their shrinking pension values.

If our objective is to have private enterprise provide pension security for our older workers, I hope I have demonstrated that it cannot be accomplished by the simple device of raising prices to meet this new cost.

Secondly, we come to the only sound method of providing for the cost of giving our older workers adequate pensions. To give it a name, we will call it the Increased Productivity Method. Right here, let me emphatically state, this has no kinship with Russia's Stakhanov, or speed up system. It does not mean "Lift that bar, tote that bale" a lot faster or else "Old Man River" will land you in jail. Irritations arising from forced draft operations of obsolete equipment are readily understandable, and have no part in this proposal. The Increased Productivity Method recognizes the simple fact that if an increasing number of and proportion of our older workers, retire and stop producing, but continue consuming, there will be a smaller number of goods and services to divide among the same number of people. Irrespective of the number of dollars available, this would result in a proportionate reduction in the *average* standard of living. (There would just not be as many things to go round.)

No Impasse

It looks like both ways result in reduced standards—are we at an impasse? Not at all:

As the widespread adoption of adequate private pension plans encourages the retirement of an increasing proportion of old workers, the loss in goods and services can be replaced in two ways. First, as has happened to a marked degree since World War II, modern methods can improve the capacity of man to turn out goods. In several industries the productivity per man hour has improved at the rate of between 1% and 3% per annum.

If this continues, we can foot the bill for pensions. If the retirants' productive loss in goods is not made up, our standards, of necessity, will be lowered.

However, productive progress can continue only if management keeps on pouring out vast sums of capital for research and plant expansion. Management will and does make such vital peace time expenditures almost directly in proportion to the governmental climate of sound fiscal policies and an equitable tax structure.

Management cannot go it alone. It is only one member of a fairly large team. Labor must play the game with equal vigor and intelligence. Labor must encourage every sound advance in productivity. It must resist only the Stakhanov type of increase.

The Dangers of Inflation

Many labor leaders already realize that the security they have sought will become a tragic delusion if inflation continues. They are lining up side by side with management in favor of sound fiscal policies.

Another valuable factor in making up the lost productivity of retired people is the by-product of laying aside trust funds from which will be paid future dollar pensions. The resultant gain involved is not the easiest thing to explain, or to understand. However, here it goes:

Pension dollar contributions, whether from employer or employee, are invested in stocks, bonds, and other properties. This is the newest, and soon will be the largest, investment force in the country. Through direct investment; or indirectly, by drying up the available supply of old securities, pension money is making it easier for companies to raise capital for expansion of old corporations or development of new industries.

It is not all gain, since a fair portion of the pension contributions would otherwise have been spent for current consumption instead of being set aside to provide for a retired employee when he no longer produces goods and services for himself. Hence, today's savings towards pensions somewhat restrict the market for today's products, but when later paid out as pensions should tend to support the market for consumer goods. Nevertheless, sound pension funding is a potent factor, and if coupled with the more important factor of a steady increase in the productivity of man's labor, will very definitely fill the vacuum created by the increasing number of retirements, without lowering our standard of living.

In the brief time allotted me, it is impossible to cover the waterfront. I, therefore, have attempted only to point up that the new concept of providing orderly and adequate security for all, presents one of the greatest economic problems we have ever faced.

I have tried to show you that the problem of providing adequate financial security for our ever increasing older group involves fantastic billions of dollars, plus political and economic pitfalls, that can make or break our economy.

Private Enterprise Can and Will Provide Security

I will restate my firm belief that, nonetheless, the private enterprise system both can and will provide such security. I will further state that I think our free enterprise system will benefit in many ways from the provision of such security. Time does not permit elaboration of this point. I can merely say that we will get our bait back, plus a dividend. However, I do not think we can absorb the cost by tomorrow. It must be a gradual approach, requiring the complete cooperation of management and labor. It must recognize the different potentials in whole industries and differences among individual companies within similar industries. Also, since it costs almost one-third less to retire a man at 70 instead of 65, I, personally believe the majority of companies will have to have a flexible retirement policy. Every means of obtaining the greatest utilization of competent older workers must be studied; not for sentimental reasons, but because our economy can not yet afford the loss of their productivity.

In conclusion, let me say—there is but one sound solution to provide adequate pension security for all workers — that is — increased productivity on the part of active workers to provide the consumption of goods by retired workers. Anything else, no matter how painless at first, means a decline in our world famous standard of living, and the ultimate destruction of free enterprise.

Therefore, let us approach this economic atom bomb with intelligence, not emotion, and a spirit of cooperation. Look before we leap!

Provided management and labor *accept* and *live* by the principles of increased productivity — not only can we afford the costs of pensions, and other fringe benefits, but we can actually increase our economic and moral strength —which is the sole defense of the free world.

*A statement by Mr. Hobbs before the New York State Joint Legislative Committee on Problems of the Aging, New York City, Dec. 17, 1953.

Business Man's Bookshelf

Aid, Trade, and Tariffs — The H. W. Wilson Company, 950 University Avenue, New York 52, N. Y. (cloth), $1.75.

Coal in the Maryland Economy 1736 to 1965—Bureau of Business and Economic Research, University of Maryland, College Park, Md. (paper).

Double Taxation of Dividend Income, The—Committee on Taxation, Chamber of Commerce of the United States, Washington 6, D. C. (paper).

Index of Annual Reports 1 to 20 (1930-1931 to 1949-1950)—Bank for International Settlements, Basle, Switzerland. (paper).

Poor's 1954 Register of Directors and Executives — Contains corporate listings of nationally known companies, titles and duties of all leading officers and directors, technical personnel, traffic managers, sales managers, purchasing agents, etc., includes histories of 80,000 executives, and a breakdown of 203 classifications of industry, with a products index of over 2,500 commodity and service items. For examination copy write Dept. A735127, Standard & Poor's Corporation. 345 Hudson Street, New York 14, N. Y.

Practical Financial Statement Analysis—Roy A. Foulke—McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y. (cloth), $10.00.

Regulations Concerning Dealings in Gold and Foreign Exchange in Belgium—4th Supplement—Bank for International Settlements, Basle, Switzerland (paper), Swiss francs 10 (the complete work, original compilation with four supplements, Swiss francs 40).

An Educational Campaign To Restore the Dollar

By ORVAL W. ADAMS*

Executive Vice-Pres., First Nat'l Bank, Salt Lake City, Utah

Asserting the dollar question surges to front as a vital issue, Western banker lists savings depositors as "forgotten men" in the process. Holds bankers, as custodians of hard-earned dollars of savings depositors, have responsibility in protecting the dollar against depreciation. Urges bankers take positive action to spread sound economic education so as to forestall a renewal of New Deal policies. Points out such a large and diffused group as bank depositors can be reached in an educational program. Contends, if properly informed, nation's voters "would be willing and anxious to go through period of painful deflation and consequent recession in order to restore economic sanity."

With Federal spending now out of control and the government committed to arm a large part of the world and provide assistance for rehabilitation on a worldwide basis, the dollar question surges to the front as the most vital issue before us.

Orval W. Adams

With dollars divorced from redeemability in gold and a printing press firmly installed in the United States Treasury by 20 years of fiscal mismanagement, the U. S. A. is on the way out unless the new Congress restores fiscal sanity, and the forgotten people, the great middle class, the deposit-owning citizenry, the people for whom I have a genuine concern, are alerted and educated in dollar economics.

The politicians seldom point out exactly who these forgotten people are. But we bankers know them. They are not a myth. They exist. They are among us in flesh and bones—in our banks, owners of insurance policies, in building and loan associations. They compose the great middle class of America. They are not generally pointed out as being the victims of inflation. They are not noisy or complaining. On the contrary, the real forgotten men and women have daily remained inarticulate. They have no organization, no pressure group. They issue no propaganda. They conduct no parades and make no fiery speeches or denunciations. They have no banners or implements. They have no press. They issue no publicity. They have no lobby in Washington. They have no spokesmen, no defenders—not even many of us, their unofficial custodians, the bankers of America.

Savings Depositors the Victims

They are the unknown, defenseless savings depositors. Their number is legion. They represent the very backbone of our citizenship; truly they are the victims and bear the brunt of a blundering economy. They are the class of thrifty investors, the men and women who, by rigid economies, by self-denial and from the sweat of their brows, have built up savings accounts. It is their money, large and small, that is invested in innumerable business concerns throughout the land. They have practiced self-denial, scrimped and saved in the hope of providing themselves with the necessities of life for their declining years when they are no longer able to work. It is the savings of the people that represents the seed corn of a government of free men. Something must be saved for these people.

Not so long ago I was at my desk in a savings bank. It was interest-payday. A woman presented her passbook at the savings window. She was a woman dressed in gingham, with three little, bashful girls by her side. After she presented her book to have the six months' interest credited to her account, she, with her little girls, made her way to the front door. As she passed my desk I stopped her and said, "Lady, may I please look at your passbook?" She, knowing I was an officer of the bank, acceded to my request. In that book was a deposit of $5,000. I asked her where the $5,000 came from. This was her story: Her husband was killed in the line of duty. He had purchased a life insurance policy in the amount of $5,000, payable to his wife, the mother of his three litle girls. This fatherless family lived in a rented home. One of the girls, six years old, was in school; the others were younger. The woman had drawn some of the principal, as well as the interest. She was doing domestic work to conserve as much of her savings deposit as possible. Her earning ability, plus the $5,000, was all she had in the world to provide for herself and her three little girls. Imagine her added predicament now that a sizable percentage of the purchasing power of this money, deposited in 1945, was lost to her.

The standard of living of this little family is dependent upon the preservation of the purchasing power of this money. Education, medical care, culture, self-reliance, are interwoven in these dollars. All of us have heard political spell-binders say that there is no relationship between money and human rights. Would anyone dare take issue with me or you that human rights and purchasing power in this particular case are not one and the same? Is it not logical to assume that when purchasing power is destroyed, so also are human rights?

Here is another example: A man came into the bank one day. He was 68 years old, a bachelor. He had saved $10,000. His accumulation was the result of many years of saving. He owned a modest home. For a living he sharpened saws and repaired locks. I talked with him. He told me his life story. At 65 his arm became afflicted with some kind of a paralysis. I remember very well his having difficulty getting his savings passbook out of his inside pocket. It was fastened in that pocket with a safety pin. He was a thrifty man. He prized his self-reliance. Having self-reliance, he had accumulated this money so that in the days when his earning power would be lost he would not become a public charge. We was a quiet and unassuming fellow.

And then there were the two bachelor farmers, who had come to an age past three score and ten, when they no longer were able to carry on. They disposed of their farm for an amount sufficient in dollars to sustain them during their remaining years. The proceeds of that sale were placed in our bank, they believing that sound dollars invested was employed labor in another form. Since the deposit was first made, the purchasing power of those dollars has depreciated measurably and the interest paid on savings has been reduced by a government mismanaged currency program. With the money received from the sale of their farm, they could have resorted to speculation—you bankers know what I mean without further elaboration. What did they decide to do? They decided to place their sustenance money in what they thought was a riskless reservoir—a savings account. The bank where their money was deposited is sound, yet in purchasing power their money has tragically depreciated.

These three cases are no isolated examples. In every bank in every town in our land of the free, numerous like cases exist.

Responsibility of Bankers

If we bankers, as custodians of the hard earned dollars of our self-reliant, uninformed depositors, fail in our trusteeship, we, of all professional people, are most guilty and lacking in vision, and we become a part of the New Deal wrecking crew. I am not in one whit apologetic when I make the charge that many of us bankers are passive, careless, and neutral members of that wrecking crew. Exposed to money education more than any other group, we are more guilty than many of the colleges and schools of this great country, who are graduating thousands of economic-illiterate boys and girls not learned in the art of government solvency and sound dollars which provide the first line of defense in safeguarding our free way of life.

The world at this time is not a normal world. In this abnormal world we, as bankers, have another duty and obligation to initiate and follow through: An educational program carrying down to the depositors in our banks, teaching that there is no such thing as government money, warning them against the depredations of the deficit addicts—wolves in sheep's clothing—who, if not kept out of office, regardless of party affiliation, will ultimately destroy what is left of the purchasing power of their hard-earned savings.

Until that wisdom has become part of the knowledge of depositors, it will continue to be possible for those in control of government to perpetuate themselves in office by returning some of the money, labeling it "government money," which they have taken from the depositors in the form of taxes.

The recent election poses the question as to how long an administration pledged to restore sound money can maintain itself in office. Investment counsellors are today debating to what extent reliance may be placed upon the millions of unorganized voters whose interests are in lower prices, in preserving the purchasing power of savings and wages, as against the voting power of the highly organized pressure groups seeking to continue government spending.

None, however, will disagree that the more such unorganized voters are informed of the facts the greater the reliance that may be placed in them by such an administration.

Educating the Public

And it is with that in mind I want to talk to you on the subject I have chosen: "Operation—Education."

Long before the advent of graduated income taxes Lord Macaulay warned that our Constitution was "all sail and no anchor." He, of course, was thinking of the vast power given through universal suffrage to an uninformed, in considerable part illiterate, electorate.

Today we recognize that the "anchor" is to be found only in the aroused self-interest of an educated and informed electorate, cognizant of its own true interest, not to be misled by demagogues acting the part of Santa Claus. Today, as perhaps never before, is that "anchor" needed, for today the electorate is exposed to the risk of falling for the false cries of those surviving New Dealers-Fair Dealers who would misuse the natural effects of a return to normalcy to scare the electorate into a return to the days of deficit spending and inflation, with no thought for tomorrow.

That sound-thinking American, Ben Fairless, speaking before the Economic Club of Detroit last September, expressed the thought thus:

"For nearly 15 years, this nation has been out on an economic bender of very large proportions, and in the process, it has consumed intoxicating quantities of war, inflation, government handouts, deficit spending, ruinous taxation and predatory politics. And now it has come to the inevitable morning after.

"Well, you don't get over a party like that without having some kind of a hangover—or at least, so I've been told. There are just naturally bound to be headaches, dislocations and readjustments; but let's recognize the headaches for what they really are: the pains produced by past excesses and not the symptoms of some impending economic disease. We are not sickening; we are recovering, and we have nothing to fear except, perhaps, the blandishments of our socialist-minded friends who will be back in full force next year trying to persuade us to take just one more little nip of the hair of the dog that bit us!"

A generation has grown up accustomed to deficit financing, accustomed to abuse of the principle of the graduated income tax, accustomed to believe that a tax upon a corporation is something separate and distinct from a tax upon an individual instead of, as in fact it is, an additional tax upon the individuals operating under corporate form. These three great clubs in the hands of an uninformed electorate can lead to the utter destruction of our economy.

Now what is our position in the premises—what is our obligation? Surely when we are considering the importance of a sound dollar, we must recognize that it is not to the educators, to whom the American people must look for sound information on which to base their actions. We must recognize that as bankers it is our prime duty to build the "anchor" by bringing the facts to the knowledge of our depositors.

I believe it is safe to say that the depositors in the banks of the United States hold the voting control, and if united and informed as to their true interest, they would build an "anchor" that would save the Ship of State from the rocks of inflation. I believe, too, that it is within our power to build this "anchor."

Large Number of Bank Depositors

As a rough approximation there are close to a hundred million bank accounts in the 18,000 banks and branches in the United States, and even taking into account duplications, the figure is an imposing one. As a group, these depositors have confidence in us, notwithstanding many individuals among them have been misled by such minds as were responsible for the Yalta Agreement, the continuance and misuse of the RFC, the concealment of Communists in our government, and the spend, spend, spend, without a thought for tomorrow. It is not only the total of bank accounts, but the diffusion of such accounts which impresses me with the power we have if we will but use it.

We, as bankers, have had, and do now have, friendly contact with the so-called "little man" who is most susceptible to the cries of those alarmists who would misinterpret the natural effects of a return to normalcy and who seek to induce the electorate to forget that there is always a tomorrow, and to return to the practices which have burdened us with an incredible debt and a destructive burden of taxation.

From the reservoir of economic wisdom at the headquarters of the American Bankers Association, supplied as it is by eminent economists, there could flow down to the 49 State Associations, thence to the 18,000 unit banks, and from them to their millions of depositors, the educational material dealing with money economics necessary to sustain the educational program.

Year by year, for the past 20 years, our depositors have lost part of their substance to the disease of inflation. A fraction of the amount so lost would be adequate to promote an educational program to eliminate the disease.

Although every year since organized banking has been meeting in convention, strong resolutions have been formulated for the preservation of sound money, such resolutions have been little else than "sounding brass and tinkling cymbals." We have talked among ourselves when we should have been talking to our depositors.

Now Is the Time to Formulate Educational Program

Now is the time to formulate an educational program to carry into action the intent of all those sound, well-meaning, and largely forgotten resolutions. Not to do so, in the present favorable political climate, would be to ignore opportunity knocking at the door, and quite possibly to pass up a last chance.

"The time is far spent—there is little remaining"—to provide dollar literacy education to our hundred million depositors. In less than one year there will be a Congressional election, and in less than three years there will be a general election. The present Administration is attempting to restore sound money—a stupendous, painful, and politically hazardous process. Many of these hundred million depositors are not aware of this fact, so ably stated by Chairman Martin of the Board of Governors of the Federal Reserve System, that "Inflation is a sneak-thief—it seems to be putting money into our pockets when, in fact, it is robbing the saver, the pensioner, the retired workman, the aged—those least able to defend themselves. And when deflation sets in, businessmen, bankers, workers, suffer alike, as most of us here know from the early 1930's." That being true, the economic suffering that will take place during a deflationary period, after 20 years of cruel inflation, will not be anticipated by those affected.

The painful experience which is necessary and must take place in order to restore economic sanity, will influence votes. If the economics of the situation were understood by the voters, that would not be true. *If they only knew,* the citizenship of this great country would be willing and anxious to go through a period of painful deflation and consequent recession, in order to restore economic sanity, which would be the only way to construct a sound platform for a new beginning, for insurance to save what is left of the already 50% depreciated dollar.

Repeating—"The time is far spent—there is little remaining," and I mean time remaining for education before the next elec-

Continued on page 32

*An address by Mr. Adams before Group Five, California Bankers Association of Los Angeles, Los Angeles, Cal., Nov. 18, 1953.

The Comeback in British House Building

By MORTON BODFISH

Chairman of Board, First Federal Savings and Loan Assn., Chicago
President, International Union of Building Societies
and Savings and Loan Associations

Writing on impressions of a recent trip to England, Mr. Bodfish gives data on progress of home building in Great Britain. Says target of Conservative Government of 300,000 additional homes annually has already been exceeded, and restrictions on building all over the British Isles have been relaxed. Finds flexible mortgage system an aid to British building, in which building societies similar to our savings and loan associations, as well as insurance companies and banks, have played important role. Gives description of British mortgage market.

Morton Bodfish

Ever since British Prime Minister Lloyd George's single tax budget just prior to World War I and the "Homes for Heroes" campaign and program following World War II, some American observers have followed with interest British home building and home financing activities. The development of municipal ownership, the varying uses of subsidy and the strong move toward the socialistic program of government ownership under the Labor Government have made for especial interest and are possibly significant as we try to maintain a policy in the United States that will steadily improve quality housing accommodations and make home ownership more widespread. The resumption of house building following World War II in Britain has gone long enough to have some clear facts and trends.

Statistics on Homes Built

From April, 1947, to June 30, 1953, 1,401,585 permanent houses had been built in Great Britain (England, Wales and Scotland). Starting in 1945 with 1,936 houses built for rent by local authorities and 1,078 built for ownership by private enterprise, the British housing program got off to a slow start in difficult conditions following the second World War. By 1948, 175.245 had been erected by local authorities, housing associations and government departments for rent and 31,210 by private builders for ownership. Of the latter, 12,328 were war-destroyed houses that had been rebuilt with aid from the War Damage Commission.

In 1949, new houses erected and war-damaged houses rebuilt totaled 236,866. During 1950 this improved to 260,309, those built for rent being 179,120 of the total.

It is interesting to note that during this period between December 1945 and December 1950, local authorities, housing associations and government departments in Scotland built or rebuilt for rent 90,897 houses, whereas in England and Wales in the same period 577,864 houses were erected by the same authorities. Similarly, 6,319 houses were built for ownership in Scotland by private builders and only 152,759 in England and Wales.

New Government Target

The Conservative Government, at its Annual Conference in 1951, when the Socialist Government was still in office, set a target of 300,000 houses to be built annually in Great Britain. At the present time it seems as if this figure will be exceeded in 1953.

In the first six months of 1953, 145,304 permanent houses were erected in England, Scotland and Wales, an increase of 34,340 houses in the first six months of 1952. This is a rise of nearly 31% and the maintenance of such progress compared with the rest of 1952 would give a total for this year of around 314,000 houses, well above the government's target.

These figures giving details of houses of all classes under construction show how the momentum of the housing drive, under an alert and keen administration, is carrying the program forward. Average time for building a house is now ten months, and within recent weeks Mr. E. Marples, Parliamentary Secretary to the Ministry of Housing and Local Government, said that the program was running at the rate of 300,000 houses a year, and just before that Mr. Harold Macmillan, his Minister, had stated that it was the government's intention to level off at this figure and not attain 375,000 houses a year, which was possible.

For it is recognized that the building industry, more than any other, is subject to fluctuations of weather; and the supplies position for bricks is already stretched to capacity. Last year the weather was good, during the remainder of this year it might be bad, in which case there could easily be a substantial set-back in the number of completions.

Upsurge Keyed to Changes in Government Policy

The prime reason behind the resurgence in British home building is the change in government attitude toward home construction. There is still not much comparison between the atmosphere and circumstances under which the American building industry operates and the conditions faced by British builders. Nevertheless, the Conservative Government has made a good start toward giving private initiative a chance.

On Jan. 1 this year the position regarding private building was greatly eased when restrictions on the issue of licenses to those who wished to build their own homes was considerably relaxed. Now it is possible for a Briton to ask for a license to build a house of not more than 1.000 sq. ft. anywhere in the British Isles, and the local authorities concerned must issue it subject to planning bylaws. How different this is from the state of affairs only last year when people able to pay a builder to put up a house could not do so until their application for license had been approved by the local authority, which in any case was restricted by the small number of licenses it was allowed to issue. With regard to larger houses between 1,000 and 1,500 sq. ft. application for licenses must be still made and are considered on their merits and the order in which they have been received.

It will be somewhat surprising to find that, even though the granting of licenses is liberal, the control, once having been established, even under the Conservative Government, a license to build a house under 1,000 sq. ft. is still required with its inevitable tendency to put the accent on a very small house with the inevitable sameness in appearance and layout.

Flexible Mortgage System an Aid

In addition to changes in government policy, British building has been aided by a broad and flexible mortgage lending system, which is worthy of note to American lending and financial institutions.

(1) **Building Societies:** The most usual method of raising a mortgage in Britain is through a building society (counterpart of U. S. A. savings and loan associations and co-operative banks). The societies will usually grant advances to purchasers of suitable property acquired for private ownership up to 80% of the purchase price, or of the society's valuation, whichever is the lower.

Usually the society's valuation is the lower, as at the present time they are valuing all existing properties on a very conservative basis. More generous terms are offered on a new house than on one of older construction, as is only to be expected. Present or sitting tenants also normally obtain more favorable terms because purchase lifts rent control which is still generally in effect.

The amount, however, which any building society will advance upon the security of any property is determined by the facts of the individual case and the society's rules and general policies. A full advance of 80% can normally be obtained upon a newly-built house, but here again it must be appreciated that the society's valuation is not necessarily as high as the controlled selling price.

Some societies are prepared to advance up to 85% of the value if the controlled selling price does not exceed 2,500 pounds. Most societies would be prepared to make an even larger advance if the borrower would provide some acceptable security known as a collateral security in addition to the mortgage deeds of the house itself. For those who do not possess, for example, Stock Exchange securities, or unencumbered life policies with surrender values, arrangements may be made for a guarantee policy to be issued by an approved insurance company. This is usually issued on payment of a small single premium, which may or may not be added to the basic advance and repayable therewith. This system permits of a maximum advance of 90% of the valuation at the lower price levels or 85% at the higher price levels.

Payment by the borrower is by equal monthly instalments consisting partly of capital and partly of interest on the balance of mortgage debt outstanding. The total amount payable over a period covers the original advance, together with the total interest charged year by year. Most of the well-known societies allow the borrower a choice as to what period he will take in repaying the whole sum but the maximum term permitted is usually 20 years.

Legal costs and survey or appraisal fees are borne by the borrower.

Clearly, Building Society lending is quite comparable to savings and loan lending in the U. S. A., that is, 75% to 80% of value but with the important exception that they will go to 90% with additional collateral in the form of securities or unencumbered life insurance policies.

(2) **Insurance Companies:** A loan can also be arranged directly through an insurance company. Advances of 80% of the surveyor's (appraiser in the U. S. A.) valuation (or purchase price if this is lower) are usual, though some companies have a normal limit of 75%, but the valuations are usually somewhat lower than those of a building society.

An insurance company mortgage is usually combined with an endowment policy on the life of the borrower. The borrower has to satisfy the company that his circumstances allow regular payment of premiums, interest on loan, and other outgoings in connection with the property.

Repayments take the form of the insurance premiums, usually paid monthly, and a sum, also paid monthly, representing interest on the full loan, which is not reduced year by year. At maturity or earlier death, the sum assured is applied in repayment of the loan, which is, of course, of considerable benefit to the borrower's dependents.

If it so happens that the borrower has already taken out an endowment policy some years ago, he is likely to secure a somewhat larger advance than would otherwise be the case.

An advantageous point in respect of these mortgages is the tax relief on both interest and premiums. These vary with the standard rate of tax, and the taxable income of the borrower, so that each applicant must obtain a quotation applicable to his own circumstances. But tax relief in respect of the greater amount of interest, combined with premium relief, is such that it has been shown that up to the age of 35 (granted certain assumptions as to liability to tax) it is cheaper to buy a house by the insurance method than by means of repayment of capital and interest combined. As life cover is thus provided virtually without payment, such an arrangement is receiving more and more consideration.

It is interesting that insurance company lending goes to 75% and 80% without the props of government guarantees and without the accent on amortization that we have developed in the United States. It is significant that upon the death of an insurance company borrower, the estate has a debt-free home, an objective that we have attained in only the minority of cases and only then under a rather cumbersome procedure.

(3) **Banks:** Occasionally loans on house purchase for owner-occupation are granted by banks. This depends very much on the borrower's standing with the bank, and any such applications are usually considered on their banking merits.

It is, however, only in special circumstances that banks are now prepared to advance loans for home purchase. That is owing to the fact that credit is tighter and more expensive than it was.

(4) **Local Authorities:** Mortgage advances are also granted by local authorities in Britain. As with other lenders, conditions will undoubtedly vary as between different Councils, and there may be requirements not usual with other borrowing channels.

The increase in the statutory limit for loans which may be granted by these authorities under the Small Dwellings Acquisition Acts has brought many more purchasers within the scope of this type of lending. Examples of the conditions imposed by a typical local authority are quoted below:

(1) The house must be situated in the Borough Area.

(2) It must be freehold, or leasehold with 60 years unexpired at the date of loan. (The normal proviso for leasehold property, by other lenders, is 30 years unexpired at the end of the loan.)

(3) Maximum market value (Council's or authority estimate) 5,000 pounds.

(4) Maximum proportion of loan to market value 90%.

(5) The house must be purchased for owner-occupation.

(6) A borrower may not have more than one such loan at the same time.

(7) There is usually a minimum period of residence stipulated.

Usually interest rates tend to be lower than those charged by other borrowers, and repayments are made by similar means, the "interest and capital combined" method being the most economical.

(5) **Private Mortgages:** Mortgages are also arranged from private sources which are usually Trust Funds in hands of solicitors. Such mortgages are standing loans for a given term, and the rate of interest is higher than with other types of mortgage, and now range from 5% to 5½%. Private mortgages are also obtained through mortgage brokers, who act for many large lenders, make no charge to the borrower for their services, and give free and impartial advice on the merits of the various lenders in relation to the borrower's own position and requirements.

The British Mortgage Market Today and Outlook

Most mortgage applications until this year have been in respect of houses already existing, but there is now an increasing demand for mortgage advances on new houses, since the recent speed-up of private enterprise housing in Britain.

Mortgage advances on new properties are negotiable on the basis of a sight of copies of plans and specifications; a loan is offered conditional upon satisfactory completion of the work in accordance therewith; hence the contract between the new owner and the builder must embrace the same conditions. There can be no departure therefrom without the prior consent of the building society, or otherwise the new owner may be liable to the builder, while the Society could at the same time be within its rights in withdrawing proferred loans. In the first instance, the buyer usually have to find the whole cost of the land from his own resources, as most lenders are unwilling to make any advance on the security of the land alone. Some lenders will, however, advance one-third or one-half of land cost, providing the borrower has a building license and is ready to proceed with construction forthwith; but this is frequently difficult to achieve unless the property is planned in advance, is suitable for the site, and the Council procedure is completed for license purposes before completion date for purchase of the land.

It is difficult to forecast the future trend, but the whole business of large-scale lending is interrelated to a number of associated current influences. The increasing tendency in many directions to a certain reluctance to lend, except on most favorable conditions, and for particular purposes, among money market operators, becomes speedily translated into a mood of caution in those lenders who deal directly with the borrowing public.

Valuations are less generous, proportions of loan to valuation are smaller, and interest rates are higher than a year or two ago.

It seems that the whole question of ownership, private versus public, is still very much in flux and that the financing of private house building and home ownership is done pretty substantially by the specialized savings institutions and that interest rates and percentages of loans to appraised value are following the same general trend as in the United States, that is, there seems to be more conservatism and higher rates this year than last.

Paul Arno Co. Opens

Paul Arno is engaging in a securities business from offices at 1430 Plimpton Avenue, Bronx, New York, under the firm name of Paul Arno Co.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks refused, even in the face of the approaching holiday, to cheer their holders and the week was a somewhat sour one as the list, once more, retreated from the long-standing overhead resistance level at around 285 in the Dow industrials. Rails, by lagging consistently, put an effective brake on other sections of the list and the traditional year-end rally, supposedly the most consistent of the seasonal market swings, is still in jeopardy.

* * *

The selling of the week still displayed signs of year-end evening up operations, various rather large blocks coming to the market in a wide variety of issues. Despite this, the list showed disappointing action far more from neglect of any reinvestment demand to develop (except in a handful of issues) than from any concerted selling. The one-day run-up of last week apparently was cancelled out. The list this week fell back enough to put it in minus territory on the month by a narrow margin for the industrials, but by several points for the rails. With only four sessions left this year, some hectic work will have to be done if the month so noted for its persistent plus signs is to keep up the record.

* * *

Aircrafts Clipped

Aircrafts were this week's best illustration of the rather widespread caution around. They spurted well, backed by plenty of statistical support in the shape of backlogs and earnings and on the prospects of the benefits that will accrue if the Excess Profits Tax is allowed to die. But the advances brought profit-taking to the fore in a rush which clipped all the gains and more in most cases. This widespread disposition toward taking profits in a rush has been noted increasingly in recent weeks.

* * *

The usual parade of rare appearances by the highly inactive issues continued with Superior Oil of California something of a feature by tacking on well past half a hundred points in a handful of trades, to a new high incidentally. The repeated and not especially new rumors of splitting the stock helped, of course. So far most of the inactives, including the Stock Exchange's highest price issue, Coca-Cola International; St. Louis-Southwestern, Mahoning Coal and New York & Harlem have managed to struggle to at least one tape appearance for the year. Except for Superior Oil, the other tape visits had all the earmarks of being the usual trades to establish a price for record purposes.

* * *

Tax Selling Not Ended

Tax selling seems to be far from finished in Celanese, Studebaker, White Sewing Machine, Burlington Mills, Crown Cork and Howe Sound, among others. Among the various groups, the office machine makers were about as heavy as any; Royal Typewriter and Underwood sliding into new low ground. The textiles continued weaker than the general list, but for them it isn't a new story.

* * *

The sharp run-up in American Woolen issues seemed to have ended, probably because the appeal of $105 for the prior preferred on a call gave way to some worry over the manner of its financing. By an odd coincidence, the issue last week matched the improvement of the week previous almost to the penny at a shade over 11 points each week. But this week on considerably reduced volume it sold at a handful of points under the best in the initial enthusiasm.

* * *

Apart from the few special situations, it continued to be a case of the blue chips leading the way, both up and down. A fond and rather widespread hope that the excessive spread between the low yields of the blue chips and the high yields on the speculative end would be reduced by the secondary issues going into a year-end whirl, seems at least premature. Instead it has been the blue chips that have been narrowing the gap, at least in the decline of mid-week.

* * *

Divergently Moving Issues

Chrysler has been somewhat weaker than its companion General Motors, expectations of new financing being responsible for most of the nervousness. Erie, for reasons less clear, has been a rail laggard that reached its poorest price of the year this week. Monterey, on the soft side, was a more determined member of a rather neglected oil section. The oils, as a matter of fact, have been doing little, probably because they were so thoroughly depressed earlier in the year. Consolidated Cigar was able to forge ahead well, the result of good dividend action, despite the general easiness among the tobaccos. The cigarette shares, however, showed no following and continued to back into new lows.

* * *

Telephone, which was a bulwark of strength throughout the September and subsequent dips, apparently was deserted by the arbitrageurs for a bit and fell almost a point briefly in a sick market, which is a far wider range than it has shown in many weeks. The issue's market price hasn't been able, in a couple of weeks, to make up its famous $2.25 dividend, however.

* * *

Technical Insignificance

Technically, little was accomplished of real significance. And in the absence of any technical clues, the search for reasons why the list continues to dawdle, covered a rather wide range. There was the unlikely guess, somewhat generally held, that the Russian agreement to confer on an atom pool was chilling enthusiasm. Equally suspect was the alibi that the selling stemmed from the low estimate of steel output for this holiday week, a rather normal occurrence at this time; but which hasn't been noteworthy in scaring investors in years when the market was actually in a rallying mood.

* * *

The market held to a 277-285 trading range in which it has lolled since mid-September and, as a matter of fact, was closer to the top of the band than to the bottom throughout. The rebound peak of 285.20 reached early in the month wasn't in any serious danger at any time, however.

* * *

The minor technical indicators were not constructive. Volume picked up on the sell-off but with the many cross currents of the year-end, it wasn't too respectable a forecasting medium. The broadest market in some time was also recorded on the decline. And the fact that the new lows again took over leadership from the daily new highs wasn't particularly encouraging.

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

Joins Carroll, Kirchner

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Richard T. Larsen has become affiliated with Carroll, Kirchner & Jaquith, Inc., Patterson Building. He was previously with Boettcher and Company.

The Economic Kaleidoscope Does Not Produce Perfect Duplicates

By HUBERT F. ATWATER

Gammack & Co., Members, New York Stock Exchange

Veteran stock market analyst, in telling the story of an old home entertainment gadget, points out a moral that there are no parallel charts or patterns which make the past a reflection of the present or the future.

My earliest recollection of a gadget for home entertainment was my great uncle's wonderful Kaleidoscope which in his comfortable parlor held the place of honor on a marble-topped table placed in the bow window. This was not a toy from the variety store but a magnificent instrument, too large to hold in the hand and was encased in leather, supported on its own stand and actuated by turning a massive and perhaps magic wheel. As a source of entertainment it held more attraction for visitors than either the stereoscope or the parlor organ.

Hubert F. Atwater

Uncle Stephen had married my grandfather's sister and through hard work had built a prosperous farmstead which allowed him and his family to enjoy the fruits of the seasons without apparent effort. He was the first and perhaps best example of an economic royalist that I have ever seen. His son Edward, begotten some 50 years before the purchase of the Kaleidoscope, had, by study, developed considerable ability as a horticulturalist and had built a green house—we would call it a nursery today—in which he was able to grow most of the semi-tropical plants that were displayed in Elizabeth Park, Hartford. It was the first time I had ever seen orange and lemon trees. When one recalls the rugged winters of the Litchfield County Hills, this was no small accomplishment, especially as only wood was available for fuel.

Next to the parlor the green house was the focal point of the farm. Here the men met to work, to talk with men visitors and, speaking softly, to smoke. For Uncle Stephen's wife was the mistress of the house and no one could bring his pipe indoors. Every year a supply of mullen leaves was gathered and hung to dry and when mixed sparingly with the contents of a pound tin of "Sensation" produced a smoking mixture that pleased appetites of the men and allowed them to observe the ban on tobacco.

Into this quiet and serene atmosphere Edward, in time, introduced his son Clarence, who by the time he was 20 believed that all he and the family enjoyed was his by right of endowment and that no further effort need be made, the land would always provide for him.

Now Uncle Stephen had seen a great many cold and devastating winters, had taken something out for a rainy day whenever he could and in the drawer of the table on which the Kaleidoscope stood, he kept a tin box. On day in my presence he opened this box and drew out a **United States of America 7.20% Bond** from which he cut one of the few remaining coupons with a pair of dressmaker's shears. This was the first bond I had ever seen.

What difference does it make what the denomination was or how many he had, the significant fact is that he had bought and owned a bond.

It would be difficult to recount all the effort that in 50 years went to make Uncle Stephen an independent economic royalist. Without crop support, social security or old age pensions he was able to provide amply for three generations.

Clarence was fascinated by the Kaleidoscope and would sit for hours slowly turning the wheel and marveling at the patterns disclosed. Like many of the Clarences of today, he was constantly trying to so turn the wheel that some beautiful pattern which he had observed yesterday would again come into view or as he probably thought reality. We knew that he could not succeed but pitied him, nevertheless.

We know the importance of historic information and perhaps have learned not to make the same errors of judgment twice in similar circumstances.

But is that what the observer at the Kaleidoscope means when he tries to find parallel charts and patterns? So many solutions are presented because the observer thinks he has found the same pattern in the past. "It worked once, it will work again," or "The Government must do something to help before it is too late," are too often advanced.

We are grateful for being reminded of our mistakes of the past but think we have also learned that perfect duplicates do not exist in nature or economics any more than they did on the farm house Kaleidoscope 60 years ago.

To these observers who are trying to prove otherwise, we can only say in the words of Tiny Tim: "God Bless You, Everyone."

American Exchange Christmas Party

Edward T. McCormick, President of the American Stock Exchange, announces that the exchange will hold its annual Christmas festivities for employees and members and their families on the trading floor of the exchange at 1:00 p.m. Thursday, Dec. 24, 1953.

Christmas carols will be sung by a girl's choral group from Ladycliff College, Highland Falls, N. Y., under the direction of Dr. Frank Rybka. Miss Marie Crittenden, daughter of an exchange employee and an alumnus of Ladycliff College, will be the guest soloist.

Otto Wilhelms, market reporter, will again be on hand as Santa Claus to greet the children of members and employees.

Lawrence M. Stern, regular member of the exchange is again Chairman of the Exchange's Christmas program and is assisted by Francis X. Gaudino of the Exchange staff.

Joseph B. Scannell Now With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Joseph B. Scannell has become associated with E. F. Hutton & Company, 160 Montgomery Street. He was formerly with Harris, Upham & Co. and prior thereto was local Manager for Cantor, Fitzgerald & Co., Inc.

Canada's Progress Is Linked To the United States

By ROBERT RAE*

President, the Dominion Bank, Toronto, Canada

Executive of a leading Canadian bank, in reviewing Canadian economic status, stresses Canada's need for savings and investment and scores taxes on savings. Points out exports are vital to Canada's expansion and the U. S. market will become even more important than it is today, and thus, the capacity for economic expansion of the North American Continent, with its fast growing market, must be maintained, if Canada's progress is to continue.

The Canadian who gazes back on 1953 sees evidence of improved techniques and better tools for tomorrow's job: of expanding production: and of the resulting material benefits being distributed widely among the now 15 millions of us.

Robert Rae

Briefly — the view looks good. But it is not yet as good as it ought to be. That observation applies especially to the near-term prospect. Some of our problems need more thought and study than we have given them so far.

The benefits now being enjoyed by Canadians are due, in part, to the bold, postwar decision, made in 1945 at Ottawa, that wartime controls must go. Canadian enterprise was then freed for the tasks of peace. Let me recall that the lifting of these controls stood out in sharp contrast to policies adopted elsewhere, based on a supposed need for the planning of business operations by bureaucrats.

Seven years have passed since then. There is much to be said for a brief stocktaking.

Population Growth

One good sign is—the rate of population growth has increased; and that, not merely because four years ago Newfoundland came into Confederation.

The population of our nine other provinces, combined, has been growing since 1946 at the rate of more than 22 persons per thousand per annum.

This exceeds our average rate of population growth since Confederation. We doubled our numbers in the 42 years from 1868 to 1910. We doubled them again in the 42 years from 1910 to 1952.

But we need not wait for another 42 years to double our numbers again. The prospective "doubling period" of Canada's population growth is now only 31 years.

Canada's Output Grows

With reference to the current growth of our incomes, we Canadians can easily mislead ourselves.

From 1946 to 1952 Canada's Gross National Product grew from about $12 billion, to $23 billion—in other words, the nominal value nearly doubled. But, of course, the "real" income of the Canadian people did nothing of the kind; for, as everybody knows, in 1952 the dollar bought much less than it had bought six years earlier—in fact, not quite two-thirds as much.

It is to be hoped that we shall neither pursue, nor permit the repetition of inflationary policies. Nothing is more dangerous today than to think of inflation as if (in the jargon of the law-books) this evil thing were an act of God.

It is nothing of the sort. Whenever and wherever it occurs, inflation is man made. Our sole safeguard against it, therefore, is perpetual vigilance.

Measured in "real" terms, Canada's Gross National Product did in fact grow, during the last six years, by substantially more than 25%, or slightly more than 4% annually.

Some may not think this figure impressive. But few countries have ever maintained so rapid a pace of economic expansion for any length of time. If we can keep up this rate, we shall double Canada's present physical volume of production, and "real" income, by 1970.

As everybody knows, some of the conditions essential to continuance of this rate of economic expansion are within our own possibilities of control; others are beyond our control.

Savings and Investment

With reference to the former of these: the task of statesmanship is now to pursue those policies which make for a rapid increase in the national output and income and to resist such policies as are likely to slow down this rate of increase.

We live in a progressive industrial revolution. Per head, we tend to produce a larger and large volume of goods, year after year. That is the main reason for our improved well being.

Since 1946, our growth has been fairly balanced. The physical volume of Canada's mining and of her agricultural output has grown appreciably faster than the physical volume of output by Canada's manufacturing industries.

But most of this increased output, per man hour, is due, not to greater physical effort, or even to greater skill. Streamlined methods of production, better tools and machines, more kilowatt hours of energy per head: these are mainly responsible for the growth in the Canadian's capacity to produce. We must continually be modernizing and enlarging our industrial, mining, fishing and agricultural equipment.

We need houses for our growing population. Parallel with the great investment in plant and equipment, which is wanted for the welfare of all, there has been since 1946, and must continue to be, residential construction on a large scale.

All of these things cost money.

No society can expand, as ours is expanding today — no society can maintain the "doubling period" of slightly less than 17 years, which we Canadians have established for our economy since 1946, otherwise than by means of continuous investment on a very large scale indeed.

During the years 1946 to 1952 we produced goods and services of all kinds valued at more than $120 billion. We invested in plant and equipment, and residential housing, slightly more than $20 billion and invested more than $5 billion in larger inventories to take care of our fast growing population.

Almost the whole of this vast sum was saved by Canadians.

But for these savings, voluntarily made and by now transformed into plant and equipment, into residential housing, and goods or materials in store, this country's working force never could have accomplished the tremendous increase in output, or made possible the great improvement in our individual living standards, which was achieved.

Taxes on Savings

Nothing would more certainly slow down Canada's growth, and thus arrest the progressive improvement in all our living standards, than the further discouragement, by tax levies or otherwise, of those many Canadians who have saved and invested since 1946 and who still are saving and investing, in aggregate on a very large scale, to the benefit of all their fellow-citizens.

No popular fallacy is more dangerous than the belief held by many, that taxes on profits are irksome only to those who invest in businesses. To the extent that such taxes cut down the rate of saving and investment, they retard adoption of new production techniques and more productive machines. Thus, they slow down expansion of output and, as a result, the public is less plentifully furnished with the good things of life than it otherwise would have been.

Let me note in this connection that the personal savings of Canadians in recent years have been large (more than eight cents on an average, out of each dollar of their personal incomes in 1952). Nevertheless, the bulk of the money for new investment in Canada comes not from personal savings but from savings by corporations—in the form of provision for depreciation and retained profits. All of us benefit when such savings are made.

Exports Still Vital

With reference to the conditions necessary for Canada's expansion, which are not within our own control, a basic need is the necessity for markets abroad. The Canadian economy remains in health so long as we can sell abroad, profitably, something like one-fifth of our entire production. The money received from our export sales goes into the pockets and the bank accounts of millions of Canadian workers, finds its way normally to the remotest of our fishing villages and to the most isolated of our lumber camps and mines.

Because of the socalled "dollar shortage," the volume of our exports to countries outside the limits of the North American continent has been gradually, but appreciably, diminishing.

Shifting Markets

It is Canada's good fortune that this shrinkage in demand for our goods overseas, so marked since 1946, has been much more than offset by growth in the demand of the United States for Canadian goods.

In 1946, something less than 40% of Canada's merchandise exports were marketed in the United States, more than 60% in the rest of the world.

Today, nearly 60% of our merchandise exports go to the United States, about 40% to all other countries.

Not a few good Canadians argue from this that Canada's position as an exporter now daily becomes more vulnerable. Let us remind them that but for this greatest of all markets in the United States, we Canadians could have enjoyed no postwar prosperity.

Collectively, the people of the United States have actually been spending only about five-eighths of 1% of their incomes on the purchase of Canadian goods. This is about the same proportion—no more and no less—as our customers in other countries have been spending on Canadian goods, on an average, out of their own very much smaller incomes.

The great contrast between the people of the United States and our customers overseas, lies not so much in differences between the respective spending habits of these two groups of customers, as in an enormous (and still widening) spread between their respective spending powers.

Buying Power of U. S. A.

The growth in the spending power of our customers, for obvious reasons, closely parallels the growth (or lack of growth) in their own capacity to produce wealth for themselves and others.

Searching for better technology, themselves saving and investing on a tremendous scale, our neighbors in the United States are increasing constantly their output of wealth—and thus, too, their capacity to purchase the goods of others.

But in the countries overseas which once bought the greater part of Canada's exports — even, alas, in the United Kingdom—there is no such opportunity to save, no such rate of growth in their capacity to produce wealth—or their capacity to purchase needed imports.

Future Trend of Exports

Supposing that in time to come, both the people of the United States and our overseas customers continue to devote the same proportions of their own incomes (on an average) to the purchase of Canadian goods as they do now—what must we then expect?

Necessarily, the percentage of our total exports, which is destined to be sold in the United States, must gradually become even greater than at present; the percentage destined to be sold outside the limits of the North American continent must gradually become less.

This means, of course, that we Canadians are going to be "putting more and more of our eggs in one basket"—the basket which takes our goods to the United States.

Prudence would counsel us, if we could, to plan the distribution of our fast expanding export trade quite otherwise. But there is almost everywhere in this North American environment of ours, a capacity for economic expansion, which simply cannot be matched elsewhere. Thus the quickly growing Canadian economy cannot help but sell an increasing proportion of its exports in the great market next door, just because that market is now the fastest growing of all our markets abroad.

Need for Lower Costs

Measured in dollars, our sales to the United States still are increasing—at the rate of about 7 or 8% annually. But in the aggregate, our sales to the rest of our customers abroad are decreasing at the same time, and in a greater proportion, perhaps more than twice as fast.

The current decline in the prices of Canada's farm products is partly due to the diminished demand from overseas for these products.

Recently the government of the United States, facing an obstinate deficit in the Federal budget, has intimated that less money will be made available for all purposes next year, to friends and allies overseas than has been made available in 1953.

This decision might curtail yet again our exports to countries overseas; and thus as well, increase the pressure on agencies in Canada, responsible for the marketing of our farm products.

A lessening of the Canadian farmer's purchasing power, might in turn, reduce to some extent the total demand for goods of all kinds in Canada, thus making jobs in our cities and towns somewhat less plentiful than at present.

The business prospect is also being prejudiced by today's level of costs and prices in Canada. No great exporting country can long disregard this danger lest, by neglecting this item it may "price itself out of its markets, one after another."

No good citizen views with indifference a situation such as this. We need, now, to scrutinize our costs and prices more closely, than we have done for a long time. I take it for granted that we shall do this.

Co-operation with U. S. A.

Meanwhile, it is comforting to know that the United States and Canada together, now purpose to set up a Joint Economic Commission, which will reflect fully the views of both countries "for the consideration of all problems of mutual concern in trade and economics" and for promoting satisfactory trade relations throughout the free world.

Nothing but good can result from this linking of the two most rapidly growing markets in the world.

*An address by Mr. Rae at the Annual Meeting of the Stockholders of the Dominion Bank, Toronto, Can., Dec. 9, 1953.

Continued from page 2

The Security I Like Best

is excellent. The common stock at present prices, still under 20—it sold over 49 in 1946 — appears to be very substantially undervalued.

W. L. Maxson Corp. common is traded in the over-the-counter market.

JUNE S. JONES

Partner, June S. Jones & Co., Portland, Oregon

Cascades Plywood Corporation

Plywood has been termed the "Wood of 1,000 Uses" and the nation's total fir plywood capacity has tripled in the last decade. Cascades Plywood Corp. is one of this country's most important producers of plywood and battery separators and it is currently about ready to market in quantity its own patented hardboard made from wood waste. I have watched this company grow and develop until it has become one of the largest Douglas fir plywood producers in the world. Cascades is an extremely efficient producer of plywood and its profit margins have consistently been above the industry average. In addition, it is expected that the profit margin on the new hardboard product will be very satisfactory.

June S. Jones

The plywood industry has undertaken an extensive promotional campaign which should develop new uses and markets for plywood and it should also expand old markets. As an indication of the possibilities, it is interesting to note that the use of plywood per house is currently only 400 square feet and according to industry surveys, this can easily be expanded to 1,000 square feet or more. The volume of plywood products is only between 2% and 3% that of lumber, but the U. S. Forest Service estimates that from one-fourth to one-third of all lumber used in construction could ultimately be displaced by plywood. I feel, therefore, that the prospects for the industry in general and Cascades Plywood Corp. in particular, are very bright.

Cascades Plywood is my favorite security for a number of reasons. Of singular importance to the success of any plywood operation is a supply of peeler logs which is the major raw material. Cascades has an exceptional position in this respect because it owns in fee about 900 million feet of timber at a cost of about $4.50 per thousand board feet. Timber of similar quality is worth, on the current market, in excess of $30 per 1,000 feet.

Cascades has proven its efficiency of operation by its consistent earnings record. From 1947 through 1952, earnings averaged $3.21 per share. During this period, the company retired over $3⅓ million of preferred stock and they also built their new hardboard plant which cost approximately $1 million. Cascades has paid $2 per share in dividends each year since 1948, except in 1949 when it paid $1.75. Earnings this year are running ahead of last year. For nine months they earned $2.11 versus $2.06. The last balance sheet showed almost $2½ million in cash which was two times all liabilities. Cascades has no debt and it has 582,510 shares of common stock outstanding which is traded over-the-counter. Cascades has a long-term sales contract with U. S. Plywood which expires in 1964. Under the terms of this contract, U. S. Plywood has the option to buy all of Cascades Plywood production. This contract is viewed by the management as an element of strength.

The hardboard which the company has developed will soon be in quantity production and the company is quite confident of its success. An investigation by the management has indicated that a combination of plywood with a hardboard facing will be very much in demand. Cascades has so designed their hardboard plant that it can ultimately be expanded to five times its initial capacity. This hardboard production most certainly will add to the earning power of the company over the coming years. The hardboard plant is highly mechanized so that labor costs are at a minimum. In addition, since it is made from wood waste, the raw material cost will be very low.

Cascades common stock has had the narrowest price range of any major lumber product stock in the past year. It is currently selling around 25 which gives it an 8% return. The management of Cascades is well known and highly regarded in the lumber industry. Many of their men are pioneers in this field.

Cascades is my favorite security because it has a proven earnings and dividend record, it has great possibilities of growth through its hardboard division, it has a great deal of value in its timber resources, its management is outstanding as shown by its excellent financial condition and because it offers an attractive yield.

Morton Banks Form'g Banks & Company

Morton M. Banks is forming Banks and Company with offices at 44 Wall Street, New York City. Mr. Banks was formerly a partner in Banks and Holcombe.

McCance Director

H. H. Schell, Chairman of the Board of Directors of Sidney Blumenthal & Co. Inc., has announced that Thomas McCance was elected a member of the Board of Directors.

Mr. McCance is a partner of Brown Brothers Harriman & Co., and is a director of many companies including Commercial Pacific Cable Co., Manhattan Fire & Marine Insurance Co., Union Sulfur & Oil Co., and the Commercial Union Group of Insurance Companies. He is also Chairman of the finance committee of London Assurance Company.

Mr. McCance was elected to fill the vacancy caused by the resignation of Mr. Ray Morris.

From Washington Ahead of the News

By CARLISLE BARGERON

While the Republicans in Congress set about next month to carry out the Administration's "dynamic" program, a forward-looking thing designed to make all the people better off and happier, there will be a strange discord coming from one of the most prominent Republicans of all.

Carlisle Bargeron

One of the ways in which the Administration hopes to get at the hearts of the citizenry is to get the government off their backs, relieve the tax load, unregiment the farmers and take the government out of private business when private business can do the job just as well. It is in this latter endeavor that Governor Dewey stands out like a sore thumb. He wants to put the Government—his government—into a business where it has never operated before; he would create an entirely new government business, at a time when the Republican administration in Washington is committed to giving the rein to private enterprise. You get the impression, in fact, that if it were not economically and politically impractical, Mr. Eisenhower would like to turn such projects as TVA over to private enterprise. He has no intentions of doing so but he has made it quite plain that he doesn't want any more like it.

But Governor Dewey in his effort to have the Niagara power project turned over to the State is running contrary not only to the trend, he is talking contrary to it. His utterances sound, not like Republican utterances, but those of the New Dealers who went out of office a year ago. He speaks of cheaper power, of great benefits to the people, if the State is given this project. He is even justifying the project's not having to pay taxes under State ownership. People of other States are getting tax free power, he says. There is something strangely anachronistic about his attitude.

Private enterprise has always developed the power at Niagara. Its contract, according to my understanding, still has several years to run. The proposition now is simply to develop additional power. Governor Dewey wants this done by the State and he plans to make a big fight for it at the forthcoming session of Congress.

Already he has put the President in the position of backing and filling on the question. At first the President's attitude was that here was a shining example of letting private enterprise do the work when it was in a position to do it. The Secretary of the Interior, Mr. McKay, so stated this attitude in a couple of speeches.

But Governor Dewey came arunning to Washington to tell the President and the Interior Secretary that they had made an unfortunate selection of a shining example. Since then Mr. McKay has chosen to keep quiet on the subject, explaining that the disposition of the Niagara project is not before his department, and Mr. Eisenhower is keeping shy of the fight in Congress. Most recently he said he thought that when only one state bordered on a river he thought that state rather than the Federal Government should be entitled to its resources. But, he added, as concerns Niagara, the Congress unquestionably has a say-so, too.

It is manifest that the question of Government versus private enterprise is at issue in the Niagara controversy, just as much so as if it were the Federal Government, instead of the State government that is trying to get the project, although as between State and Federal ownership, the private power companies would undoubtedly prefer the former.

The fact is that Republican Dewey finds himself in the paradoxical Republican position he is in because of the demagoguery that has attended the St. Lawrence power development for so many years. In the agitation behind it, it has been claimed that it would be a boon to the humanity of all the Northeast, not just New York State alone; it would relieve a power starved people and bring surcease from the extortions of the private interests to those who were not so starved. For more than 20 years the taxpayers of New York have paid for an agency created by Franklin D. Roosevelt, the Great, when he was Governor, the New York Power Authority which apparently has had little to do except distribute pretty photographs of the finished project and generally to propagandize about it. Now, the Federal Power Commission has awarded this Power Authority a license to build the St. Lawrence plant in conjunction with the Province of Ontario. The Power Commission's action is being contested in the courts but the New York Power Authority is smacking its lips on the assumption that it practically has the project in its hands.

And Governor Dewey, surveying the situation at this stage, is wondering just what it is he has got. It is nothing like the claims that have been made in its behalf all these years; it is relatively but a pea in a pod insofar as the consumption of power in New York State alone goes. The Chairman of the Power Authority, John E. Burton, is saying, in fact, that without the Niagara project which will produce practically twice as much power as the St. Lawrence plant, that the effectiveness for good and the welfare of the people, etc., will be greatly impaired if not destroyed.

So we see a good Republican governor giving a push to the trend toward Socialism which his comrades in Washington are committed to at least arrest.

MERRY CHRISTMAS TO ALL!

Public Utility Securities

By OWEN ELY

Brazilian Traction, Light & Power Co., Ltd.

Brazilian Traction is a large holding company with headquarters in Toronto, Canada. Its subsidiaries furnish a wide range of utility services in Rio de Janeiro, Sao Paulo, Santos and outlying regions in Brazil. The area, which includes the principal coffee-growing business as well as the commercial and banking centers of the country, has a total population of about 22 million. This compares with a population of about 7 million served by the Brazilian subsidiaries of American & Foreign Power Co. At the end of 1952 the company's electric customers numbered 1,057,000, the telephone 510,000, gas 278,000 and water 33,000. Transit service is now provided only in Rio (at an operating loss). Total revenues approximated $170 million.

The System has enjoyed a remarkable growth in the past decade. In 1929 revenues (as converted to Canadian or U. S. currency) approximately $49 million; hard hit by the depression, only $29 million was accrued in 1932, and it was not until 1943 that the 1929 mark was exceeded. From there on, however, growth has been steady and rapid reflecting both inflationary trends and the industrial expansion of Brazil.

Presumably to help cope with the uncertainties of foreign exchange and Brazilian politics, the company has apparently maintained a good balance sheet position. As of Dec. 31, 1952 the capital structure was as follows:

Long-Term Debt—		
Subsidiaries	$19,000,000	4%
Parent Company	42,000,000	9
World Bank Loan	59,000,000	12
Minority Interest	3,000,000	1
Common Stock Equity	*350,000,000	74
Total	$473,000,000	100%

*Book value of the 14,228,743 "ordinary shares" approximates $24.

While the equity ratio of 74% may seem high, it must be kept in mind that the utility plant is carried at the rates of exchange prevailing when the expenditures were made. However, over half of the gross plant account has been invested in the past decade. In 1919 the Brazilian currency unit was worth nearly 12 cents, but by 1931 it dropped to 7 cents and by 1940 to around 5 cents. While the official rate has remained around this level, at the end of 1952 the "free market" rate was only 2.7 cents. Brazilian legislation effective in February, 1953 provided that the official rate of exchange would apply to remittances of profits up to 10% on foreign investments "of special interest to the national economy" (which included public utility services).

As protection against deterioration in original plant value, the company had set up reserves for depreciation, amortization, foreign exchange and "general" totaling $260 million at the end of 1952, or 38% of the total plant account.

The company apparently had a good current position at the end of 1952, with current assets approximately $103 million and current liabilities $54 million. Current assets included $23 million cash and $20 million securities of Canada, U. S. and Brazil. However, since a parent company balance sheet was not published, the amount of current assets held by the parent company at Toronto was apparently not revealed.

The company has maintained a moderate dividend payout policy in recent years. Cash dividends have been paid since 1912 with the exception of the periods 1918-21, 1933-35 and 1939-40, and small stock dividends during 1930-32. Adjusting for the 2-for-1 split-up of November, 1951, the common stock record has been as follows in recent years:

Year	Share Earnings	Dividends	Approximate Price Range	Year	Share Earnings	Dividends	Approximate Price Range
1952	$2.96	$1.00	13¼- 9½	1946	$1.64	$1.00	13¾- 9¼
1951	2.47	1.00	13¼-10½	1945	1.58	1.00	13 -10
1950	2.35	1.00	11 - 8¼	1944	1.56	1.00	11 - 8¾
1949	2.26	1.00	9¼- 7¾	1943	1.36	0.88	12 - 5¾
1948	1.93	1.00	9¾- 6¾	1942	1.14	0.50	6 - 2½
1947	1.85	1.00	11½- 7	1941	0.94	0.20	3¼- 2

The stock has recently declined sharply due to political and financial developments in Brazil, the 1953 range through Dec. 22 being 11⅝-7. While American & Foreign Power encountered exchange difficulties in 1952, with resulting smaller dividend payments than anticipated following reorganization, Brazilian Traction paid its usual $1 dividend in that year (in Canadian funds, less tax). Recently, however, the Brazilian Government apparently brought pressure to bear on the company to reduce cash payments. Accordingly, after some weeks' delay, the company declared a semi-annual dividend of 3 cents in cash and 5% in stock payable Feb. 22 and subject to stockholder approval. A wave of selling in the stock followed, reducing the price from around 10½ early in November to 8. The second wave of selling occurred this week as the result of reports of a speech by President Vargas of Brazil, in which he was said to have warned private power firms that they faced expropriation if they stood in the way of the government's new national electrification plan. He declared (according to Dow Jones) "we either are going to create the funds necessary to establish a national power industry on a solid basis, or we shall have to expropriate the concerns which are not producing the result that we desire." He held that the country's industrial development is being handicaped by lack of sufficient and cheap electric power and stated that Congress had been asked to vote funds to form a national Brazilian electric company.

Last August, at about the time Brazilian Traction received rate increases to offset higher wages, President Henry Borden stated that the company would need to spend some $1.5 billion on expansion of facilities during the next decade. No definite program for attempting to raise this huge amount was outlined, however.

MERRY CHRISTMAS TO ALL!

What Professional Investors Look For in Financial Statements

By FRANCIS B. WADELTON, Jr.*
Partner, Lord, Abbett & Co.
Underwriters and Distributors of Investment Company Shares
New York City

Laying down as first objective in determining investment merits of a company getting at prospects for growth in earnings and vulnerability to decline in business activity, investment analyst urges close study of company financial statements and reports. Discusses methods and problems in analyzing financial statements, and, in conclusion, states that the professional investor relies heavily on published financial statements as a basis of judgment.

I intend to point out in a general way how financial statements fit into the problem of investment and then to give some ideas as to how the published reports may be improved.

F. B. Wadelton, Jr.

I should like it to be understood that my remarks about financial statements are intended to represent the point of view of the professional investor. In using the term professional investor, I have in mind the large investing organizations such as insurance companies, investment companies, the trust departments of banks and investment counsel firms. Such organizations maintain staffs of security analysts to study the companies in which they are investing the money for which they are responsible.

The first objective in analyzing a company is to determine the characteristics of that company in order to judge the suitability of its securities for various investment purposes. I am referring to such characteristics as unusual business risks, prospects for growth in earnings, and vulnerability to decline in general business activity.

The second objective of the analyst is to define prices and circumstances under which the securities should be bought or sold. This part of his job involves such things as the estimation of earning power under various assumptions as to general business conditions.

How Security Analyst Obtains Facts

I think you can appreciate that the security analyst must know a great many facts about a particular company in order to formulate his conclusions. Basically, he obtains facts in two ways: by talking to management and by studying financial statements. Obtaining the facts is a much easier job today than it was 20 years ago. In those days many important companies published abbreviated financial statements only, omitting completely some of the most important figures. With the coming of registration statements and the SEC, however, all this began to change.

More recently, managements of large companies have become public relations conscious. They demonstrate this not only in reports to stockholders but also in their cooperative attitude toward investors who wish to ask questions. As a result, some security analysts have tended to rely on the management interview to the virtual exclusion of financial statements. In my opinion those analysts are making a mistake.

The successful manager of a business identifies himself with that business and no matter how capable he may be in other respects he is seldom capable or desirous of giving an objective, analytical presentation to an outsider. Obviously, there is no better way for the analyst to discover what management is planning than to ask them and the only way to obtain information omitted from the published reports is to ask for it. But the value of the management interview is limited. It is supplementary to and in no sense a substitute for careful study of the available facts and figures. Financial statements have one great strength—there is no personal element. Properly prepared, they tell a story which is accurate and revealing.

In analyzing financial statements for investment purposes, it is often necessary to rearrange the statements as presented in order to obtain significant figures such as Working Capital or Gross Operating Income. After recasting, the analyst computes certain ratios. By comparing the key figures and ratios with those of previous years and with the corresponding figures and ratios for similar companies, the analyst is enabled to achieve a satisfactory understanding of the company's investment characteristics.

The reason this is possible is best understood when one realizes that the figures in the balance sheet and income account do not occur as the result of chance. To the contrary, the size and proportions of the figures result from such relatively permanent factors as the location of plants and the method of distribution as well as the skill of management functioning in the particular economic environment existing during the period.

The Process of Comparison

I should like to illustrate the use of financial statements to determine investment characteristics by a comparison of two manufacturing companies which I shall term A and B. In the case of Company A the ratio Percent Gross Operating Income to Sales has approximated 20% for many years. In the case of Company B, on the other hand, the figure has usually been about 10%. We can explain the difference primarily by the fact that A is a more integrated company than B, the functions and locations of the two companies' plants being a matter of common knowledge. Since the reasons for the difference in the profit margins of the two companies are basic, we may assume that the difference will continue. Carrying the analysis a step further, it is apparent that the effect of a change in selling prices or hourly wage rates will be greater on the earnings of B than on those of A. On the other hand, since the factors which produce the higher margin also cause greater overhead, we must study the year to year changes in sales and operating expenses, adjusting them for price changes, in order to judge the effect of change in volume. While the relatively fixed elements of cost are greater for A than for B, the study indicates that in neither company are they important at the high volume which both companies have experienced in recent years.

In other words, a substantial decline in sales volume, other things remaining equal, would cause only slightly greater decline in Gross Operating Income for Company A than for Company B. Of course, other things don't remain equal. In fact, if business were to slacken materially, A, being the low cost producer, would be likely to reduce its selling prices in an effort to maintain its volume. As we have already noted, B's earnings would be much more seriously affected than A's. Therefore, we may draw the general conclusion that Company B is more vulnerable to a decline in business than Company A.

Supplementary Data

Financial statement analysis often involves the use of crude estimates and general information obtained through news reports and industry statistics. Sometimes, of course, the application of general information to a specific situation can produce results which are very misleading. Such errors are avoided when the company furnishes all the information the investor desires even though it cannot be produced with a high degree of accuracy. The investment analyst doesn't use more than the first two or three digits of any figure and often a rough approximation will do. The impracticability of determining a particular figure precisely should not be accepted as a satisfactory excuse for failure to make that figure available to investors.

The analyst often has occasion to estimate a company's earning power on the basis of certain assumptions as to business conditions. To do this intelligently he should be able to explain the changes in sales and costs in terms of both change in price and change in volume. This is not too difficult in the case of a gold mine, for example, where the number of units sold is reported. Such figures are usually not available, however, in the case of a company which sells a great variety of products. In such a case, the end can be achieved by an index of selling price. Any index is subject to certain inaccuracies but it need not be elaborate to be more accurate than what the analyst is forced to use in its absence.

The Picture of Operating Expenses

With respect to most stockholders' reports, the true picture of operating expenses is even more elusive than that of sales. Too many companies break down their expenses solely for the purpose of propaganda to show that too large a piece of the pie is going to labor and government. Such figures appear in the text of the report and usually cannot be reconciled with the expense accounts shown in the income statement. This kind of information, commendable though it may be from another point of view, is of little help to the analyst.

For many companies the expense breakdown most helpful to the professional investor would be that between direct and indirect costs. In the illustration which I used a few minutes ago, such information would have enabled the analyst to form his conclusions more easily and with greater confidence. I can't over-emphasize the value to the investor of information which gives a clue as to the proportion of cash operating expenses which may be expected to vary more or less directly with the volume of sales and the proportion which is relatively fixed. It is a subject, however, on which it is difficult for the investor and, I suspect, management as well to be reliably informed. The problem is one which you gentlemen are in a position to understand much better than I. All I can tell you is that professional investors would like to have the information and that a rough approximation of the situation would be satisfactory. I should like to reiterate in this connection that we do not need a high degree of accuracy and therefore that the difficulty of classifying certain expenses in this respect should not represent an insurmountable obstacle.

The investor would also like to have the major expense accounts which make up these divisions set forth so that he might see the trends and the relative importance of various items, estimate the effect on earnings of factors affecting any of them, and compare the size of certain expenses with corresponding figures of other companies.

The items of interest vary, of course, according to the nature of the company's business, but I should like to mention a few so that you can see what I have in mind.

For a manufacturing company, materials, wages and employee benefits should be separated.

For a store the analyst would like to know the amount of rent and an indication as to the extent to which this figure depended on sales.

For an aluminum company the cost of power should be given.

For a company in which research is important the investor would like to know the amount spent for that purpose.

For a cigarette company he would like to know the amount of money spent for advertising. This is supposed to be a great secret in the cigarette industry, but since competitors always seem to have a pretty good idea of what the figure is, I don't see why the stockholder shouldn't.

One item in the operating expense section of the income statement is sometimes very important although its effect is often concealed. I am referring to the change in value of inventory. It is obviously important to the investor to understand how inventory is handled by the company he is analyzing. While the valuation principle in use is almost invariably explained, the information is often insufficient to allow the analyst to comprehend in quantitative terms as well as qualitative. As an example, I should like to describe the results of a certain food company for a year which happened to be one of declining prices.

Analyses of the Balance Sheet

In connection with the balance sheet at the beginning of the period of the company explained that certain products in its inventory were valued on the basis of last-in, first-out and the balance on other bases. No indication was given, however, as to the relative amounts represented by the various methods. At the end of the year the income statement revealed a substantial loss. While the unfavorable results were accounted for in part by other factors, the annual report stated that because the company had been on LIFO only to a limited extent it had absorbed large inventory losses on the quantities of products not protected by LIFO.

It seems to me that in this case a degree of protection by the use of LIFO had been implied but did not materialize. I would suggest that companies using LIFO state the proportion of their inventory covered by LIFO and the market value of such inventory. Investors would find this helpful in estimating a company's vulnerability to price decline and in comparing it with companies not on a LIFO basis.

Jewel Tea Company is an example of a company which handles part of its inventory on LIFO and the remainder of "first-in, first-out." On Jan. 3, 1953 this company carried green coffee, the item handled on LIFO, at approximately \$2,200,000. In a footnote the statement was made that market value was \$3,300,000. Such treatment is a great deal more informative than that in which the simple statement is made that a part of the inventory is handled on the LIFO principle.

If a company disclosed all the information that I have discussed thus far we would have everything which the professional investor looks for in the income statement down as far as Gross Operating Income, provided, however, that the company was engaged in only one line of business. Unfortunately for the analyst, many companies operate several divisions which are sufficiently unrelated so that information on each is necessary. Years ago, statements were published for the holding company only. This led to a demand for consolidation. While consolidation obviously corrected a bad situation, we find today that consolidated statements sometimes conceal more than they reveal.

There is one company, for instance, which in recent years has so diversified its activities that the economic factors which have a certain effect on one division may have an entirely different effect on another division. This company's operations include such activities as the manufacture and sale of tires, athletic equipment and mechanical goods, the production of guided missiles, chemicals and plastics, and radio and television broadcasting. The annual report for last year reviewed the operations in each division but, with the exception of radio and television, which was not consolidated, did not give figures to show the sales, earnings or assets employed in each division. I think you can appreciate that anyone attempting to analyze this company would be working under a severe handicap.

Information Often Omitted

Time does not permit me to discuss in detail all of the points which might be made under the heading of important information often omitted. There are several, however, which I think are worthy of mention. The treatment of surplus reserves is one. Analysts are suspicious of reserve accounts and like to see a reconciliation with all charges and credits fully explained.

Another account on which a reconciliation should be shown is the property account. Investors are interested in the cash flow and often construct statements of source and application of funds. The absence of information on changes in property is a serious handicap. Fortunately, many companies reveal the capital expenditures in the text of the annual report. Also for most listed companies the information is available in the SEC reports. These reports come out later than the annual reports, however, and their use involves additional time and effort on the part of the investor.

An item which investment analysts would like to have explained in a footnote is Federal Income Taxes. They frequently compute the ratio of income taxes to income before taxes and the result often differs substantially from the corporate income tax rate. The possible reasons for such a difference are of two general types:

(1) Provisions of the tax law such as the depletion allowances for oil and mining companies, the lower rate for dividend income,

*An address by Mr. Wadelton before the New York Chapter of the Institute of Internal Audtiors, New York City. Mr. Wadelton is also a Vice-President of Affiliated Fund, Inc. and American Business Shares, Inc.

the provision for carrying forward losses, and

(2) Charges to income not allowed for tax purposes.

Depending on the cause of the difference the analyst may wish to make certain adjustments. For instance when there is a loss carry-over which reduces taxable income he will probably feel that this is an unusual factor which should be eliminated when considering what the company can earn in another year with similar operating conditions. In oil and mining companies on the other hand he would expect a lower tax rate and of course make no such adjustment. It would therefore be helpful if companies, when the rate at which they are taxed is substantially different from what might be expected, made a statement outlining the causes of the difference.

There are a number of items of information supplemental to the financial statements which are useful to the investor. Nearly all these items are already given by many companies, but as they are also often omitted it may be worthwhile to mention some of them briefly. The principal items are:

(1) Productive capacity and number of units produced of each major product.

(2) Unfilled orders and new orders booked.

(3) Information about large customers and the nature of contracts with them.

(4) Information about major sources of supply and the degree of dependence on them.

(5) Extent of dependence on exports or imports.

At this point you may have the impression that if a company were to publish all the information which I have said the investor should have, that annual reports would be twice as thick as they now are. Fortunately, it doesn't take much space to list figures. As a matter of fact, the trend toward making reports more interesting for the average stockholder has greatly increased the size of the report without helping the professional investor correspondingly. The analyst is forced to consume a certain amount of his time wading through the human interest features of the report in order to make sure that there are no important facts hidden there. There are many ways of presenting the data in an annual report and it doesn't matter much to the professional just how it is done. He will dig out the information if it is there. I hope, however, that in the effort to present a report that is readable and interesting to the average stockholder that managements will not begin to leave out the details which are so important to the analyst.

I think one of the best solutions to this problem is that of the Lion Oil Company. In addition to its annual report, Lion Oil publishes a statistical supplement containing many of the operating statistics and detailed financial figures which are important only to the analyst.

Interim Reports

Interim reports are also read with interest by investors and there is no valid reason that I know of why they should not be issued quarterly. I say this after listening to a variety of excuses over a period of years. Even companies having highly seasonal characteristics should report on a quarterly basis as their figures mean something to the analyst. Unfortunately, many companies which do publish quarterly reports furnish only the most meager information. A more useful form of report is U. S. Steel's quarterly report which gives the income account on the same basis as the annual report and states tonnage produced and percentage of capacity operated, capital expenditures during the quarter, and the total of projects authorized but not completed, together with a brief comment on the principal factors affecting current operations.

In studying financial reports the professional investor is interested not only in seeing the significant figures in great detail but in the accounting treatment accorded various items. Obviously, his calculations can go far astray if he suffers from misconceptions as to what the figures mean. The analyst benefits from standardization and wishes like companies would employ like accounting. Unfortunately, industrial companies often vary significantly in their handling of certain items and occasionally some variations are found in the utility and railroad industries. Currently illustrating this fact is the treatment accorded accelerated amortization of emergency facilities. On this subject I favor the recommendations of the Committee on Accounting Procedure of the American Institute of Accountants.

Depreciation Study

The Committee recommends that companies determine the proper amount of annual depreciation with respect to emergency facilities for financial accounting purposes by taking into consideration their adaptability to post-emergency use, the effect of their use upon economic utilization of other facilities, the possibility of excessive costs due to expedited construction or emergency conditions, and the fact that no deduction for depreciation of the certified portion will be allowable for income tax purposes in the post-amortization years. These considerations will in many cases result in the determination of depreciation charges during the amortization period in excess of "normal" depreciation and may frequently be so compelling as to justify the need for recording depreciation in the accounts to stockholders in conformity with the amortization deductions allowable for income tax purposes.

Many industrial companies do charge the full amortization allowable for tax purposes against income in their annual reports. If these companies included in their reports a statement showing why they charged the full amortization allowable for tax purposes, it would give the investor a valuable insight to the probable future usefulness of the emergency facilities and enable him to adjust the income statement if necessary. Furthermore, if such companies, after applying the criteria suggested by the Committee, cannot justify the full amortization charge, they would appear to be understating their earnings currently and presumably will be overstating them after the amortization period.

When the depreciation charged in the accounts is substantially less than the amount allowed for income tax purposes it becomes necessary to account for the fact that the income tax liability during the accelerated amortization period is substantially less than it would have been without accelerated amortization and that after the amortization period the income tax liability will be greater than would be appropriate on the basis of the income reported in the statements. The method recommended by the Committee on Accounting Procedure is to make a charge to income for additional income taxes equal to the estimated amount by which taxes expected to be payable after the amortization period exceed what would have been payable after the period if amortization had not been claimed. The credit is made to an account for deferred income taxes. This method is followed by Mead Corporation, U. S. Pipe & Foundry, and Reynolds Metals, among others, and appears to be the clearest from the point of view of the investor as the future tax liability is recognized and net income correctly stated.

The railroads, on the other hand, are required by the ICC to report depreciation at the normal rate and income taxes in the amount for which they are liable after deducting accelerated amortization, without making any extra charge to reflect the tax saving. In my opinion, railroads are therefore overstating income currently and will correspondingly understate it after the amortization period.

In the case of electric utility companies there is some variation in the treatment of accelerated amortization of emergency facilities as the FPC and some of the state regulatory bodies have not yet issued directives on the subject. Most companies which have received an accounting order, however, are reporting in a manner illustrated by American Gas & Electric Company. That company charges depreciation at normal rates and charges the amount of tax reduction resulting from accelerated amortization to Provision for Deferred Income Taxes. The credit is made to Retained Income (Restricted). After the emergency facilities are fully amortized tax-wise, Federal Income Taxes will be credited and Retained Income (Restricted) debited for the additional taxes resulting from the fact that accelerated amortization is no longer being taken for income tax purposes. This results not only in a correct determintaion of net income but avoids an undesirable effect on the rate base. It is the same treatment as that recommended by the American Institute of Accountants except that the charge for deferred income taxes is equal to the current tax saving rather than to the estimated future liability. The difference in the two methods would appear to be largely academic.

While most utilities are using similar treatment to that of American Gas & Electric, there are many which have Necessity Certificates but have not received regulatory orders and are waiting until they do before deciding to charge accelerated amortization for either tax or accounting purposes.

The fact that I would like to bring home to you is that currently there are a number of different treatments in use as a result of which some companies are correctly stating their earnings; others are understating them currently but will overstate them later on; while still others are overstating them currently but will understate them later. Not only is the income statement affected, but in many cases net property is distorted. Since the figures are often large enough to affect the analyst's computations seriously, I think you can see that accelerated amortization is not an unmixed blessing to the professional investor.

In conclusion I should like to stress the facts that the professional investor relies heavily on published financial statements for information on which to base his judgment, that he would like to see more detail in the reports, and that consistency and uniformity in accounting treatment are important to him.

Thomas Hundley to Be Robert Baird Partner

GREEN BAY, Wis. — Thomas Hundley will become a partner in the New York Stock Exchange firm of Robert W. Baird & Co. of Milwaukee as of January 1. Mr. Hundley has been active as an individual dealer in Green Bay.

Railroad Securities

New Wage Agreement and 1954 Forecasts

In a surprise move late last week the railroads and the Brotherhood of Railway Trainmen announced the signing of a new wage agreement after only seven days of bargaining. This is the first time in many years that an agreement has been reached without the cumbersome and lengthy process of mediation and fact-finding boards provided for in the Railway Labor Act. The escalator clause, which has been in effect since April 1951, is dropped from the new contract. However, the 13 cents an hour increase already granted on the basis of the rise in the cost-of-living index is frozen into the basic wage structure. Also, the trainmen are to get an additional increase of five cents an hour. They had originally asked for 37½ cents an hour.

Investment circles consider the rapid settlement of this wage dispute as constructive, covering, as it does, about half of the operating personnel of the railroads. The non-operating brotherhoods have not presented any wage demands as yet, concentrating for the time being on numerous socalled "fringe" benefits. It is, of course, impossible to say what the ultimate outcome of negotiations with the other brotherhoods will be. There is a strong feeling among railroad analysts, however, that the contract with the trainmen will pretty well set the pattern. If that is true, and not allowing for any compensating paring of labor forces that may be undertaken, a five cents an hour boost in wages all along the line will presumably cost the industry roundly $150 million annually. After taxes this would work out to $72 million, not too difficult a hurdle to overcome.

Rail Heads on 1954 Outlook

Meanwhile, the managements of a number of roads, who particularly during wage or rate negotiations are normally very reticent, have been coming forward with fairly constructive views toward the outlook for the coming year. Certainly the railroads as a whole, both in their public statements and in their more liberal dividend policies are showing considerably greater confidence in their feeling toward future railroad earnings than are the general run of investors.

Last week **Mr. F. G. Gurley** of the **Atchison, Topeka & Santa Fe** was quoted in the press as stating that his road was making its plans with faith and confidence in the future. While expressing the widespread feeling that our economy would be at a somewhat lower level next year than in 1953, he stated that a severe decline does not appear in prospect. At the same time, **Mr. John Tilford** of the **Louisville & Nashville** expressed the opinion that there would probably be some leveling off in the nation's economy but went on to say that on the whole prospects for 1954 are not discouraging. Both of these roads gave substance to these statements by paying larger year-end extras this year than in 1952.

Mr. Wayne Johnston of the **Illinois Central** was more specific, both in a letter to stockholders and as quoted in the "Wall Street Journal" last week. Taking into consideration general economic and credit conditions throughout the country as a whole as well as in the road's own territory, Mr. Johnston wrote stockholders that: ". . . we believe that our 1954 traffic will not be affected to any great extent percentagewise." This takes into consideration the industrial expansion that has been going on, and is continuing, in the Mississippi River Valley and other sections of the road's service area. It was stated that, ". . . we believe that strategically Illinois Central is in a better position than the country as a whole."

As quoted in the press, the Illinois Central management is looking for a decline of only about 4½% next year, or roundly $14 million. On such a performance it is anticipated that operating expenses can be cut some $6 million, without allowing for any wage increases. After making adjustment for Federal income taxes at the current rate these estimates would indicate a drop of $2.83 a share in earnings, certainly not a serious matter in relation to estimated 1953 earnings of $18.32 a share. This drop will also presumably be cushioned to some extent by lower fixed charges next year than have been accrued in 1953. It was further stated by Mr. Johnston that each one cent an hour increase in overall wage rates would cost the road about $900,000 annually. Allowing for taxes this would work out to only $0.32 a share.

MERRY XMAS TO ALL

William Pope With Harris, Upham & Co.

(Special to THE FINANCIAL CHRONICLE)

Wm. A. Pope

DENVER, Colo. — William A. Pope has become associated with Harris, Upham & Co., 740 Seventeenth Street. Mr. Pope was formerly with F. S. Moseley & Co. in Boston for many years.

Ball, Burge to Admit Coleman, Patterson

CLEVELAND, Ohio — Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges, on January 1 will admit William H. Coleman and Robert Patterson to limited partnership in the firm. Mr. Patterson is manager of the firm's Dayton office.

Wood to Be Partner In J. C. Bradford Co.

J. C. Bradford & Co., members of the New York Stock Exchange, on January 1 will admit Kenneth H. Wood to partnership. Mr. Wood is manager of the firm's New York office 44 Wall Street.

Samuel M. Gordon Forms Own Investment Co.

Samuel M. Gordon has formed Samuel M. Gordon Company with offices at 120 Broadway, New York City, to engage in the securities business. Mr. Gordon was formerly manager of the mutual funds department for Carreau & Co.

Continued from page 15

An Educational Campaign To Restore the Dollar

tion. The bankers—the unofficial custodians of the commercial and savings accounts of 100 million of their customers—have a tremendous educational task to perform in the transition period from inflation to deflation.

Let us not fail—for if we do and the New Deal Money Magicians take over in the next election, it may be too late thereafter to save what is left of the most priceless heritage ever bequeathed to a generation.

The prophecy made in 1834 by Daniel Webster, has now come to pass:

"I admonish every industrious laborer in this country to be on guard against those who would perpetrate against them a double fraud—a fraud to cheat them out of their earnings by first cheating them out of their understandings. The very man above all others who has the deepest interest in sound currency, and who suffers most by mischievous legislation, is the man who earns his daily bread by his daily toil. A vast majority of us live by industry. The Constitution was made to protect this industry, to give it both encouragement and security; but above all, security."

Anchor of Ship of State Is "Sound Money"

You and I know how vital enlisted dollars were in the prosecution of World Wars I and II, how they made possible the planes, the tanks, the submarines, the destroyers. Men, machines, materials, and money brought us through that crisis. The Ship of State now more than ever before must be anchored to honest American money, and any world-stabilization plan must also be anchored to honest American dollars.

These millions of people are the middle-class folks—the very salt of the earth. They should be able to look forward confidently to the day when our leadership in government would be aroused to the gravity of this whole situation; when they, our leaders, would recognize that employed money, if honest, is only employed labor in another form.

We are talking about representative labor at a time when the stability of the dollar is threatened by gigantic spending for world rehabilitation. When it is known that the well-being and destiny of all free peoples center in the preservation of sound money we can readily understand that the problem transcends in importance, parties, politics, and partisanship.

All through history, governments, by debasing their money systems, have multiplied their functions at the expense of the property, liberty, and lives of their citizens. Democracies have not been spared in this process of exploitation. Politicians of all persuasions are disposed to make public office a personal, vested interest. Our depositors should know that parties in power are built up and maintained by a common practice of feeding their following out of the public treasury, creating printing-press money to do so, giving little thought to the vital principle of sound money—the cornerstone of representative government. They discover that it contributes to their perpetuation in office to find and to exhaust new sources of revenue, to create more unproductive jobs as a reward for party adherents, to permit more and more to fatten on the public payroll, to make more and more citizens economically dependent upon the public purse. By prolific spending of printing press money, the New Dealers, as distinguished from the Democrats, for 20 years were able to entrench themselves in office, as a party powerful enough, by the application of such methods, to defeat or crush its opponents and to modify or nullify constitutional restrictions so as to extend its powers, transforming this representative republic almost into a socialistic state. This must not happen again, and will not if our depositors are informed.

American citizens will not wittingly accept the establishment of a totalitarian state in this land. They will fight it if they are able to recognize it as it creeps upon them. There are among us, and always will be, some who would exchange political liberty for what they imagine is economic security. In this they ignore the historic fact that neither economic liberty nor any other liberty is possible without political liberty, the cornerstone of which is a balanced budget. When will the mass-public, a hundred million of whom are our depositors who hold the voting control, be made to understand that solvency is no small matter; that it is a sacred thing; that it is the very cornerstone of the kind of government that makes and keeps men free? The answer is: When they become informed through some nationwide plan of dollar literacy education.

It is rare indeed that even men on the watchtower seem able to recognize the approaching forces of disintegration, and as for the masses, they seem never to have been able to identify the enemy that comes to dilute sound money on which political, economic, and social liberties are based. I then pose this question: What is to be done to arouse the people?

Really, fellow bankers, what power do you and I possess to make impressive these demonstrated historical axioms? How must we proceed to impress upon the public mind the vital importance of honest dollars?

Patriotic Responsibility of Schools

The schools have a patriotic responsibility to teach solvency but have they discharged this obligation? My answer is a resounding "No!" Every boy and every girl in every school and in every college in this great free nation should be required to complete a course and acquire a clear understanding respecting honest money, so that a diploma would carry with it an understanding of the fundamentals of money, which are, first, a medium of exchange; second, a measure of value; and most important, a storehouse of value—thus qualifying them to exercise their voting franchise intelligently.

It is also the duty of the legal profession, who must be more than just "middle-of-the-road" interpreters of basic constitutional law, to disseminate education dealing with Federal solvency.

The situation not only challenges the intelligent, cooperative action of education, business, and the legal fraternity, but also of labor. There are no labor unions in dictator countries.

Whenever and wherever the life-blood of a people has been sucked up to maintain men in power, to sustain a top-heavy government with fiat money spending, no matter what name it bears, the day of reckoning is at hand. Look at the present terrifying struggle in the world today as the result of the scheming of a few despotic individuals. The dictators who seemed to control the destiny of Europe were not self-elected. They were invited. They came into power because of the situation which had been created through the years, culminating in the very things that are now transpiring, in the tragedies that are still rocking the very foundations of civilized society. Possessed of a superior power of persuasion, coupled with native political sagacity and a burning passion for power, these men witnessed the helplessness of those in power and recognized that their day had arrived. They saw before them the beckoning seats in high places, made vacant by the breakdown of solvent government. Coming out of comparative obscurity with dramatic declarations, these dictators on horseback captured the imagination of the people and rode to power amid the applause of the unsuspecting, uneducated, and apathetic masses.

And what made their advent possible? Economic exhaustion, treasury erosion, money debasement, ruthless taxation—that was the terror—the demon of debt, the disregard for solvency.

Tragedy of Lack of Confidence In Money

Loss of confidence in its money, which in the final analysis is progressive inflation, is the greatest tragedy that can happen to any free enterprise state.

We say it can't happen here. Rather, let us say, it must not happen here. Then let us proceed to make that declaration a living reality by recapturing the control of federal spending, by balancing the Federal budget at the earliest possible moment.

As bankers and trustees for millions of depositors, do we realize what it is going to mean to the great fundamentals we cherish under this representative republic, if we tolerate in our country a continuation of a discredited fiscal philosophy? If we do not, we are misfit bankers. If we do, and remain silent, then we qualify to be numbered in the neutral class, and someone has said that the hottest place in Hades is reserved for those who remain neutral. Paraphrasing Alexander Pope, we might say:

"Vice (federal deficit) is a monster of such frightful mien
As to be hated, needs but to be seen;
Yet, seen too oft, familiar with her face,
We first endure, then pity, then embrace."

We shivered at the first sight of uncontrolled spending; we, too many of us, then came to endure it; and now we have embraced it. That is what was responsible for the rearing of a debt structure, even before the advent of World War II, of such unprecedented size that, unless soon halted it will pass the stage of safety and solvency, and this governmental system must, of its own weight, collapse, leaving among its ruins 150 years of free agency—a system that gave to the world a government characterized by Lincoln as "of the people, by the people, and for the people"—now the last best hope on earth.

If that picture be overdrawn, then all history is a lie.

The Founding Fathers were aware of these dangers, of which many of our depositors are ignorant, and warned against them. And why? Because they were historically minded. They were close students of world affairs. They knew what had brought about the rise and fall of nations. That is why they attempted, through the Constitution, to map out the safe way which we should pursue to establish and to perpetuate the principles of government and human relations for which they gave so freely of their blood and treasure. They knew that any departure from that safe-charted highway of honest money would lead us into a wilderness of confusion where, in our helplessness and ignorance, we, too, would add one more name to the long list of defunct civilizations. They trembled as they anticipated the day when the vote of the majority could be bought in exchange for alleged economic social security. Someone has said:

"Beware of Welfare Governments.

"The slave state always starts out as a welfare state"—progressing in three steps: first, bankruptcy, then chaos, then dictatorship. "It promises freedom from worry, want—as many freedoms as you wish, except freedom from the state itself. Whenever you are wholly dependent on anything, you are a slave to it. Ask the Germans, the Fascists, the French of the 'Peoples' Front."

Our forefathers recognized that only when people are informed, when they discern, are they able to exercise the voting privilege wisely and effectively in their own interests and for the perpetuation of their own rights. They knew of men's lust for power; that once entrenched, they reluctantly yield their positions; that they create situations to perpetuate themselves in control; that they surround themselves with hungry hangers-on; that they build up a vast ever-increasing, tax-consuming army of servile public employees — bureaucrats and agencies—that by means of lavish contributions taken from the pockets of the people, by a systematic erosion of the public treasury, individuals, states and their political subdivisions, can all be made to relinguish their time-honored, independent prerogatives in favor of an ambitious central government. Those men had seen how human nature operates; how easily people can be fooled and sold down the river; how readily they can be betrayed. Out of the wealth of their wisdom and their power of discernment they gave to us that unprecedented instrument of human liberty, the Constitution, providing, among other things, that the spending power shall be vested in the House, the true representatives of the people. It had been burned into the hearts of the Founding Fathers that any departure from this fundamental of free government would be the beginning of the end of that free government.

Our depositors should know that in no other country on earth could sound principles of economics have been so ruthlessly violated as they were in the immediate few years before World War II and thereafter by the same wrecking crew, without suffering complete and absolute destruction. Thanks to our endless and apparently inexhaustible resources, we have been able up to now to meet our obligations and to remain solvent. The best proof that the American pattern of government is sound is that it was able to endure in the prewar years under the greatest orgy of peacetime spending that any government in any period had ever attempted in the history of civilization, and then become the arsenal and treasury of democracy, to save the world.

As much as our present indebtedness alarms us, it is our apprehension of the present trend that overwhelms us. We are not unmindful of those stalwart, patriotic Americians — Democrats and Republicans—in the Congress of the United States, at this time, such as Senator Byrd, who are at this very moment fighting against almost insurmountable barriers to preserve solvency. Their efforts seem, at the moment, to be making some progress.

Must Encourage Saving

Men will not struggle to save if they know that they are ultimately to be denied the fruits of their labors.

No trick of logic will ever be able to destroy that human trait. That fact is known to those in power. As individuals and as classes we are rapidly losing our national outlook. Our group-consciousness has brought about group-greed. We have proved that we can be purchased, big business included, and silenced by carefully-planned doles handed out to us by some branch or other of that great philanthropic agency which we call our central government. Our protests against the unlimited outpouring of borrowed money grow fainter and fainter. States and their local subdivisions are losing their constitutional autonomy. Federal projects and grants have done their work. Even branches in our national government, set up under the Constitution to maintain the balance of power, have shown their willingness to abdicate under the manufactured declaration that there exists an extreme emergency—*the recognized springboard and implement to despotism.* Thus we have abandoned many of our time-honored constitutional safeguards. Through the creation and operation of numerous, ever-increasing alphabetical agencies and commissions, many exercising undisputed legislative, executive, and judicial powers, there has resulted a delegation of authority of such proportion that the constitutional pillars of government have been largely eaten away.

I repeat—we, the banking profession, should stimulate and participate in a needed, fact-revealing process of education for the masses. Our great school system should be a partner in the task. It is my belief and conviction that many of those who stand at the head of our educational forces, including our endowed institutions, *if they only knew*, are themselves in peril. There is no justifiable gulf between education and business; without the proceeds that come from constructive private business, schools must starve! In turn, with a healthy atmosphere in the schools, kept free from disturbing "isms," they can raise up a generation of sound thinkers and clear observers prepared to become resolute defenders and informed participants in the affairs of government and everyday life. May the day soon come when it is understood that schools, business, and labor are natural allies.

It ought to be burned into the consciousness of every citizen that the first line of defense in a free country is a balanced budget.

Let us, as bankers, ponder the words of James L. Gordon. These words carry meaning having to do with the most important function of money — a storehouse of value:

"Money is powerful because it represents so much. What a tremendous investment has been made in order to produce a dollar —time, thought, effort, toil, conflict and high-nerved endeavor. Therefore, take care of money; it is the most costly thing in the world. . . .

"Time is money. Money is character. Character is destiny. If these three short sentences seem, to you, to lack logical connections then remember the suggestive words of Sir Bulwer Lytton. He says, 'Never treat money affairs with levity, for money is character.' Money is character. How you get it. How you keep it. How you invest it. How you spend it. How you hoard it. How you use it. How you are influenced by it. Yes, money is character!" (pp. 240-241.)

That should be the "theme song" for American banking—"Money is character." We should see that our depositors know it.

Men have struggled throughout the centuries, from serfdom up to freedom. It lies in our power to determine the fate of the unborn generations. Will it be the despotism of debt, or the security of government solvency? May we have the inspired vision of our Founding Fathers to go forward as they have begun.

We should not lack in courage, having a clear understanding of our rights and obligations. We must now determine whether we will accept our share of that responsibility to educate ourselves and our depositors to stay the threatening process of disintegration.

We should know after nearly 20 years of Federal deficits that our most dangerous foe is not to be sought under foreign flags, but here at home. Deficit, America's number one national menace, has already done tragically destructive work. The emergency demands prompt, decisive, educational action. Let us remember that that leadership which has villified competence and glorified incompetence, and has weakened the first line of national defense in our land, choice above all other lands, was in breach of its trust to the American people. Such leadership, under the control of deficit addicts, should not be returned to the helm of the Ship of State, sailing as it is in troubled waters. The ability to save her is in the hands of the great middle class of thrifty, self-reliant, money-educated saving depositors, possessing voting control, to whom, as I have tried to impress upon you, we, as bankers, have a high moral obligation. Let us not continue to trifle with that Trusteeship.

The ballot box is the last hope of our republic and of the world. Heaven grant that our depositor-group may be so educated as to see the light and thus be able to exercise their franchise in their own interest and in the interest of freedom, insuring that the American dollar, the last best hope of the world, shall not be destroyed in the political arena.

Charles Zingraf to Be Laurence Marks Ptnr.

Charles M. Zingraf

On January 1, Laurence M. Marks & Co., 49 Wall Street, New York City, members of the New York Stock Exchange, will admit Charles M. Zingraf to partnership. Mr. Zingraf is manager of the firm's trading department.

NYSE Announces Change in Holidays

Keith Funston, President of the New York Stock Exchange, has announced that the Board of Governors had voted to keep the Exchange open for trading on Lincoln's Birthday (Feb. 12), Columbus Day (Oct. 12) and Armistice Day (Nov. 11).

The Exchange has suspended operations on those days for a number of years. The Exchange will continue to be closed on eight holidays: New Year's, Washington's Birthday, Decoration Day, Independence Day, Labor Day, Election Day, Thanksgiving and Christmas. By special vote of the Board of Governors the Exchange has been closed on Good Friday in each year since 1900, except in 1906 and 1907.

Now for the Program!

"The 1954 Republican program will be based, in principle and in philosophy, on the 1952 Republican platform. In that platform, the party pledged itself to carry out certain obligations to the American people and to the community of free nations. If we are to continue to deserve public support, we must live up to these declared pledges and bring to our people a sound, constructive and comprehensive program which will:

Pres. Eisenhower

(1) "Use as a measure of every element of American foreign policy the one simple rule: Does it advance the interest of America? In that vein, it is clear that we must continue to strengthen the unity of the free world to resist aggression.

(2) "Present a domestic program that will give our people a guarantee that they can depend on this Administration to protect the security, the welfare, and the economic stability of each individual citizen.

"The program will soon be ready for presentation to the Congress. I am confident that it will be supported by the great majority of our citizens."
—President Dwight D. Eisenhower.

Such an account as this could mean anything or nothing, but the President has certainly succeeded in centering the attention of the country upon what he plans to do.

We ardently hope that we shall see much of the program worthy of earnest support.

Double Taxation Condemned

Chamber of Commerce of the United States holds it is deterrent to employment and hurts small stockholders and not "idle rich"

Removal of the double taxation on dividend income would help industry to expand and stimulate employment, thus improving our standard of living, according to the Chamber of Commerce of the United States of Washington, D. C.

In a booklet, "The Double Taxation of Dividend Income," the Chamber of Commerce points out that the two taxes on the same income—one upon the income of corporations, and the other upon dividends when they became part of the income of individuals—has undermined the incentive to invest, and makes it more difficult for new businesses to start and for existing corporations to expand and improve their production facilities.

The report says it now takes an average investment of roughly $11,000 per worker to provide the necessary capital for plant, tools and supplies to produce goods.

"If our economy is to continue to expand, many billions of dollars of capital investment will be required. Dynamic and continuing economic expansion demands a constantly increasing supply of funds for capital investment in both established and new industries."

Reinvestment of earnings or borrowings will supply needed capital to some extent, the report notes, but it adds that there must be earnings before reinvestment and few new enterprises can earn enough money to supply their own capital needs.

It points out, too, that the chief sufferer in small business because, unlike well-known, established companies with successful records of earnings, they cannot reach the organized capital markets.

The report states that the National Chamber has long considered double taxation of dividends both unfair and unsound, and the Chamber's Committee on Taxation proposes easing the burden by giving individuals a dividend credit, similar to that now granted in Canada.

As of July 1 of this year, Canada allowed a 20% tax credit for individuals to be applied against dividends received. Thus, if an individual's income amounted to $6,000, of which $2,000 was dividends, he could take a $400 credit on his tax. The Committee said that in no event should the credit be less than 10%.

Commenting on its proposal, the Committee said that "the groups that would benefit the most from this type of relief are not the 'idle rich' but rather the large number of small stockholders, the stockholders of small corporations and those who, because of age or other reasons, are attempting to live on inflation-reduced income from investments."

Treasury Reports Further Gold Outflow

The Treasury Department made public on Dec. 14 a report of monetary gold transactions with foreign governments and central banks for the third quarter of 1953. Gold sales by the United States in this period were $306.6 million, compared to sales of $599.1 million and $128.2 million in the first and second quarters, respectively. Sales in the first nine months of 1953 totaled $1,034 million; there were no purchases of monetary gold in this period.

The gold movement during October and November, 1953 continued to be an outflow from the United States. Net sales in the two months, which are not yet available for publication on a country-by-country basis, were $71.6 million and $34.9 million, respectively, bringing to $1,140.4 million the net U. S. gold sales in the period January-November, 1953.

Stock vs. Government Bonds

By ROGER W. BABSON

Mr. Babson, in answering the question whether some stocks may be safer than government bonds, points out pros and cons of government bonds as investments. Says, though U. S. Government will never be unable to pay the interest or principal of its bonds, the matter to be considered is whether the government will pay in 100-cent dollars. Holds another World War would result in tremendous inflation, but a sound corporation stock may avoid much of its effects.

May some stocks be safer than government bonds? This seems an unfair if not a dangerous question to ask. However, I feel that I owe a frank answer to my readers. In order not to offend the Treasury Department, I could devote this column to the subject of diversification. I could advise investors to have a diversified portfolio consisting of perhaps 15% in governments, 15% in real estate, 25% in bank accounts, 10% in corporation bonds, 10% in preferred stocks, and 25% in common stocks. This would be the easy thing for me to do, but I feel it would be cowardly advice.

Roger W. Babson

Government Bonds

Statistically, government bonds should be the safest investment. The government can always assess taxes to pay interest and principal. No corporation can assess taxes to pay interest on its bonds or dividends on its stocks. Another great advantage of government bonds is that in an emergency the government can print money either to pay interest or principal. No municipality or corporation has this privilege. There are also other reasons in favor of United States Government Bonds, especially the shorter maturities.

Now let us look at the other side of the picture. Probably a third of the countries in the United Nations have defaulted on their government bonds since 1940. Probably two-thirds of the countries in the United Nations are suffering from a decline in the market for their bonds. The bonds of such nations as Great Britain and France are selling at big discounts; while the bonds of Germany, Austria, and many other countries—for which their people paid good money—are now valueless.

Inflation and Government Bonds

The United States Government will never be unable to pay the interest or principal of its bonds. But the question is whether the government will pay in 100-cent dollars, as our dollar may be considered to have been worth 15 years ago, or pay in today's 52-cent dollars or in 25-cent dollars, which is probably what they would be worth when, as, and if World War III comes. I believe that another World War would certainly result in tremendous inflation, with a corresponding reduction in the value of our dollar.

When a government bond comes due, we are paid only in dollars, irrespective of what these dollars are worth or what they will buy in food, clothing, or shelter. If you feel that President Eisenhower is to turn to the left, going back on his campaign promises to make the dollar worth more, you probably shouldn't buy government bonds. Some readers write me that inflation is simply something for the banker to worry about; but if you have government bonds, you had better do some worrying yourself.

What About Stocks?

Stocks have many disadvantages. But a sound company which has paid dividends for over 4[illegible] years has some important advantages. Take, for instance, a good chain store stock. The store is taking in dollars every day, but it also pays out dollars every day to the manufacturers of the goods which it has on its counters. Therefore, it does not make much difference to the store what the dollar is worth. If it takes in only "bad dollars," it pays out only "bad dollars." Inflation is not a serious factor—except as to wages paid. But here is another advantage which good common stocks have: The less the dollar is worth, the more dollars the company will usually give its stockholders as a dividend. The above is not true with any kind of a bond. The income from your bonds, whether government or corporation, or even a preferred stock, is fixed and will not be increased as the value of the dollar declines.

Don't attempt to speculate in stocks because of my speaking a good word for them. Don't buy untried or uncertain stocks. You'll be better off to buy government bonds. I believe, however, that your banker can select for you some stocks which are really safer than government bonds. I say this because in those countries where the government bonds have defaulted, common stocks of old reliable companies are selling higher than ever. On the other hand, I am now buying no stocks or bonds; but waiting for lower prices.

Pierre Stralem Heads Campaign Division

Pierre Stralem, of Hallgarten & Co. will head the Stock Exchange Division of the current $411,7[illegible] campaign of the "George Junior Republic," it was announced by Carl I. Wood, Executive Vice-President of Thomas Lipton, Inc. and General Chairman of the Campaign.

In accepting the chairmanship of the Stock Exchange Division, Mr. Stralem stressed the unique opportunity afforded business leaders to help guide teen-age boys and girls to useful citizenship through the training and experience they gain at "George Junior Republic."

The 600 acre community and school, founded in 1895 by the late William R. George, is at Freeville, near Ithaca, New York. 125 boys and girls aged 13 to 19 work and study in their own self-governed Republic. Their constitution and laws are modeled after those of the United States and the State of New York. The Republic resembles a small New England village and has its own chapel, court, school, farm, store, bank and currency.

It is hoped that the current campaign will enable the Republic to expand its program and facilities to include additional children now awaiting admittance and in urgent need of the help and training they will get as citizens of the "world's smallest republic."

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The Board of Directors of **The National City Bank of New York** has announced the apopintment as

Edward B. White

Nicholas W. Vancil

Bernard T. Stott

J. Ed. Warren

Vice-Presidents of J. Ed. Warren, Bernard T. Stott, Nicholas W. Vancil and Edward B. White, and the formation of a Special Industries Group within the institution, into which will be concentrated supervision of the Bank's business in the petroleum, public utility, and transportation industries.

Mr. Warren, recently announced as National City petroleum consultant, will head the petroleum business. Mr. Warren was formerly Deputy Petroleum Administrator for Defense, and has served as President of the Independent Petroleum Association of America. Mr. Stott, formerly an Assistant Vice-President, has long been connected with the Bank's petroleum interests and will be associated with Mr. Warren.

Mr. Vancil, formerly an Assistant Vice-President, will head the transportation business (rail, steamship, airline and bus) and Mr. White, also a former Assistant Vice-President, will be in charge of the public utilities business.

* * *

The Corn Exchange Bank Trust Company, New York, announces the election of Franklin A. McWilliam and John H. O'Callaghan as Vice-Presidents. Both have formerly been Assistant Vice-Presidents. John E. Griffin was promoted from Assistant Secretary to Assistant Vice-President, also Julius E. Beck, Robert L. Dunning and Frederick W. Liander were appointed Assistant Secretaries.

* * *

The Board of Governors of the Federal System has reappointed Jay E. Crane as a Class C director of the Federal Reserve Bank of New York for the three-year term beginning Jan. 1, 1954, and has designated him as Chairman of the Board and Federal Reserve Agent for the year 1954. Mr. Crane, who is Vice-President of the Standard Oil Company (New Jersey), New York, was a Class B director of the Bank between 1949 and 1953. He was first appointed a Class C director of the Bank in January, 1953, and has served as Chairman and Federal Reserve Agent since then.

The Board of Governors has also reappointed William I. Myers as Deputy Chairman for the year 1954. Mr. Myers has been a Class C director of the Bank since January, 1943, and has served as Deputy Chairman since September, 1943.

* * *

John B. Bridgwood has been appointed a senior Vice-President of the **Chase National Bank, New York,** Percy J. Ebbott, President, announced on Dec. 17. Mr. Bridgwood is executive officer of the Bank's trust department.

John B. Bridgwood

A native New Yorker, Mr. Bridgwood joined the Equitable Trust Company in 1921 and worked in the bond department from 1926 until the Chase Equitable merger of 1930. Following the merger he was transferred to the investment service department, was appointed to the official staff in 1936 and became a Vice-President in 1941.

* * *

The appointment of William M. Muir as Assistant Vice-President of **Manufacturers Trust Company New York,** was announced on Dec. 21 by Horace C. Flanigan, President.

Mr. Muir came to Manufacturers Trust Company in July, 1925 and was advanced to Assistant Secretary in January, 1944. He was later assigned to the Columbus Circle Office.

* * *

Seven men and a woman were promoted or elected to new official positions with assignments in the developing branch office system of **Bankers Trust Company New York,** while five other men were named to new posts in the custodian, credit, out-of-town, and foreign divisions, it was announced yesterday by S. Sloan Colt, President.

Jose A. Machado, Jr., of the Park Avenue office, and Henry G. Sharpe of the custodian division were promoted from assistant Treasurers to assistant Vice-Presidents. Those named assistant Treasurers in various branches are: John A. Allen, Empire State office; George E. Beatty, Eighth Avenue office; Elizabeth A. Brady and Theodore R. Hilb, metropolitan division, Wall Street; Albert H. Hildebrandt, Park Avenue office; Robert K. Hynes, 176 Broadway office; and Frederick H. McGlynn, Bayside office.

Others promoted to assistant Treasurers are: John S. Bliven, middle west district, out-of-town division; Hugh P. Conway, foreign division; and Theodore K. Pullen, custodian division. Herbert W. Roberts was named assistant credit manager.

* * *

The election of Daniel A. Finlayson, Jr., Edward C. Newfang and Donald C. Patterson as Vice-Presidents of **Chemical Bank & Trust Company New York** was announced today by N. Baxter Jackson, Chairman.

Each of the new Vice-Presidents has been serving as an assistant Vice-President of the Bank, Mr. Finlayson and Mr. Newfang in the National Division and Mr. Patterson in the Bond Department.

Mr. Finlayson, in 1944 joined The Continental Bank and Trust Company which was acquired by Chemical Bank & Trust Company in 1948.

Mr. Newfang began his banking career with the Chemical Bank in September, 1926, and except for 1941 when he served with the U. S. Army and 1942-1945 when he served with the U. S. Naval Reserve, he has continued with Chemical Bank.

Mr. Patterson began his career in the investment banking field with Halsey Stuart & Co. Inc. in 1935 and continued with that firm until 1952 when he joined the Bond Department of Chemical Bank & Trust Company.

* * *

Lawrence C. Marshall, President of the **Bank of the Manhattan Company, New York,** has announced that John A. Nirmaier has been named an Assistant Vice-President of the bank, and that William A. Cole and Harold A. McGowan have been appointed Assistant Treasurers, and Joseph J. O'Brien has been named an Assistant Trust Officer.

Mr. Nirmaier and Mr. O'Brien are assigned to the main office of the bank at 40 Wall Street. Mr. Cole is with the instalment loan division located in the bank's office at 535 Fifth Avenue and Mr. McGowan is in charge of the Bank of the Manhattan branch office at 81-35 Lefferts Boulevard, Kew Gardens, Queens.

* * *

The First National Bank, of Walden, N. Y. and the **National Bank of Walkill, N. Y.** will merge on Jan. 2 under the title of the **Valley National Bank** and will maintain offices in both localities.

* * *

Eight promotions were approved on Dec. 22 by directors of the **Worcester County Trust Company, Worcester, Mass.**

The list included one advancement to Assistant Vice-President, two to Assistant Trust Officers and five, including three in the Fitchburg Office, to Assistant Treasurers.

New Assistant Vice-President will be David H. Green of Worcester, now an Assistant Treasurer. Upped to Assistant Trust Officers were Miss Ann E. Lauris and Lester R. Thomas, Jr., both now Trust Account Administrators. New Assistant Treasurers will be Arvo D. Peltonen, now in the Credit Department, Andrew M. Bonnallie, now Personnel Supervisor, and David J. Kelso, commercial department, all of Fitchburg; Henry F. Cunningham, now Head Teller at the Main Office and William F. Daigle, Jr., now Manager of the State Mutual Office.

* * *

Kelley Graham, Chairman of the Board of **The First National Bank of Jersey City, N. J.,** announced on Dec. 16, that he would retire on Feb. 1, 1954. He stated that his action was being taken in accordance with the bank's pension plan under which each employee is expected to retire when he or she reached the prescribed age. Mr. Graham also stated "having been actively identified with the First National Bank for over 30 years, my interest in its progress and its people will never cease. I shall, as a matter of fact, continue as a member of the board of directors, and shall look forward to seeing many of you each month."

Mr. Graham told the staff that on his retirement, the office of Chairman of the Board would be discontinued and that the President of the bank, Kingsbury S. Nickerson, would become the Chief Executive Officer.

* * *

A program to split the 120,000 outstanding shares of stock of **The Bank of Virgina, Richmond, Va.,** on a three-for-one basis is proposed in a notice being sent to the bank's stockholders. Also proposed is an change in the par value of the stock from $20 per share to $10 per share.

The proposals are to be voted upon at the annual meeting of the bank's stockholders Jan. 8.

Stockholders will vote upon these proposals:

(1) That the Certificate of Incorporation of the bank be amended to increase the maximum authorized capital stock from $2,400,000 par value to $3,600,000 par value and to change the par value of its capital stock from $20 per share to $10 per share so that the maximum authorized capital stock of $3,600,000 will be divided into 360,000 shares of the par value of $10 each;

(2) To exchange the 360,000 shares of common stock of the par value of $10 each thus to be authorized for the 120,000 shares of capital stock of the par value of $20 each now outstanding on the basis of three shares of capital stock of par value of $10 each for each share of capital stock of the par value of $20 each now outstanding;

(3) To transfer from the bank's surplus as shown in its surplus account to capital the sum of $1,200,000, thereby increasing the bank's par capital as shown in its capital account of $3,600,000.

* * *

Russell L. Stotesbery, President of **Marquette National Bank of Minneapolis, Minn.,** announced that the Marquette Bank will be moved from its present location at 517 Marquette to quarters in the La Salle Building on the southwest corner of Seventh St. and Marquette Avenue.

The move, which is expected to be completed within a year, will increase the floor space now utilized by the bank by nearly 50%. Additional expansion will also be possible and available in the La Salle Building, which is to be renamed the Marquette National Bank Building.

* * *

The Central National Bank and Trust Company of Topeka, Kan. increased its common capital stock from $750,000 to $1,000,000 by a stock dividend effective Dec. 11.

* * *

Mr. Andrew Graham Stewart has been appointed a Director of **Westminster Bank Limited, London, Eng.**

* * *

A branch of the **National Bank of India Limited** was opened at 13, St. James's Square, London, S. W. I.

Mortgage Market in 1954

By PAUL T. O'KEEFE*

James Felt & Company, Inc., New York

Mr. O'Keefe bases his prediction of an active mortgage market in 1954, with little change in interest rates, on: (1) the continued demand for new construction; (2) ample supply of mortgage capital, and (3) widening role of government as a partner of the mortgage lending institutions.

All signs point to an active mortgage market in 1954 with volume of new business at or about the 1953 level with interest rates showing some slight but not significant decline. These conclusions are based on the following premises:

(1) **Demand for New Construction:** There should be a continuing demand for new one family residential comstruction although most economists agree that the total output will be slightly below the levels reached in 1951, 1952 and 1953. There has been a deceleration in the rates of new family formation, marriages and birth rate. This deceleration has been slight, however, and there is every indication of a continued demand for new housing throughout the coming year.

Historically, the financing of one family houses has been the bulwark of the mortgage market—despite the dramatic large sized loans made by insurance companies on multi-family residential properties and on commercial properties. Insurance company mortgage holdings were 60% in the one family house category at the year end 1952. The four principal classes of mortgages lenders—commercial banks, savings and loan associations, insurance companies and mutual savings banks—have 70% of their total mortgage holdings in the one family house category.

In the commercial loan and multi-family residential classes there will probably be a continuing decline in the supply of new mortgages. In the commercial class we have caught up substantially with the postwar backlog in office buildings, shopping centers, industrial buildings, etc. and in the multi-family residential category the passing of FHA's Section 608 has resulted in a marked decrease in the available supply of apartment house loans. While there is still a great demand in most of our major cities for new multi-family rental accommodations, no one has yet devised a means of making these accommodations available for the middle income public under present day building costs without some form of subsidy.

(2) **Supply of Mortgage Capital:** All of the major mortgage lending institutions are continuing to grow at a rapid rate. This is particularly true with savings and loan associations, insurance companies and mutual savings banks. Time deposits in commercial banks are not showing as rapid an increase. This increased growth of resources together with the overwhelming wave of amortization and satisfaction payments leads inevitably to the conclusion that there should be an adequate supply of mortgage capital available next year.

It is to be expected that some institutions in the capital surplus areas, most notably New York, will again be forced to seek loans in other sections of the United States in order to get their money invested.

(3) **Government Influence:** More and more the government is becoming a partner of the mortgage lending institutions. It is significant to note that the most dramatic change in the mortgage market in late years was occasioned not by any interplay of the laws of supply and demand but by direct government action: the removal of the fixed price support from the bond market and the issuance of the long term 3¼% bonds. Recent changes in the government bond market have had their corresponding effect in the mortgage market.

Through its insurance and guarantee programs, the government has come pretty close to directing the course of the mortgage market. As a matter of fact, there will probably be a continuing struggle to keep government influence at its present level. It may be necessary to maintain continued vigilance against the threat of the government becom-

*Resume of a talk by Mr. O'Keefe at the Seventh Mid-Year Meeting of the National Association of Mutual Savings Banks, New York City, Dec. 7, 1953.

ing a direct lender in the mortgage field.

But in any event the government has become such a dominant factor in the home mortgage field that it seems pretty safe to say that it will act as a stop-gap against any abrupt downward movements in mortgage financing activity.

Federal Reserve Explains Revisions in Its Industrial Production Index

Says purpose of revision is to conform to important changes in the structure of production and provide a more comprehensive and precise measure of industrial output. Incorporates in new index additional data of production. Applies revised index to past decades, indicating new light on the course of industrial production.

The Federal Reserve Board has announced a revision of its index of industrial production, widely used measure of monthly changes in the physical output of the country's factories and mines since its introduction in the 1920's.

The purpose of the revision, according to the Board, was to:

(1) Keep abreast of important changes in the structure of production. A number, such as the tremendous growth in electronics and plastics, have occurred since the last general revision in 1940 and the wartime revisions in 1941 and 1943.

(2) Provide a more comprehensive and precise measure of industrial output than had been possible heretofore, by taking maximum advantage of numerous new data developed in recent years and of advances in the technique of handling statistical material. For those interested in general business developments or developments in specific industries or commodity markets, the revised index supplies a much improved tool for analysis as well as a more representative summary of factory and mine output.

One accomplishment is the incorporation of considerable additional data into the makeup of the index of total production. Another is the development of many new component indexes for individual industries and products (natural gas liquids, synthetic fibers, synthetic fabrics, etc.). The number of component indexes has been increased from about 100 to 175.

Other improvements include the advancing of the index base from a prewar (1935-39) to a postwar (1947-49) period, providing an up-to-date standard of comparison for the current level of production; the use of an improved industrial classification structure and adoption of an up-to-date standard for determining the proportionate contribution of various industries to total output; the adaptation of seasonal adjustments and working day allowances in conformity with recent-year experience; and the development of an independent set of annual indexes, as a useful check on the monthly indexes. The annual indexes are based on more comprehensive data available only at yearly intervals.

A complete explanation of the revision is provided in articles to be published in the December issue of the Federal Reserve "Bulletin."

One immediate result of the revision, the Board indicates, was to provide new light on the course of industrial production over the last decade.

The new index establishes that industrial production exceeded the World War II peak by the latter part of 1952, where as the postwar high of the old index, reached in early 1953, was still below the peak of late 1943.

For this year, changes in output were much the same on the new index as the old: in the first half of 1953, activity was at a postwar high, about one-eighth above a year ago; since mid-year, output has been reduced fairly generally. In October, the latest month covered, industrial production was at about the same level as a year earlier. For October, the new index was about 4% below the highs which it established in May and July; the old index was down about 5% from its peak reached in March.

Over the period since 1947, however, differences of more importance appear. The new index shows that the expansion in production between early 1947 and early 1953 was greater than had been indicated: 35%, against a 27% showing on the old index. Furthermore, all three major divisions of output—durable and nondurable manufactures and minerals—show larger gains than had previously been apparent.

Other points established by the revision:

The 1948-49 downturn was more moderate—about 10% in all—than had been previously apparent, with seasonal factors accounting for a greater part of the decline than had been indicated. The new index shows that the decline that began in November, 1948 had slackened by the second quarter of 1949 and, in the recovery period which followed, production exceeded its 1948 high by April, 1950. According to the old index, production did not exceed its 1948 high until two months later, in June, 1950.

The expansion of output after June, 1950, under stimulus of the outbreak of hostilities in Korea that month moved swifter, but also leveled off more quickly, than had been indicated previously. The new index shows a peak was approached in the early autumn of 1950; the old index indicated a slower rate of expansion in the summer of 1950, but a considerable further rise during the autumn and winter.

The index is based mainly on regularly published data compiled by other government agencies and private organizations. As many of the data are initially collected by these organizations for different purposes, and therefore in different forms, numerous steps must be taken to adapt them for use in the index.

The most readily apparent, but not the most important, characteristic of the new index is that its level is very different—in October, 132 as compared with 231 for the old index. This difference results chiefly from the fact that in the new index the comparisons are with a more recent and relevant base period, 1947-49, rather than the 1935-39 base period of the old index. In 1947-49, production was nearly twice as large as in prewar 1935-39. In interpreting changes from one month to another, it should be recognized that a change of one point in the new index is thus the equivalent of nearly two points in the old index.

While the foregoing and other improvements have been incorporated in the new index, it is pointed out, basic concepts remain substantially unchanged. In major respects, continuity of measurement over the period back to 1919 has been preserved.

John Burke

John Burke, Mitchell & Company, New York City, passed away December 17.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The main part of the stage has been taken over by the switch and swop operators which means that there have been price distortions here and there which are not regarded as representative of the market trend or as indications of a change in the current course of quotations. These year-end changes, made mainly for tax purposes, will soon be out of the way and when they are a matter of history there should be the same definiteness in the trend as there has been in the recent past. Interest rates will still be on the easy side and this, in the opinion of money market specialists, is one of the main forces behind the favorable trend.

Pension funds, both private and public, along with certain charitable organizations have again been the main buyers of the longer term government obligations. The intermediate term issues are being taken mainly by commercial banks with the short-term securities being bought by corporations, the deposit institutions and organizations that recently borrowed money which will not be put to work immediately.

Year-End Operations Dominate Market

The government market is now in the final phase of the year-end adjustment period and in many instances this is resulting in trades being made which at times have a rather peculiar effect upon quotations. Because time is now a factor, prices have been subjected to pressure in not a few cases that would not take place in the ordinary course of events.

Accordingly, these year-end "polishing up" developments are not being given much consideration by money market specialists when they are looking at the action of the government market as a whole and its future trend. The first thing that appears to catch the eye in the money market is the belief that interest rates will continue on the easy side for some time to come. This seems to be the strongest argument for a continued constructive attitude toward prices of Treasury obligations.

Downward Rate Trend Expected

To be sure when prices of government securities have advanced as sharply as they have there is always the natural question —how long can it go on this way? There is no really definite answer to such a question because so much depends upon monetary policy, which has been subjected to very sudden change in the not too distant past. Nonetheless, there are indications that the large deficit of the Treasury, and an economy that may be forced to slow its pace for a while instead of going at its former rate of speed, is going to keep interest rates from hardening to any extent. As a matter of fact, nearly all money market specialists are currently of the opinion that the downward trend in interest rates will continue into the foreseeable future.

In spite of the constructive attitude towards the government market, some market observers hold that a readjustment in prices would be a desirable development and a not unexpected one. The market for Treasury issues could be vulnerable to price adjustments but there is evidently considerable evidence that the principal force in the recent rise in prices of these securities has been the investment buying which has been done in these issues. Therefore, with the bulk of these obligations going into strong hands, it is being pointed out that the chances of an important set-back in the market because of the fast and sharp rise in quotations is greatly diminished. Likewise, the downtrend in interest rates, while substantial from where they were earlier in the year, have not reached levels where they could be considered artificially depressed.

Impact of More Financing

To be sure, a new money issue by the government, whether it be an intermediate or long-term obligation, would have immediate effect upon the trend of prices of the outstanding issues. However, in order for such an undertaking to be a success the money markets would have to be kept in good condition. It is evident that the monetary authorities have learned considerable in the past year about what can and cannot be done in the money markets and the promptness with which they acted to adjust to new developments is another factor on the favorable side of the situation.

Therefore, while there might be, and as some believe, there should be a readjustment in prices of government securities, it is still the opinion of most money market specialists that nothing more than a backing and filling operation is in the offing in the near future. Even open market or "open mouth operations" are not being taken as threats to the market trend because the feeling is very strong that price set backs would be buying opportunities that would not go far because of the demand that would be generated by such conditions.

The heavy payments that have to be made at the turn of the year for corporate and municipal issues which have already been committed for is not expected to have any appreciable effect upon the money markets. Reinvestments demands of the new year should more than offset this condition.

MERRY CHRISTMAS TO ALL

Rutherfurd & Co. Forming

John Rutherfurd and Charles W. McLaughlin, both members of the New York Stock Exchange, on January 1 will form John Rutherfurd & Co. with offices at 120 Broadway, New York City. Mr. Rutherford has been active as an individual floor broker. Mr. McLaughlin was a partner in Shethar & Company, which is being dissolved.

Forming Charles Plohn Co.

On January 1, Charles Plohn & Co., members of the New York Stock Exchange, will be formed with offices at 25 Broad Street, New York City. Partners will be Charles Plohn, member of the Exchange, Harold J. Mintz, and Abraham Livingston. Mr. Plohn has been active as an individual floor broker.

New York Stock Exchange Weekly Firm Changes

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

Arthur Morris Nelson, general partner in Burnham & Company, will become a limited partner January 1.

Gino De Moise, general partner in Garvin, Bantel & Co., will become a limited partner, effective January 1.

Ernest Loveman will retire from Goldman, Sachs & Co. December 31.

The Estate of B. C. Gwathmey will retire from limited partnership in Merrill Lynch, Pierce, Fenner & Beane, December 31. On January 1 Victor Cook, William H. Culbertson, Darwin S. Fenner, Douglas C. Findlay, Robert B. Flinn, Samuel L. Fuller, Joseph P. Henican, Jr., George J. Leness, Michael W. McCarthy, Herbert H. Melcher and Norman Weiden, general partners, will become limited partners in the firm.

Edward F. McLarney will withdraw from F. P. Ristine & Co. December 31.

Joan S. Lewinson will withdraw from limited partnership in F. H. Sacken & Co. December 31.

Leeds Mitchell will retire from limited partnership in Shearson, Hammill & Co. December 31.

James W. Walker will withdraw from G. H. Walker & Co., December 31.

With Francis I. du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Raymond H. Sigesmund has become associated with Francis I. duPont & Co., 9640 Santa Monica Boulevard.

With J. B. Hanauer Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Brady Sandeman has been added to the staff of J. B. Hanauer & Co., 140 South Beverly Drive.

Joins Real Property Inv.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John S. Walsh has become associated with Real Property Investments, Inc., 233 South Beverly Drive.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Samuel E. Wallace has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Mutual Funds

By ROBERT R. RICH

National Securities & Research Forecasts Increased Dividend Payments for '54

Total dividend payments by U. S. corporations will increase next year despite a moderate decline in net earnings, according to a 1954 forecast by National Securities & Research Corp.

In an analysis of the business outlook, the investment company's research men predict a decline in corporate net earnings after taxes to about $19 billion for 1954 from about $20 billion this year, but they expect total dividend payments to rise to $9.6 billion from an estimated 1953 pay-out of $9.5 billion.

They point out that even $9.6 billion would represent only about 50% of net earnings estimated for 1954.

Increased working capital, reduced inventories and moderate reductions in plant and equipment expenditures, are among reasons indicated for the more liberalividen policy expected next year.

Although a 5% decline in corporate net earnings is forecast, the indicated total of $19 billion for 1954 would still exceed the $18.6 billion realized in 1952, the study points out, and 1952 was a prosperous year.

The relatively high level of earnings is expected to be maintained next year, the study adds, because "most of the factors sustaining the economy in recent years continue in substantial force, and new supports are expected to replace those that have spent themselves."

According to the mutual fund's managers, prospective tax reductions should provide individuals and corporations with increased purchasing power in amounts which will more than offset the moderate decline in Federal Government expenditures indicated at this time.

"Actually defense expenditures, which add purchasing power without adding to the supplies of goods available for civilian consumption, are scheduled to remain within range of the high plateau established before the Korean armistice. The rapid increase in population and the rising standard of living are also continuing sources of strength in the economy, as they expand consumer markets. The large reservoir of individual liquid savings should provide another sustaining factor."

State and local government outlays are expected to increase next year, and outlays for construction and plant and equipment are expected to recede only moderately from the record highs attained in 1953. A tabular summary of the 1954 business outlook as seen by the investment firm follows. (Figures for 1953 are partially estimated.)

	1953	1954
	—(billions)—	
Gross national product	$368.0	$355.0
National income	308.0	300.0
Personal income	285.0	280.0
Disposable income	248.0	245.0
Consumption expenditures	231.0	228.0
Commodity prices (1947-49=100)	110.0	108.0
Industrial production (1935-39=100)	235.0	219.0
Corporate earnings	20.0	19.0
Corporate dividends	9.5	9.6

(The Federal Reserve Board recently announced a revision in its industrial production index. The National Securities annual forecast, which was prepared prior to the release of the new index, uses the earlier index, in which 1935-39=100.)

AMERICAN BUSINESS Shares, an investment company with a balanced portfolio managed by Lord, Abbett & Co., reports that, as at Nov. 30, 1953, 51% of its assets were in common stocks, 46½% in high-grade bonds, 1½% in preferred stocks and 1% in cash.

In the annual report to shareholders, H. I. Prankard, 2nd, President, states that the net asset value of the shares outstanding at the end of November was $3.97 each, as compared with $4.02 a year earlier. Dividends from net income amounted to 15 cents a share for the year, as compared with 14¾ cents the previous year.

Mr. Prankard also points out that the capital growth achieved for shareholders in the past ten years amounted to 84% and that the income growth was 75%.

In the year just ended, operating expenses amounted to only $6.50 for each $1,000 of average net assets. Ten years ago, these expenses amounted to $12.50 for each $1,000 of net assets. The decline, the report points out, results from a substantial increase in the size of the company and a reduction in the rate of the management fee paid by the company.

A. J. WILKINS, Vice-President, reports that gross sales of Wellington Fund for November and the first eleven months were the largest in its 25-year history.

Sales for November amounted to $5,175,820 for an increase of 49% over the like month last year. Sales for the first 11 months were $49,677,782—up 7.6% over the corresponding period of 1952.

Canadian Stocks Down; Business Indicators Up

Although the Canadian stock market has declined in the past year, with prices of leading Canadian stocks down 20% to 40% from their 1951-52 highs, Canadian business indicators have risen appreciably over 1952, Calvin Bullock, investment managers of Canadian Fund, report.

Indicative of the downward drift of Canadian securities prices was the 28% decline in the Montreal Stock Exchange index of 20 industrials from the 1951 month-end high to the Sept. 30, 1953 level. Similarly, the average of 15 Western Oils on the Toronto Exchange showed a 44% decline from the high in 1952 to the Sept. 30th date.

By contrast, Canadian industrial production increased 9% in the first eight months of 1953 compared with the similar period in 1952. Petroleum production increased 30%, manufacturing output 10%, retail sales 6%, building construction 8%, hydro-electric power 9%.

This industrial and business performance has occurred at a time when Canada has reduced personal income taxes about 11% and corporate taxes by 6%.

It has occurred, also, at a time when Canadian Government revenues from taxes, in the first five months of the '53 fiscal year, were $80,000,000 more than in the corresponding period one year ago.

Portfolio Report:

Thompson Products

The growth in the business and profits of Thompson Products over the past 15 years is a tribute to management's basic formula of recognizing a need and then designing and engineering a product to meet that specific need. "Development Engineering" has played a major role in expanding the company's volume of business from less than $15 million in 1937 to nearly $300 million in prospect for 1953.

A recent example of Thompson's product development and one which promises to pay off handsomely is its new ball-joint front wheel suspension for passenger cars. This simplified unit eliminates king pins, bushings, spindle support forgings and other parts used in conventional suspensions, but at the same time improves steering qualities and permits "cornering" at high speeds with greater safety.

In servicing the new unit, a complete rebuilding job requires only 30 minutes as compared with nearly eight hours for the conventional suspension. The Thompson unit, first adopted by Lincoln for its '52 and '53 models, is slated to go into the Ford and Mercury models for '54, and promises to develop into a $12 million business. Such a volume would compare with Thompson's total sales to the automobile manufacturers last year of $47 million.

Emphasis placed by the management on research and development is further attested by negotiations conducted with the Atomic Energy Commission to operate the $29 million Spoon River explosives processing and assembly plant scheduled for completion in 1955. Apart from its contribution to national defense, this operation should bring atomic know-how to the Thompson organization against the time when this tremendous new source of power can be utilized for peaceful purposes.

More recent developments along these same lines include Thompson's announcement three weeks ago of the organization of Ramo-Wooldridge Corp., a research, development and manufacturing company to be set up in Los Angeles in which Thompson will have a substantial stock interest. Ramo-Wooldridge will specialize in advanced electronics in the general field of guided missiles, radar computers, and electronic controls. This new move fits in with Thompson's growing interest in electronics as well as management's basic philosophy that "effective research and development paves the way for future dividends."

—*A Hudson Fund Report*

Bullock Believes Steels Undervalued

Investors are possibly viewing with excessive pessimism the equities of leading steel companies and giving insufficient weight to the progressive long term improvements in the steel industry. This opinion is expressed in a current study of steel, issued by the investment management department of Calvin Bullock.

"Leading steel equities are selling at about 60% of their book value," the study states, "and only slightly above the total per share earnings retained over the years 1950 through 1953. Earnings are capitalized only about five times. Dividends, covered two and one-half times, afford a yield of over 8%."

Four factors are mentioned as tending to stabilize steel operations in the years ahead. "The growth of per capita demand for steel," the study finds, "appears to have settled down since 1920 to an annual rate of 1.324% for prosperous years and 1.157% for fairly good or average years. Ingot capacity has lagged behind, and with no important expansion of capacity in the offing, the normal growth of the economy may absorb present excess facilities.

"An analysis of steel markets shows a fairly persistent trend toward demand for lighter and speciality steels, and a greater use of all steel output in products nearer to or directly used by the consumer. Historically, steel appears to have successfully replaced tonnage lost to other materials by finding new uses for light and speciality needs.

"The much greater proportion of new and efficient facilities now, as compared to previous periods, should tend to support profit margins as operating rates decline and reduce break-even points below what they would otherwise have been.

"A decrease in demand in the past has often been accompanied by substantial price concession as mills fought to maintain volume. Negotiated defense contracts taught the steel industry cost-accounting. Knowing the precise cost of an item should discourage selling below cost and competition should be on a more economic basis."

Steel prices are not high, the study finds, having increased 92% since 1940, compared with gains of 115% in wholesale commodities, 110% in metal product prices and 114% in machinery prices. Only moderate price reductions are foreseen.

"If we take the moderately pessimistic assumption of a 6% to 7% decline in economic activity next year," the study concludes, "we can see a demand for 100 million tons of steel ingots and operations at 80% to 85%, with the integrated companies faring well. To be ultra-cautious and assume a decline in demand of nearly twice the amount believed to be a reasonable expectation, we still come up with earnings which cover present steel dividends adequately."

Stock Fund Reports $12 Million Gain

Total net assets of Investors Stock Fund, sponsored and managed by Investors Diversified Services, Inc., rose from $41,543,427 to $54,120,823, an increase of $12,577,396 during the fiscal year ended Oct. 31, 1953. Total number of shareholders increased from 16,000 to 20,600, a gain of 4,600 for the year.

With industry and finance in what the report termed "a period of transition," dividends received from securities held in the fund's portfolio declined slightly. The fund's fiscal 1953 distribution from investment income was 72½ cents per share, as compared with 74 cents per share for the previous fiscal year. About 77% of the fund's shareholders were re-investing dividends to purchase new shares at net asset value during the year.

In the growth section, greater emphasis was placed on industries with well-defined and relatively new long-term potentials, such as the broadcasting and television fields. Increased holdings also were recommended in companies deemed to possess long-term growth characteristics in the chemical and petroleum fields.

Proportions of holdings in certain public utilities, natural gas and food and tobacco companies also were increased during fiscal 1953, in line with the fund's objective of seeking capital appreciation over a long-term and a reasonable investment income consistent with the policy.

Appraising the current and future economic environment in which investment management must operate, the report stated that "many observers are convinced that the longer the period of adjustment, the shallower will be the decline if it occurs."

Whether a decline occurs or not, the report pointed out, "many business executives are planning for expansion in plant, wider distribution of products and research for new products and services, and obviously this reflects a deep confidence in the long-term future."

National Securities & Research 1954 Forecast For 130 Leading Business Corporations

65 LEADING INDUSTRIALS—ESTIMATED 1954 EARNINGS AND DIVIDENDS PER SHARE

Company—	Earnings 1952	Earnings 1953 Estim.	Earnings 1954 Prelim. Estim.	Dividends 1952	Dividends 1953 Paid	Dividends 1954 Prelim. Estim.
Allied Chemical & Dye	$4.55	$5.10	$5.40	$3.00	$3.00	$3.00
Allied Stores	5.06	5.30	5.30	3.00	3.00	3.00
Allis-Chalmers	7.98	6.10	5.50	4.00	4.00	4.00
American Airlines	1.72	1.95	1.80	0.50	0.50	0.50
American Bakeries	2.63‡	2.75	3.00	1.92‡	1.96	2.00
American Can	2.25	2.65	3.00	1.36	1.40	1.50
American Cyanamid	3.04	3.30	3.50	2.00	2.00	2.00
American Radiator & Std. San.	1.78	1.80	1.70	1.25	1.25	1.25
American Smelt. & Refining	5.40	2.70	3.00	3.00	2.50	2.00
American Tobacco	4.79	6.00	7.50	4.00	4.00	4.00
American Viscose	4.88	3.30	3.40	2.50	2.00	2.00
Armco Steel	6.01	6.65	7.00	3.00	3.00	3.00
Bank of America	2.74	3.00	2.85	1.60	1.60	1.60
Bendix Aviation	7.22	8.20	9.00	3.75	3.00†	3.00†
Bethlehem Steel	8.80	12.00	12.25	4.00	4.00	4.00
Boeing Airplane	8.67	11.00	13.00	3.00†	3.50	3.50†
Borg-Warner Corp.	9.33	9.75	10.00	5.00	5.00	5.00†
Chrysler Corporation	9.05	8.25	8.50	6.00	6.00	6.00
C. I. T. Financial	3.08	3.60	3.75	1.80	1.80	2.00
Container Corporation	5.01	4.95	6.25	2.75	2.75	3.50
Douglas Aircraft	8.99	14.00	15.50	3.75	6.50	7.00†
DuPont (E. I.) deNemours	4.69	5.20	6.50	3.55	3.80	4.00
Eastman Kodak	2.61	3.00	3.75	1.80†	1.80†	2.00†
Firestone Tire & Rubber	10.89	11.50	10.50	3.50	3.75	4.00
General Amer. Transportation	3.03	3.40	3.30	1.75	1.88	2.00
General Electric Company	5.26	5.80	8.00	3.00	4.00	4.50
General Foods	4.31	4.25	5.25	2.40	2.65	2.80
General Motors Corp.	6.26	6.60	7.25	4.00	4.00	4.00
Goodyear Tire & Rubber	8.30	9.50	10.50	3.00†	3.00†	3.00†
Ingersoll-Rand	10.08	10.25	10.50	6.00	7.00	7.00
International Business Machines	9.34	10.50	13.00	3.80†	4.00†	4.00†
International Harvester	3.76	3.25	3.00	2.00	2.00	2.00
International Paper	5.23	5.70§	6.50	2.73	3.00†	3.00
Johns-Manville Co.	7.14	6.00	5.50	4.25	4.25	4.25
Kennecott Copper	7.96	8.00	7.50	6.00	6.00	6.00
Libbey-Owens-Ford Glass Co.	2.88	3.60	4.75	2.00	2.10	3.00
Lone Star Cement	3.19	3.00	3.25	1.65	1.75	1.75
Macy (R. H.) Co.	0.98*	2.20	2.40	2.00	1.60	1.60
Motorola, Inc.	3.62	4.25	6.00	1.50	1.50	2.00
National Dairy	4.23	4.60	5.75	3.00	3.00	3.40
Parke, Davis & Co.	3.32	1.90	2.20	1.90	1.60	1.60
Penney (J. C.)	4.52	4.70	5.20	3.25	3.50	3.50
Phelps Dodge	3.68	3.85	3.30	3.00	2.60	3.00
Phillips Petroleum	5.17	5.50	5.57	2.40	2.60	2.60
Proctor and Gamble	4.32	4.35	5.00	2.60	2.60	3.00
Radio Corporation	2.10	2.25	2.50	1.00	1.00	1.20
Republic Steel	7.21	9.25	9.75	4.00	4.13	4.88
Rockwell Spring & Axel	2.80**	3.20**	3.00	2.00**	2.00**	2.00
Sears, Roebuck	4.56	4.80	5.10	2.75	1.50¶	2.75¶
Shell Oil Company	6.75	7.80	8.00	3.00	3.00†	3.00†
Sinclair Oil	7.07	5.60	5.57	2.60	2.60	2.60
Standard Oil (N. J.)	8.58	8.75	9.00	4.25	4.50	4.50
Stevens (J. P.)	2.24	2.40	2.50	2.00	2.00	2.00
Studebaker	6.06	2.00	3.00	3.00	3.00	2.00
Texas Company	6.59	6.80	7.00	3.00	3.40	3.50
Texas Gulf Sulphur	7.52	7.55	7.50	7.00	5.00	5.00
Thompson Products	6.83	7.25	9.00	2.00	2.00†	2.00†
Union Bag & Paper	6.24	5.75	6.75	3.50	3.00	3.50
Union Carbide & Carbon	3.40	3.80	4.30	2.50	2.50	2.50
United Aircraft	5.18	6.50	8.00	2.00	2.75	3.50
United States Gypsum	11.55	12.00	12.00	7.50	7.00	7.00
United States Steel	4.54	7.75	8.00	3.00	3.00	3.00
Westinghouse Air Brake	2.55	2.35	2.20	2.00	2.00	2.00
Westinghouse Electric	4.23	4.70	6.00	2.00	2.00	2.50
Woolworth (F. W.)	3.25	3.30	3.40	2.50	2.50	2.50

†Plus stock dividend. *Excluding profit of $1.61 a share on sale of property. ‡Purity Bakeries only. §Not including special income. ¶$1.25 shifted into 1954, same procedure expected the following year. **Pro forma. NOTE: All per share figures are adjusted to present capitalization.

40 LEADING RAILROADS—ESTIMATED 1954 EARNINGS AND DIVIDENDS PER SHARE

Company—	Earnings* 1952	Earnings* 1953 Estim.	Earnings* 1954 Prelim. Estim.	Dividends 1952	Dividends 1953 Paid	Dividends 1954 Prelim. Estim.
Atchison, Topeka & Santa Fe	$13.29	$13.70	$11.00	$5.75	$5.00	$7.00
Atlantic Coast Line	21.03	15.00	12.00	6.00	6.00	6.00
Baltimore & Ohio	2.95	3.05	2.80	0.75	1.00	1.00
Canadian Pacific (a)	2.61	2.20	2.00	1.50	1.50	1.50
Chesapeake & Ohio	5.66	6.00	4.80	3.00	3.00	3.00
Chicago, Burl. & Quincy	16.39	16.00	13.00	7.50	7.50	7.50
Chicago & Eastern Illinois	3.76	3.50	2.00	nil	1.00	nil
Chicago Great Western	2.30	3.25	2.80	nil	nil	0.50
Chicago, Milw., St. P. & Pacific	2.32	0.90	0.40	1.00	1.00	0.60
Chicago & North Western	(d)1.96	nil	nil	nil	nil	nil
Chicago, R. I. & Pacific	13.58	15.50	13.00	4.00	4.50	5.00
Delaware & Hudson Co.	10.29	9.00	8.00	4.00	4.00	4.00
Delaware, Lack. & Western	1.03	1.00	0.70	0.25	0.50	0.50
Denver & Rio Grande West	18.46	22.50	17.00	4.00	6.00†	7.50
Erie RR.	2.85	3.20	2.70	1.75	1.75	1.75
Great Northern Rwy. (Pfd.)	9.10	9.60	8.00	4.00	4.00	4.00
Gulf, Mobile & Ohio	6.74	7.00	5.75	2.00	2.50	2.50
Illinois Central	16.26	18.00	15.00	3.50	4.50	5.00
Kansas City Southern	5.04	10.75	8.50	2.50	2.63	3.00
Lehigh Valley RR.	1.52	3.35	2.50	nil	nil	1.20
Louisville & Nashville	10.73	12.80	9.50	4.50	5.00	5.00
Missouri-Kansas-Texas	3.56	2.00	1.70	nil	nil	nil
Nashville, Chatt. & St. Louis	18.75	17.50	14.00	3.50	4.00	4.00
New York Central	3.83	5.40	2.50	0.50	1.00	1.00
New York, Chicago & St. Louis	8.15	7.90	6.00	2.00	2.00‡	3.00
Norfolk & Western	5.05	5.00	4.00	3.50	3.50	3.50
Northern Pacific	6.38	6.00	4.50	3.00	3.00	3.00
Pennsylvania RR.	2.81	3.20	2.50	1.00	1.50	1.50
Pittsburgh & Lake Erie	9.68	14.20	9.00	4.00	4.50	6.00
Reading Company	6.34	6.90	5.00	2.00	2.00	2.00
St. Louis-San Francisco	6.41	5.40	5.00	2.00	2.50	2.50
Seaboard Air Line	8.06	8.25	6.75	2.10	3.00	3.60
Southern Pacific Co.	6.92	6.75	5.40	2.88	3.00	3.00
Southern Railway	9.57	12.00	9.50	2.00	2.50	3.00
Texas & Pacific	27.02	26.00	21.00	7.00	8.00	8.00
Union Pacific	14.56	15.00	11.50	6.00	6.00	6.00
Virginian Railway	4.18	3.00	2.75	2.50	1.88	2.50
Wabash RR. (Pfd.)	34.93	32.00	26.00	4.50	4.50	4.50
Western Maryland	8.00	11.50	8.00	nil	nil	1.00
Western Pacific (b)	6.68	8.70	6.50	3.00	3.00	3.00

*After sinking and capital funds. †Plus 50% stock. ‡Plus 10% stock. (a) Canadian funds. (b) Earnings on participating basis for preferred and common. (d) Deficit.

25 LEADING UTILITIES—ESTIMATED 1954 EARNINGS AND DIVIDENDS PER SHARE

Company—	Earnings 1952	Earnings 1953 Estim.	Earnings 1954 Prelim. Estim.	Dividends 1952	Dividends 1953 Paid	Dividends 1954 Prelim. Estim.
American Gas & Electric	$2.33	$2.50	$2.75	$1.50	$1.60*	$1.70
American Natural Gas	2.34	3.45	3.70	1.80	1.90	2.00
Brooklyn Union Gas	1.79	1.85	2.35	1.50	1.50	1.75
Central & South West	1.60	1.70	1.90	0.95	1.04	1.16
Colorado Interstate	1.51	1.45	2.00	1.25	1.25	1.25
Columbia Gas	0.83	0.80	1.10	0.90	0.90	0.90
Commonwealth Edison	2.25	2.40	2.60	1.80	1.80	1.80
Consolidated Edison	2.63	3.10	3.25	2.00	2.30	2.40
Consolidated Natural Gas	4.19	4.25	5.00	2.50	2.50	2.50
Consumers Power	2.65	3.00	3.00	2.00	2.15	2.20
Detroit Edison	1.71	1.90	2.00	1.40	1.50	1.60
El Paso Natural Gas	2.95	2.80	3.00	1.60	1.60	1.60
Gulf States Utilities	1.46	1.75	2.00	0.96	1.14	1.25
Houston Lighting & Power	1.78	2.10	2.20	0.90	1.05	1.20
Middle South Utilities	1.87	1.95	2.00	1.25	1.38	1.40
Niagara Mohawk Power	1.92	2.05	2.15	1.60	1.60	1.60
Northern Natural Gas	1.48	2.70	3.40	1.80	1.80	1.80
Ohio Edison	2.97	3.15	3.20	2.05	2.20	2.20
Pacific Gas & Electric	2.31	2.70	3.20	2.00	2.05	2.20
Pacific Lighting	2.49	2.30	2.60	1.50	1.62	2.00
Panhandle Eastern Pipe Line	4.99	5.25	6.50	2.50*	2.50	2.50
Philadelphia Electric	2.20	2.20	2.40	1.50	1.55	1.60
Southern Co.	1.18	1.20	1.25	0.80	0.80	0.85
Tennessee Gas Transmission	1.86	1.85	2.00	1.22	1.40	1.40
Virginia Electric & Power	1.74	1.75	2.00	1.35	1.40	1.50

*Plus stock.

THE AXE-HOUGHTON WEEKLY BUSINESS index, computed by Axe-Houghton, declined during the three weeks ending Dec. 17. Steel, automobile, and power production have declined, allowing for seasonal variation, and miscellaneous loadings are somewhat lower. Lumber production has held up well.

Axe-Houghton Weekly Business Index

	Steel	Misc. Loadings	Power	Auto Prod.	Lumber Loadings	Total (1939=100)
October 31	44.1	47.0	114.7	6.6	8.7	221.2
November 7	43.8	46.6	115.8	6.2	8.5	220.8
November 14	43.5	46.2	115.9	5.3	8.7	219.7
November 21	42.9	45.8	114.8	5.0	8.9	217.4
November 28	40.7	45.4	115.2	4.1	8.4	213.9
December 5	40.9	45.6	115.2	5.6	8.9	216.2
December 12	40.3	---	----	4.8	---	----

The durable goods raw material price index has also declined owing to lower steel scrap an copper scrap prices.

The October-November recovery amounted to little more than one-third of the previous decline, and half the recovery has now been lost. The London price of copper, which held up remarkably well during the recent extensive discussion of the probable adverse effects of the resumption of Chilean sales, has weakened. It has been one of the most widely advertised declines on record, although it has not yet affected the domestic price. Aluminum scrap prices have also declined.

The semidurable goods raw material price index continues to show a moderately downward trend, although it has held above its recent low. The government plan to restrict acreage has sustained cotton prices, but print cloth prices which advanced in the second quarter and held steady throughout most of the third, are down to the May, 1952 low. A few other types of cotton fabrics have held up better than print cloths, but cotton manufacturing margins are generally lower. Some rayon fabric quotations have advanced a little, probably because of severe mill curtailment.

The National Association of Wool Manufacturers said that Sept. 30, 1953, unfilled orders for all types of woolen and worsted fabrics amounted to 28.1 million linear yards, as compared with 39.4 million yards on Sept. 30, 1952, when the volume of civilian business was none too satisfactory.

Securities Salesman's Corner

By JOHN DUTTON

There Is Always Tomorrow

The work we do today may not bring forth results for weeks, months or even years. But if we do our job properly it must pay dividends in the future. Take the case of leads obtained from newspaper or circular advertising—some of them should not be followed because they are either curiosity seekers, or the type of investor, or speculator, that will waste more of your time than they are worth. But there are others—such as:

Five Replies to An Ad

Here is an example: Five replies were received from a small advertisement that offered information on tax-exempt municipals. Four of these people had insufficient income to justify the investment of their funds in tax-exempt bonds, but one was worth following. The first interview ended in a manner that was temporarily unsatisfactory. This new prospect checked the offerings submitted to him with his advisor in another city and turned them down. It appeared that this competitive situation would forestall any future business. After four months had passed since the first interview (the salesman having kept in touch by telephone on a friendly basis) there was an attractive issue that was offered—a telephone call brought in a sale (**without checking this time**) that more than paid for the advertisement.

New Issue Bought Later

On a local underwriting a number of prospects who replied to an announcement of the new issue failed to buy because they thought the offering unattractive. The prospectus as usual told the bare facts and did not give the salesman an opportunity to point out what was behind the figures in writing. Many of these people would not grant an interview and after reading the dry, unattractive prospectus gave up on the issue. Several months later a very favorable development transpired in the affairs of this company and the salesman who had kept a list of all those prospects who gave him his first turndown went back to them. Several orders resulted and new accounts were opened. You never know what may happen tomorrow either **good** or **bad**, and sometimes it pays to play it safe and hold on to your prospects for future calls on other issues, or even on the **one you didn't sell them.**

Service Calls Will Pay

People who are not always in the market for investments will appreciate a note from you; a favorable report on one of their investments; a telephone call "just to say hello"; or a personal visit (if you make it brief). Some years ago when I moved to a new community I started to contact accountants and lawyers just to get acquainted. I offered them service and referrals of business if they would do the same for me. It took a while but it was profitable. Time spent in cultivating a clientele is never wasted. The main reason most security men don't make a lot more money is that when they have a good week or a good month they take it easy. If we worked one-half as diligently seeing people at the right time, and place, and building up goodwill as salesmen in the life insurance business do, we would double our incomes. But hard work alone won't do it—it is cultivation of prospects with substantial buying power that leads to larger incomes in this business. The small fellow is O.K. too, treat him right—but remember the old saying "If you want to pick up a golden nail follow a golden wagon"—but follow it.

MERRY XMAS TO ALL!

Wasserman & Co. to Open

Milton Wasserman, member of the New York Stock Exchange, and Sydney R. Golde will form Wasserman & Co. with offices at 15 Broad Street, New York City, as of January 1.

Continued from first page

As We See It

and obdurate France should be able to recognize this simple and elementary fact.

Many Other Issues

But we submit that it is not only in the matter of military aid under NATO that our foreign policies are in need of an "agonizing reappraisal." Ever since the end of the war we have been pouring billions of dollars into Europe without charge of any sort. In addition we have "loaned" large funds to some of these peoples. If these "loans" are ever repaid there will be many surprised observers throughout this country—and we suspect other countries, too. We have placed other huge sums in such institutions as the International Monetary Fund and the World Bank. A very large part of these funds must likewise be set down as probably irretrievable.

All these and similar steps have been taken by us in part merely out of the kindness and the generosity of our souls. World War II brought almost unimaginable suffering to virtually all sections of Europe. Malnutrition, exposure and disease stalked several countries on that ill-fated continent. The people of the United States of America, always generous and impulsive, and long conditioned to the notion of European "relief," soon began to pour out its substance for the help and rehabilitation of the unfortunates across the Atlantic. It is still doing so.

But along with our natural and unprecedented generosity, other considerations—idealistic to say the least—sustained if they did not cause us to inititate these contributions. We had rightly or wrongly, wisely or simple mindedly, been drawn into two world wars of European origin, both developing out of national ambitions, national distrusts, national imperialism and national intrigue. The American people were disgusted and dismayed by this simple fact. They were less inclined to wonder whether they really should have permitted themselves to be drawn into these affairs—which in a sense at least were none of their business—than to cast about for ways and means of making as certain as possible of avoiding similar experiences in the future. This problem of avoiding World War III confronted the people of this country precisely at a time when they were under the strong influence, not to say the dominance, of a general philosophy of ultra-internationalism and interventionism. Many, some without fully realizing it, had become imbued with a vision of what might be termed New Dealism on a worldwide basis. To some of us at least, it seemed that any sort of world problem would yield to the ingenuity and the blandishments of the largest, the richest and the most powerful nation in the world, obviously (so they seemed to think) imbued with an overriding desire to do good all over the world—and willing to pay handsomely for the privilege.

Resent Interference

Actual experience soon revealed what should have been well understood in advance — that many peoples throughout the world welcomed American dollars when they were handed to them on a silver platter, but that they did not relish American interference with their behavior either at home or in their dealings with their colonies or with other nations of the world. Ancient prejudices, ancient resentments, ancient rivalries, ancient suspicions, and ancient ambitions remained, and few if any peoples were ready—or are ready today—to shuffle off these encumbrances with or without dollars from America.

This is the situation as it exists in Europe today. France may or may not presently yield in the matter immediately at issue. Its fears of Germany may or may not prove stronger than its desire for further American generosity. But this is only one of a long string of issues which must be carefully reappraised regardless of what France does in this particular connection. European production generally speaking is far above prewar. The reestablishment of productive capacity since the end of the fighting is hardly short of miraculous—thanks in no small part to our gifts. How much longer must we continue to pour billions into these countries—and for what reason? They have unquestionably lost important sources of outside revenue during the past decade or so—and these losses are for the most part superimposed upon similar losses suffered during or as a result of World War I.

But who can suppress in his own mind the question as to whether these peoples could not make out well enough if they were willing to suppress experiments in socialism and communism, cease their eternal bickering about all sorts of social questions, at least control their yen for so-called reforms and devote their attention and their energies to making their own living in the world? Who reading the daily accounts of what is taking place across the Atlantic can rid his mind of the suspicion—to use no stronger word—that Europeans are not "playing ball" in these matters? In other parts of the world where we seem so bent upon industrializing "backward" peoples other questions are eternally arising which cast doubt upon our realism.

Let's Reappraise

Let's agonizingly reappraise our foreign economic policies regardless of what the French do about NATO!

Continued from first page

Outlook for the Aluminum Industry

many years ago by a man who said, "I regret that I do not have the time to write you a short letter." Here, the picture is in reverse. I have the 30 minutes which your Committee has graciously allotted in which to give you—in full focus — a summary of the many factors which an analyst would like to evaluate in his study of our industry.

First, you gentlemen are aware that the production of aluminum in commercial quantities has been going on for 75 years, but because its most active period of growth and diversified uses has developed within the last 15 years, I shall begin in 1939, when Alcoa, as the sole producer of primary metal in this country, had a primary aluminum capacity of approximately 300 million pounds a year. I would judge that during the 30's there was an average primary production of something less than 200 million pounds a year.

When this country finally realized in 1940 that World War II was to be won in the air, meaning a new concept of war, the expansion in the aluminum industry needed to bring us this victory brought capacity to about 2 billion pounds. After dismantling the uneconomically located plants, the postwar capacity shook down to approximately 1¼ billion pounds.

In the period following the war, 1946 to 1950, our industry was to learn that there was actually a huge latent demand for aluminum, a demand which was to be further stimulated by changing economic conditions. The result was that rather than being burdened with a huge surplus capacity of aluminum as was anticipated in many quarters, by 1950 the industry recognized that the production capacity was actually inadequate to serve purely peacetime civilian needs. In fact, you will recall that Alcoa began the construction of a new 114 million pound reduction plant at Port Comfort in 1949. Reynolds was successful in getting low-cost power and so reactivated 74 million pounds at Jones Mills and Kaiser was adding to its plant in Spokane.

At the outbreak of "Korea," the government, taking a look at defense needs, called the integrated producers together and said that a further expansion of 100% in primary production was immediately required. Optimistic as the industry was with respect to future demands, you could not expect that ¾ of a billion dollars of additional plants could be built on optimism alone. The government, concluding that it needed a huge reserve stockpile of the metal or, at the very least, an increased plant capacity, was agreeable to entering into a five-year purchase contract with the producers. In the language of the Street, the contract represents both a put and a call. That is, the government has a first call on this billion and a half pounds of additional metal if it so elected during the five-year period. The producers, on the other hand, had the right to sell to industry such part as the government did not call, with the further agreement that the industry could put to the government for that period such of the output as they could not sell for civilian requirements. This made financing possible.

Now, there are two vital facts which develop out of this program with which you are directly concerned. First, our industry has borrowed a very considerable amount of money and second, they have used these funds to double their primary capacity.

Two questions naturally arise here in your minds:

First, what assurance does the industry have that they can service and retire the debt without difficulty.

Second, can they sell the output of these new plants when the five-year contract is ended.

First, with respect to the servicing and retirement of the debt—I think you will agree that if we can sell all of the aluminum we produce, servicing of the debt and, in fact, its accelerated retirement represent no obstacle. I will go into that as it applies to Reynolds in a minute.

Well, how **do** we stand with respect to the continued sale of aluminum? First, I have already stated that the purchase contract takes care of **all** of the additional production developed since "Korea" for five years. So what we are concerned about primarily is the sale of our "pre-Korean" production. Now, we are a growing industry and as I have already told you, four years ago our industry's capacity was inadequate to supply normal peacetime demand as it then existed. I don't think, therefore, that it will be particularly difficult, during the years 1955-1958, to sell the capacity of a growing business which was inadequate in 1950.

Now, in speaking of the debt, I cannot, of course, discuss the position of the other producers, but I can discuss the Reynolds Metals Company.

We have created debt since "Korea," exclusive of working capital needs of approximately \$190,000,000. Of this amount, the two principal construction loans total \$163,000,000. The balance is made up of advances repayable by delivery of metal.

In our annual report for 1952, we stated, that under the retirement provisions, "**fixed**" sinking fund payments are calculated to retire all of the \$85,000,000 issue and 75% of the \$76,750,000 issue by final maturity dates. The contingent sinking fund payments of the agreement are based on earnings, subject to a maximum allowable retirement in any year. If estimated earnings, based upon present profit ratios and production schedules are maintained these accelerated payments plus fixed payments will operate to retire the \$85,000,000 issue within a five-year period and the \$76,750,000 issue within a concurrent nine-year period."

I believe these calculations show some \$55,000,000 or more of cash income yearly against which our heaviest year of retirement calls for a pay-out both in fixed and contingent funds of about \$36,000,000.

Now, how best can I answer the question—does our industry believe it can sell the output of these new plants at the expiration of the government contract about five years hence? The best answer that I can give you is this—that I know of no senior official in our industry who holds any doubt about the industry's ability to sell the entire output and more in 1959, being the approximate period when the government purchase contract terminates—assuming a reasonable level of business. In fact, in my opinion, these managements are thinking most seriously of where they can locate additional production plants in the years immediately ahead.

How is such optimism justified, for actually there has been no revolutionary process in the manufacture and fabrication of aluminum since 1939. Of course, there have been steady technological improvements both in the production and fabricating divisions. There have been improvements made, as well, in the characteristics of the metal and its alloys, but the vital factors which have energized the growth of aluminum, in my opinion, comes from other sources and it is these influences that I want to discuss right here.

First is the matter of comparative metal prices. In 1939, copper was 11 cents. It is now 29 cents. Zinc and lead were both 5 cents. They are now 10 cents and 13 cents respectively. Steel billets which were then 1½ cents are now 3.1 cents. Against all of this, aluminum was 20 cents in 1939 and it is now 20½ cents. Here we have a group of metals whose prices have risen from 300% to 100% while aluminum has remained unchanged. That is important point one.

The **second** important factor that is influencing aluminum came out of the developments of war. The improvement in aircraft in terms of speed, safety and service has been enormous. It is having its influence on all other types of transportation. Ships, railroads, trucks, buses, and automobiles have improved their services in keeping with this new tempo of the times. One of the factors in this improvement is the use of light metal, aluminum, wherein you lighten the dead load and increase the speed through the use of light metals.

The **third** factor—and to me a most significant one — has been the effect of the substantial rise in all production and maintenance costs. Wages which were 44 cents an hour in 1939 are perhaps \$1.60 or \$1.70 an hour today. Therefore, light, non-rusting, strong aluminum means less load on the workers at the plant, less freight costs in its transportation and less maintenance in use.

The same principle, of course, applies to the home where rising servant costs have put the housewife in the position of doing her own housework. Hence, everything that is lifted or carried is made lighter through aluminum, whether it be your ice box trays and shelves, your carpet sweeper or your clothes dryer.

Finally, another factor which has influenced aluminum has been that of increased competition. Large industrial users of materials do not want a single supplier of any important material. Today, not only is there a multi-source of production, but there is a greatly expanded capacity and a very considerably increased knowledge of aluminum fabrication on the part of labor.

Think about this for a moment —in connection with the thousands of manufacturers who have been and are being pressed by rising costs and remember that aluminium is approximately one-third the weight of these metals. We are talking about three billion pounds of aluminum a year. This country uses over 150 billion pounds of steel and 7½ billion pounds of copper and zinc a year.

In the face of this changed price relationship does it surprise you that an aggressive and broadened industry can sell this relatively minute amount of metal. Why, all the aluminum produced in the country today is about 1½% of our steel capacity.

Now, don't underestimate the part that these factors collectively play in the growth of aluminium. Let me cite just one example that I came across last week. You are all aware of the rapid growth of the so-called express highway systems. Years ago, roads were infrequently illuminated through use of steel or wooden poles. But look at your new highways today and see that both the pole and extension arm—in fact, the whole unit—is now made of aluminum.

The price of other materials went up rapidly, aluminum held relatively steady, the need for more and adequate lighting of these wide roadways developed and hence, the need for maintenance and servicing has become a controlling factor. Just the other day I visited a manufacturer of roadway lighting fixtures who said that while he had a rough time recommending aluminum highway lighting fixtures five years ago, he has since been, on more than one occasion, personally thanked by city engineers for persevering in the matter. He honestly believes that lighting fixtures throughout the country will gradually and surely transfer to aluminum.

Now let's take a look for the few remaining moments at what we can expect in the way of aluminum uses by the major industries.

Starting with the building industry, aluminum windows a few years ago were a novelty. Today they are in common use, being 15% of all window production, and are serious contenders on all new big construction, as for example, the United Nations Build- and the new Prudential Building in Chicago. We believe aluminum will continue to take an increasingly larger share of the market from materials on which maintenance is regularly required. Even so, this single item in the building business now uses over 100 million pounds of aluminum a year — the entire yearly output of a fair size reduction plant.

Basically, the brick-by-brick principle of construction has been going on since the day of the pyramids, but some of you may have seen the new 26-story, all aluminum office building on Park Avenue in New York City. The entire outside paneling of this building was hung in one week's time by four groups consisting of five workmen each. To be sure, it is a pioneering job of a kind which was encouraged by the magnificent building Alcoa built in Pittsburgh, and which we think is one of the most forward steps taken in our industry in recent years.

Will this trend spread? These are not the first two buildings, by any means. There are a large number of buildings using aluminum as a cover. It is reported that there are 58 new aluminum buildings on the drawing boards today. What do you think all of this means to the future of aluminum? Surely this is a significant development, but don't overlook the way in which aluminum is being used in constantly increasing amounts right now for such purposes as:

- Escalators
- Showcases
- Staircases
- Ceilings
- Lighting fixtures
- Hardware
- Scaffolding
- Industrial louvers
- Warehouse partitioning
- Parkway lighting
- Poles
- Reflectors
- Awnings
- Bridge railings
- Portable garages
- Heating
- Air conditioning ducts
- Venetian blinds
- Aerial tramways
- Booms
- Draglines
- Tubing
- Pipe
- Outdoor theaters

In brief, architects, recognizing decorative light weight, strong, low maintenance features of aluminum are using it in a way that is changing the face and interior of our homes and industrial buildings.

What is the outlook for the automobile and truck industry? It was only a few years ago that in speaking to a group of analysts I said the average per car use of aluminum was about 7-10 pounds. But in a recent release in a trade publication, there is the statement that the new 1954 Chrysler sedan is made lighter by 153 pounds—by the use of light metals. Over 50 pounds of aluminum is now used in this particular model. A composite car now lists 30 applications for aluminum. A substantial poundage alone is represented by pistons and the new automatic transmission systems. Each day brings new inquiries or conversions from zinc castings to aluminum. Meantime, there is continued research going on on such items, for example, as an aluminum radiator. Reportedly, a copper radiator weighs something approaching 45 pounds, as against 15 pounds for aluminum. The aluminum radiator is not yet commercially developed, but there are several hundred on test in cars around the country today.

General Motors Co. is now constructing a casting plant immediately adjacent to our Jones Mills, Arkansas reduction plant. During the completion of this plant, General Motors is carrying on a casting operation within our plant itself. The purpose of locating there is to enable hot metal to be taken directly from our furnace and into the casting rooms of General Motors, thus eliminating the intermediate stage of pigging and remelting. Perhaps this is one interesting indication of how the motor industry is thinking in terms of aluminum.

In the farming industry, stone, wood and steel have been the principal building materials. Now aluminum, which is light and therefore easy to erect, does not rust and, most important, is heat reflective (meaning that it is warmer in winter and cooler in summer), is helping the farmer do a better job. Hence, barns, animal shelters and houses incorporate the use of aluminum. I'm speaking of a matter of dollars and cents. There are any number of articles which you may read, if you are so inclined, which clearly recite the effects of temperature on animal productivity and how it is significantly improved by using heat reflective aluminum. The State of Texas, for example, until recent years, has been a small producer of chicken broilers because of heat conditions. It was a seasonal business. Now, through the use of aluminum chicken houses, it has become one of the largest in the nation. In ten years, their yearly production has gone up from 9½ million to 61 million broilers.

Of course, the increase in aluminum portable irrigation has been very marked. Farmers can no longer afford to gamble on the uncertainties of the weather and the high labor costs involved in a crop failure when they can bring through a better, more luxuriant crop with the use of portable aluminum irrigation.

You can all see what is happening in the electrical equipment industry. You remember when copper transmission cable was in common use and aluminum was trying to fight its way in the door. It is almost exclusively aluminum today. Now, you are beginning to see aluminum bare and covered wiring being used in the form of distributing lines, lead wires and house wires. In 1949, there was no reported use of aluminum covered wire. The 1953 usage is estimated at 50 million pounds.

In the appliance field, there is a pronounced trend to aluminum. You see it in refrigerators, television, bulbs and sockets, irons, vacuum cleaners, wash tubs and other appliances. The total use, of course, is substantial. It is in the air conditioning field, however, where a new and exciting development is taking place. Air conditioning is an accepted part of our living today. Our company has pioneered an aluminum condenser and evaporator unit with a weight of some 20 pounds. Right now, in our Parts Division, we are producing a thousand of these units a day for one manufacturer, but the field, so far as aluminum is concerned, has just begun. It will be a substantial consumer of aluminum tonnage and it is typically one of these overnight developments which so characteristically point the trend towards a greater volume of aluminum usage in industry.

First, I'd like to make this statement—in view of their growing requirements, many of the metal consuming industries are concerned about the long-term supply of non-ferrous metals.

In our industry, we know that the management of many of these companies have instructed their design engineers to use more aluminum in their products.

Time does not permit me to more than mention the truck and trailer industry, but you have only to stand on any street corner to see what the use of aluminum in the way of weight saving has meant to the industry. The wood and steel trailer is disappearing. Not only the sides but the floor of the trailer are now being made of aluminum.

In ship construction, you see aluminum being used in subs, P-T boats and mine sweepers. Most of you have recently seen the publicity that came out of the several millions of pounds of aluminum used in the super liner, "United States." One of our men told us of a meeting recently in Louisville at which a naval architect spoke in the most glowing terms about the significance of the "United States" recapturing the speed records and the contributing effect that light metals have had on this achievement.

I understand that the aluminum building on Park Avenue, which I previously mentioned, was redesigned just prior to construction after the architects had seen Alcoa's building in Pittsburgh. Similarly, I read that a Norwegian shipbuilding concern revised its practically completed plans as a result of what they saw on the liner "United States."

Aluminum use in the railroad industry is at present relatively small. Actually, there are fleets of aluminum passenger, coal and refrigerator cars in operation. The new aluminum articulated Talgo train built for use in Spain has excited interest in this country to the point where I understand that such a train is being developed in this country. The important point here is that aluminum equipment is now in use on our railroads and as in the past this has proved to be our industry's most productive salesman.

Of course, there are very interesting developments in the chemical industry in the form of tanks, containers, heat exchangers and great potential prospects in the oil industry, including, the use of aluminum pipe. Just the other day, someone told me that aluminum is now being used as a catalyst in the gas cracking process and that it has a high potential tonnage.

The aluminum foil business exemplified in food packaging and wraps and by such products as Reynolds Wrap in showing a vigorous growth — and why not, when you combine eye appeal with the protective features that aluminum can give in the way of preserving the package contents so that they are fresher and tastier on the table of the consumer. The whole development of frozen foods is made to order for the aluminum package and aluminum labels and packaging is one of our industry's fastest growing children.

In all of the foregoing I have not mentioned military demands, nor are there any reliable publicized figures, but you don't need too much imagination to know that under this concept of global war where men, materials, housing and weapons, including guided missiles, are moved over long distances at great speeds, aluminum will play an important part. All in all, even under a defense maintenance program, it is believed that a half billion pounds of aluminum might be an annual requirement.

Now, I have named just a few of the 4,000 known uses of aluminum, but in considering these many products, I think you can easily develop the thinking that these are not products you ordinarily think of as being made of a metal such as copper, zinc and lead. Rather, the range is such that collectively you think of them is being made of mass use material such as steel, wood or paper—and it is by this approach, this thinking, that I believe you get a proper prospective on the future of aluminum.

Two With Cabell Hopkins

(Special to THE FINANCIAL CHRONICLE)

ROME, Ga.—James L. Henderson and Edgar B. Jones have become affiliated with Cabell Hopkins & Co., Ledbetter Building. Mr. Henderson was previously with Courts & Co.

Forms Harry Salkin Co.

Harry J. Salkin is engaging in the securities business under the firm name of Harry Salkin and Company, Incorporated from offices at 1431 Broadway, New York City. He was formerly President of Salkin Blau and Company, Inc.

Francis I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Morris Arkin has been added to the staff of Francis I. du Pont & Co., 121 Southeast Second Avenue.

Two With Edenfield Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Needham C. Hines and John R. Huff have become associated with Frank L. Edenfield & Co., 8340 Northeast Second Avenue.

Joins A. M. Kidder Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Albert B. Cooperman is now connected with A. M. Kidder & Co., 216 71st St. He was formerly with Francis I. du Pont & Co. and Bache & Co.

Wm. H. Draper Chmn. Of Mexican Lt. & Pr.

William H. Draper, Jr. has been elected to the Board of Directors of the Mexican Light and Power Company, Limited, and will succeed George S. Messersmith as Chairman of the Board and Chief Executive Officer of the company on April 1, next. Mr. Messersmith will remain on the Board as Honorary Chairman.

William H. Draper, Jr

Mr. Draper retired earlier this year as United States Special Representative in Europe with the rank of Ambassador, in which capacity he coordinated the political, military and economic aspects of the United States Mutual Security Program in Europe. His other government service included military service as an infantry officer in both world wars. Following World War II, Mr. Draper, then a Major General, acted as Economic Advisor to the Commander-in-Chief of the European Theatre and was responsible for carrying out United States economic policies in Germany. He later served as Under Secretary of the Army in Washington.

In private life Mr. Draper has been for many years a Vice-President of the investment banking house of Dillon, Read & Co. of New York City, except for a one year period following the disastrous wrecks on the Long Island Railroad in 1950 when, at Governor Dewey's request, he assumed the Trusteeship of that railroad, and was later appointed by Governor Dewey the Chairman of the Long Island Transit Authority.

Eric & Drevers Admit

On January 1, Eric & Drevers, 115 Broadway, New York City, members of the New York Stock Exchange, will admit George F. Breen, Jr. to partnership. Mr. Breen has been in the investment business for some time as an associate of George F. Breen.

On December 31, Thomas J. Brown will withdraw from Eric & Drevers.

Coultry to Be Partner in Stokes, Hoyt & Co.

On January 1 Edmund C. Coultry, member of the New York Stock Exchange, will become a partner in Stokes, Hoyt & Co., 15 Broad Street, New York City, members of the New York Stock Exchange. Mr. Coultry is a partner in E. C. Coultry & Co. which will be dissolved December 31.

Joins Curtiss, House

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Donald A. Buchanan has become associated with Curtiss, House & Co., Union Commerce Building, members of the New York and Midwest Stock Exchanges. He was formerly with Hornblower & Weeks and Cunningham & Co.

Joins A. W. Morris Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Richard H. Rue has joined the staff of A. W. Morris & Co., 9380 Santa Monica Boulevard, members of the New York and Los Angeles Stock Exchanges. He was previously with Standard Investment Company of California and Hill Richards & Co.

Continued from page 5

The State of Trade and Industry

Important gains for Ford and Buick (now out of model changeover and with plans to introduce their 1954 line in January) were a big reason for last week's rise. And Ford has committed itself to overtime first quarter 1954 production operations, as it continues its drive to catch up with the leader, Chevrolet.

The above agency expects a 31% upturn in weekly car building will begin in January. In that month all the remainder of the 1954 models which have not yet been introduced—Ford, Oldsmobile, Buick, Cadillac and Packard—will be out.

Oldsmobile, which wound up its 1953 model production last week, won't be making cars again until Jan. 4.

While they declined 3% in November, business failures, at 815 were 38% more numerous than a year ago when 590 businesses succumbed. This November's toll was exceeded in only one other November, that in 1949, since prewar 1941.

Notwithstanding the decrease from a month ago in the number of failures, their rate in relation to the number of enterprises in the "Dun & Bradstreet Reference Book" reached a postwar high. This agency's failure index, which projects the rate to an annual basis, adjusting for seasonal variations, rose to 42 for each 10,000 listed concerns. This compares with 39 a month ago, and 30 a year ago. But it remained considerably below the prewar rate of 60 in November, 1940.

Little change appeared in the dollar volume of failures in November. Continuing at a high level, the liabilities totalled $36,795,000. Casualties of all sizes were slightly fewer than in the preceding month, except for those in the $25,000 to $100,000 liability class, where a mild upturn persisted.

Losses bulked almost twice as large as in November 1952; more concerns failed in all size groups than a year ago. The increases ranged from 7% among the small failures, those involving less than $5,000, to 79% among the exceptionally big failures, involving liabilities of $100,000 or more.

While wholesaling and construction mortality increased mildly during the month, casualties in other industry and trade groups dipped slightly. Failures outnumbered those a year ago in all lines of business, and in all of the geographic regions, except New England.

Steel Output Scheduled to Dip to 66.6% this Week

Because of Christmas holidays, this week will bring the lowest steel ingot production rate of the year reports "Steel," the weekly magazine of metalworking. The rate will be even lower than the year's latest low mark recorded in the week ended Dec. 19 when production of steel for ingots and castings receded to 83.5% of capacity from the preceding week's 85.

Absence of a war urgency is not all that is encouraging steel plants to take a Christmas holiday, it adds. Another incentive is the surprisingly slow pace at which orders for first-quarter delivery are coming in from customers. Steel sales executives who a few weeks ago thought orders for January delivery would turn upward after the tapering trend at the end of 1953 are now revising their predictions to a pickup in February, with further improvement in March, it states further.

Drop in demand for steel does not mean that steel consumption has dropped as much. Now that users know they can get steel promptly they are reducing their protective inventories of steel, this trade journal notes. If this inventory reduction runs far enough into 1954, it's possible that steel consumption that year may exceed steel production. In the last few boom years when steel was hard to get, consumers bought more steel than they used. They put considerable amounts into protective inventories. Now they'll live off them for awhile, in addition to new tonnages from mills. Consequently, it's possible that metalworking plants will use more steel in 1954 than they'll buy that year.

Most surveys indicate there'll be pretty good business in 1954, concludes "Steel."

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 66.6% of capacity for the week beginning Dec. 21, 1953, equivalent to 1,502,000 tons of ingots and steel for castings as against 84.3% and 1,900,000 tons (revised) a week ago. For the like week a month ago the rate was 86.8% and production 1,956,000. A year ago the actual weekly production was placed at 2,133,000 tons and the operating rate was 102.7% of capacity. The percentage figures for the current year are based upon the capacity as of Jan. 1, 1953, the rate this year being higher than last year.

Electric Output Reaches All-Time High In Week Ended Dec. 19

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 19, 1953, was estimated at 8,896,250,000 kwh., according to the Edison Electric Institute. This represented a new all-time high record for the industry. The previous high figure was 8,694,301,000 kwh. reached in the week ended Sept. 5, last.

The current figure represents an increase of 235,119,000 kwh. above that of the preceding week, and an increase of 616,177,000 kwh., or 7.4%, over the comparable 1952 week and 1,072,519,000 kwh. over the like week in 1951.

Car Loadings Fall 1.5% Below Preceding Week

Loadings of revenue freight for the week ended Dec. 12, 1953, decreased 10,084 cars, or 1.5% below the preceding week, according to the Association of American Railroads.

Loadings totaled 651,951 cars, a decrease of 69,391 cars, or 9.6% below the corresponding 1952 week, and a decrease of 101,243 cars or 13.4% below the corresponding 1951 week.

U. S. Auto Output Rises 16% in Latest Week

Automobile output for the latest week rose 16% from the previous week, according to "Ward's Automotive Reports."

Important gains for Ford and Buick were the principal reason for last week's advance.

The industry turned out 99,985 cars last week, compared with 85,929 (revised) in the previous week. A year ago the weekly production was 99,509.

In the truck area of the industry, production has been geared down more sharply in the final months of the year. Last week, the agency reported, there were 25,597 trucks made in this country, off 7% from the 19,829 in the previous week and 34% behind the 28,372 in the like 1952 week.

Last week Canadian output totaled 7,305 cars and 1,904 trucks, "Ward's" said. The week before it was 5,928 cars and 1,459 trucks, and in the same week last year it was 5,129 cars and 1,923 trucks.

Business Failures Trend Slightly Lower

Commercial and industrial failures dipped to 210 in the week ended Dec. 17 from 216 in the preceding week, Dun & Bradstreet, Inc., reports. However, casualties continued considerably higher than a year ago when 141 occurred or in 1951 when there were 117. In comparison with the prewar level, failures remained 16% below the toll of 249 in the comparable week of 1939.

Casualties with liabilities of $5,000 or more held relatively steady, numbering 179 as against 180 a week ago, but exceeded by a wide margin the 123 of this size a year ago. A small decline appeared among small failures, those involving liabilities under $5,000, which were off to 31 from 36 but considerably above the similar 1952 level of 18.

Failures in retail trade fell to 102 from 116, and in commercial service, to 10 from 20. Meanwhile, manufacturing failures rose to 46 from 40, wholesaling to 24 from 17, and construction to 28 from 23. In all lines of business except service, casualties exceeded the 1952 level; increases from last year were notably sharp in both wholesale and retail trade.

The Middle Atlantic States, where failures declined to 69 from 82, and the South Atlantic States, down to 9 from 15, accounted principally for the lower mortality during the week. Little change appeared in the New England States where the toll dipped to 21 from 22, or in the East North Central States with 20 as against 22 a week ago. In contrast, casualties climbed sharply in the Pacific States to 64 from 52, in the West North Central to 14 from 7, and in the West South Central to 13 from 9. More concerns succumbed than last year in six of the nine major regions; the upturn was exceptionally marked in the Pacific States, where the toll was three times that of 1952. The only declines from a year ago prevailed in the South Atlantic, East South Central and Mountain States.

Wholesale Food Price Index Advances Mildly in Latest Week

The Dun & Bradstreet wholesale food price index registered a further mild rise last week although trends in individual food items were mixed. The index went to $6.66 on Dec. 15, from $6.65 a week previous. It compared with $6.11 on the corresponding date last year, or a gain of 9.0%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Turns Moderately Lower

The general level of prices, as measured by the Dun & Bradstreet daily wholesale commodity price index, trended downward last week. The index declined to 273.39 on Dec. 15, from 276.07 a week earlier, and compared with 281.00 on the corresponding date last year.

Grain markets were unsettled and prices generally moved lower under pressure of increasing hedge-selling and profit-taking. Rye, however, showed independent strength and rose sharply with sentiment influenced largely by the belief that imports from Canada may be curtailed. Wheat sold off despite some bullish developments. Impoundings of this year's wheat crop under government loan as of Nov. 15 were reported at 407,000,000 bushels, as against 353,000,000 bushels on the same date last year. Corn finished slightly lower although country offerings and receipts were light and export sales held at about the same rate as for several months past. Trading volume in grain and soybean futures on the Chicago Board of Trade declined the past week. Daily average sales totalled 57,600,000 bushels, against 71,300,000 the week previous, and 47,700,000 in the same week last year.

Domestic flour business continued quiet, with purchases of hard and soft wheat bakery flours restricted to small lots for immediate or nearby delivery, and, as is usual before the holidays, there was a further slackening noted in shipping directions. A sharp spurt in cocoa prices occurred last week, sparked by bullish reports from producing areas, continued firmness in the London market, and broader manufacturer interest, prompted by fears of a dock strike here. Warehouse stocks of cocoa showed a further decline to 49,850 bags, from 59,656 a week previous, and compared with 38,757 a year ago.

The market for green coffee was steady to firmer as traders marked time pending dock strike threat developments and leading roasters adjusted their prices upward as the result of recent advances in the raw market.

Lard prices reacted from the high levels reached early in the week under profit-taking and some unsettlement in the live hog market where prices fluctuated over a wide range during the week. Swine receipts were considerably under the same 1952 period and as a result lard production is expected to run comparatively light during the next few weeks.

Spot cotton prices again trended slightly lower in narrow day-to-day movements.

Depressing factors included slow domestic and export demand, the lack of any sustained activity in cotton gray goods, and the larger official crop estimate.

Activity in the 10 spot markets declined sharply with sales for the week reported at 208,100 bales, against 257,600 the week before. The volume of CCC loan entries increased somewhat during the first week of December. Production of 1953 crop cotton, according to the Dec. 1 estimate of the Crop Reporting Board, was 16,437,000 bales of 500 pounds gross weight, or the fourth largest in history.

Trade Volume Shows Noticeable Over-All Rise The Past Week

Heralding the approach of Christmas, shopping rose noticeably in most parts of the nation in the period ended on Wednesday of last year. While the total dollar volume of retail trade was slightly larger than a year ago, retailers unable to surpass the sales figures of last year were quite numerous, particularly in the East and New England. Indications still pointed to a new record volume of Christmas trade for 1953 for the nation as a whole despite the lag in recent weeks.

Shoppers were generally more price conscious than they were a year ago and sought gift items of a practical nature.

The total dollar volume of retail trade in the week, was estimated by Dun & Bradstreet, Inc., to be from 1 to 5% higher than the level of a year ago. Regional estimates varied from the levels of a year earlier by the following percentages: New England —3 to +1; East —2 to +2; Midwest, Northwest, and South +1 to +5; and Pacific Coast and Southwest +2 to +6.

The arrival of Wintry weather in many parts stirred the interest in outerwear which had languished during the mild Fall. Promotions of coats were favorably received in most parts although many prospective purchasers were apparently delaying until after the holidays. The traditional gift items rose substantially in popularity last week; shopping was moderately higher than a year before. The total spent for apparel was mildly above that of a year earlier.

Housewives increased their purchases of food in preparation for the holiday season.

The total dollar sales of food stores continued to top the year-ago figures, with supermarkets chalking up the most favorable gains.

As many buyers placed hurried last-minute orders for holiday goods and others prepared for the Spring season, trading activity in most wholesale markets continued to rise in the period ended on Wednesday of last week.

The buyer influx at market centers was expected to be rather large in January when the results of post-holiday promotions can be measured.

The seasonal slowdown in trading in most wholesale textile markets continued the past week. Activity was much slower than at this time a year ago when buyers were quite active. The recent upward revision of the cotton crop was reflected in further hesitation in ordering of unfinished cloth.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Dec. 12, 1953, decreased 3% below the level of the preceding week. In the previous week, Dec. 5, 1953, a decrease of 3% was reported from that of the similar week of 1952. For the four weeks ended Dec. 12, 1953, a decrease of 3% was reported. For the period of Jan. 1 to Dec. 12, 1953, department store sales registered an increase of 1% above the corresponding period of 1952.

Retail trade volume in New York improved late last week following a poor showing earlier in the week due to inclement weather. However, the upward trend was not sufficien to offset an estimated decline of 2% to 3% below the similar period a year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Dec. 12, 1953, registered a decrease of 7% from the like period of last year. In the preceding week Dec. 5, 1953, a decrease of 2% was reported from that of the similar week of 1952, while for the four weeks ended Dec. 12, 1953, a decrease of 3% was reported. For the period Jan. 1 to Dec. 12, 1953 a decrease of 3% was registered from that of the 1952 period.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Dec. 27	§66.6	*84.3	86.8	102.7
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 27	§1,502,000	*1,900,000	1,956,000	2,133,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 12	6,225,400	6,179,400	6,219,250	6,561,600
Crude runs to stills—daily average (bbls.)	Dec. 12	¶6,915,000	6,964,000	6,951,000	6,715,000
Gasoline output (bbls.)	Dec. 12	24,502,000	24,876,000	24,540,000	23,124,000
Kerosene output (bbls.)	Dec. 12	2,708,000	2,667,000	2,364,000	2,951,000
Distillate fuel oil output (bbls.)	Dec. 12	10,377,000	9,664,000	10,044,000	10,509,000
Residual fuel oil output (bbls.)	Dec. 12	8,100,000	8,628,000	8,258,000	8,978,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 12	152,509,000	150,098,000	144,954,000	129,582,000
Kerosene (bbls.) at	Dec. 12	33,865,000	34,775,000	36,779,000	29,635,000
Distillate fuel oil (bbls.) at	Dec. 12	126,710,000	130,053,000	134,769,000	109,675,000
Residual fuel oil (bbls.) at	Dec. 12	50,455,000	51,073,000	51,194,000	49,881,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 12	651,951	662,035	727,058	721,342
Revenue freight received from connections (no. of cars)	Dec. 12	609,123	573,538	627,565	667,276
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 17	$181,655,000	$655,138,000	$244,704,000	$167,304,000
Private construction	Dec. 17	107,899,000	528,209,000	103,123,000	94,744,000
Public construction	Dec. 17	73,756,000	126,929,000	141,581,000	72,560,000
State and municipal	Dec. 17	67,071,000	118,072,000	107,074,000	56,273,000
Federal	Dec. 17	6,685,000	8,857,000	34,507,000	16,287,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 12	8,420,000	8,200,000	8,810,000	10,125,000
Pennsylvania anthracite (tons)	Dec. 12	514,000	557,000	597,000	772,000
Beehive coke (tons)	Dec. 12	70,400	70,800	71,400	84,100
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 12	217	190	133	223
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 19	‡8,896,250	8,661,131	8,416,116	8,280,073
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 17	210	216	223	141
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 15	4.634c	4.632c	4.632c	4.376c
Pig iron (per gross ton)	Dec. 15	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Dec. 15	$30.67	$32.00	$35.33	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 16	29.700c	29.700c	29.575c	24.200c
Export refinery at	Dec. 16	29.425c	28.400c	29.050c	34.850c
Straits tin (New York) at	Dec. 16	86.000c	86.250c	82.500c	121.500c
Lead (New York) at	Dec. 16	13.500c	13.500c	13.500c	14.000c
Lead (St. Louis) at	Dec. 16	13.300c	13.300c	13.300c	13.800c
Zinc (East St. Louis) at	Dec. 16	10.000c	10.000c	10.000c	12.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 22	96.10	96.04	94.98	96.09
Average corporate	Dec. 22	106.21	106.21	106.04	109.60
Aaa	Dec. 22	111.88	110.88	110.70	113.50
Aa	Dec. 22	107.98	108.16	108.16	112.00
A	Dec. 22	105.86	106.04	105.86	108.88
Baa	Dec. 22	100.32	100.32	100.00	104.14
Railroad Group	Dec. 22	103.80	103.80	103.97	106.74
Public Utilities Group	Dec. 22	106.56	106.74	106.21	109.42
Industrials Group	Dec. 22	107.98	108.16	107.98	112.37
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 22	2.77	2.78	2.85	2.78
Average corporate	Dec. 22	3.38	3.38	3.39	3.19
Aaa	Dec. 22	3.12	3.12	3.13	2.98
Aa	Dec. 22	3.28	3.27	3.27	3.06
A	Dec. 22	3.40	3.39	3.40	3.23
Baa	Dec. 22	3.73	3.73	3.75	3.50
Railroad Group	Dec. 22	3.52	3.52	3.51	3.35
Public Utilities Group	Dec. 22	3.36	3.35	3.38	3.20
Industrials Group	Dec. 22	3.28	3.27	3.28	3.04
MOODY'S COMMODITY INDEX	Dec. 22	411.3	408.3	397.5	405.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 12	212,109	307,305	227,846	217,081
Production (tons)	Dec. 12	246,855	239,567	256,655	242,647
Percentage of activity	Dec. 12	94	88	95	97
Unfilled orders (tons) at end of period	Dec. 12	402,833	438,182	480,726	519,191
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 18	107.48	107.45	106.16	108.80
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Dec. 5	25,663	18,876	21,501	29,886
Number of shares	Dec. 5	766,716	559,576	639,953	870,172
Dollar value	Dec. 5	$33,504,920	$24,192,630	$27,813,028	$39,371,197
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 5	28,300	20,306	21,322	30,235
Customers' short sales	Dec. 5	164	187	179	101
Customers' other sales	Dec. 5	28,136	20,119	21,143	30,134
Number of shares—Total sales	Dec. 5	813,387	589,933	618,214	855,119
Customers' short sales	Dec. 5	5,249	7,002	6,075	3,125
Customers' other sales	Dec. 5	808,138	582,931	612,139	851,994
Dollar value	Dec. 5	$30,706,080	$22,176,603	$23,400,649	$33,911,738
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 5	287,390	200,590	192,500	276,750
Short sales	Dec. 5	------	------	------	------
Other sales	Dec. 5	287,390	200,590	192,500	276,750
Round-lot purchases by dealers—					
Number of shares	Dec. 5	241,010	186,440	230,400	289,910
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Nov. 28	268,230	298,280	317,530	255,950
Other sales	Nov. 28	6,140,050	6,788,740	6,696,720	8,297,200
Total sales	Nov. 28	6,408,280	7,087,020	7,014,250	8,553,150
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 28	632,900	696,950	744,230	875,460
Short sales	Nov. 28	116,330	138,350	135,440	162,860
Other sales	Nov. 28	464,670	553,720	552,930	726,430
Total sales	Nov. 28	531,000	692,070	688,370	889,290
Other transactions initiated on the floor—					
Total purchases	Nov. 28	178,990	203,580	221,210	229,430
Short sales	Nov. 28	7,000	19,400	20,400	13,600
Other sales	Nov. 28	126,910	177,930	209,050	216,070
Total sales	Nov. 28	133,910	197,330	229,450	229,670
Other transactions initiated off the floor—					
Total purchases	Nov. 28	237,200	222,860	286,500	301,240
Short sales	Nov. 28	31,270	28,650	29,550	28,150
Other sales	Nov. 28	202,783	247,390	280,315	303,833
Total sales	Nov. 28	234,053	276,040	309,865	331,983
Total round-lot transactions for account of members—					
Total purchases	Nov. 28	1,049,090	1,123,390	1,251,940	1,406,130
Short sales	Nov. 28	154,600	186,400	185,390	204,610
Other sales	Nov. 28	794,363	979,040	1,042,295	1,246,333
Total sales	Nov. 28	948,963	1,165,440	1,227,685	1,450,943
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 15	110.1	110.1	109.8	109.3
Farm products	Dec. 15	94.8	*95.0	93.2	99.5
Processed foods	Dec. 15	104.9	*104.7	103.9	103.1
Meats	Dec. 15	88.2	*86.8	84.5	93.5
All commodities other than farm and foods	Dec. 15	114.4	*114.5	114.6	112.8

*Revised figure. ¶Includes 557,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons. ‡All time high.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For Month of October:			
Total gas (M therms)	4,021,184	3,578,696	4,072,800
Natural gas sales (M therms)	3,800,105	3,400,783	3,857,700
Manufactured gas sales (M therms)	48,979	52,438	67,900
Mixed gas sales (M therms)	172,100	125,475	147,200
AMERICAN IRON AND STEEL INSTITUTE:			
Steels ingots and steel for castings produced (net tons)—Month of November	8,711,000	*9,462,722	9,440,128
Shipments of steel products, including alloy and stainless (net tons)—Month of October	6,726,850	6,400,757	7,155,611
AMERICAN ZINC INSTITUTE, INC.—Month of November:			
Slab zinc smelter output, all grades (tons of 2,000 pounds)	75,830	84,031	78,563
Shipments (tons of 2,000 pounds)	68,684	67,175	90,756
Stocks at end of period (tons)	165,563	158,417	83,149
Unfilled orders at end of period (tons)	29,437	25,950	32,255
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of October	8,267	7,433	8,223
COAL EXPORTS (BUREAU OF MINES)—Month of September:			
U. S. exports of Pennsylvania anthracite (net tons)	324,027	254,074	496,302
To North and Central America (net tons)	323,784	254,074	440,972
To South America (net tons)	225	------	55
To Europe (net tons)	18	------	55,275
To Asia (net tons)	------	------	------
COAL OUTPUT (BUREAU OF MINES)—Month of November:			
Bituminous coal and lignite (net tons)	35,380,000	40,670,000	*41,195,000
Pennsylvania anthracite (net tons)	2,316,000	2,904,000	3,405,000
Beehive coke (net tons)	310,000	*379,300	345,100
COKE (BUREAU OF MINES)—Month of Oct.:			
Production (net tons)	6,560,639	*6,406,103	6,440,300
Oven coke (net tons)	6,181,353	*6,032,900	6,137,900
Beehive coke (net tons)	379,286	*373,170	302,400
Oven coke stocks at end of month (net tons)	2,513,351	*2,474,543	2,540,561
COPPER INSTITUTE—For month of October:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	92,321	*86,748	84,824
Refined (tons of 2,000 pounds)	126,138	114,760	105,770
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	110,519	104,886	138,759
Refined copper stock at end of period (tons of 2,000 pounds)	84,303	72,907	59,760
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—Estimates as of Dec. 1:			
Production 500-lb. gross bales	16,437,000	16,093,000	15,136,000
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1947-49 Average 100)—Month of November:			
Adjusted for seasonal variations	113	110	111
Without seasonal adjustment	136	115	134
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of Sept. (000's omitted)	32,793,709	33,030,729	29,223,492
Revenue from ultimate customers—month of September	$575,046,500	$580,125,700	$521,257,100
Number of ultimate customers at September	49,527,522	49,357,205	48,080,091
INTERSTATE COMMERCE COMMISSION — Index of Railway Employment at middle of October (1935-39 average=100)	115.2	117.1	118.5
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of November:			
Copper (per pound)—			
Electrolytic domestic refinery	29.651c	29.598c	24.200c
Electrolytic export refinery	28.848c	28.522c	34.681c
Lead—			
Common, New York (per pound)	13.500c	13.500c	14.159c
Common, St. Louis (per pound)	13.300c	13.300c	13.959c
‡‡Prompt, London (per long ton)	£94.217	£92.534	------
‡‡Three months, London (per long ton)	£90.351	£88.852	------
Silver and Sterling Exchange—			
Silver, New York (per ounce)	85.250c	82.250c	83.250c
Silver, London (pence per ounce)	74.000d	74.000d	72.869d
Sterling Exchange (Check)	$2.81101	$2.80607	$2.80018
Zinc (per pound)—East St. Louis	10.000c	10.000c	12.500c
††Zinc, London, prompt (per long ton)	£75.354	£73.778	------
††Zinc, London, three months (per long ton)	£74.131	£70.932	------
Tin (per pound)—			
New York Straits	83.318c	80.904c	121.284c
§§New York, 99% min.	82.318c	79.904c	120.284c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$184.091	$183.423	$201.818
¶Antimony (per pound) (E. & M. J.)	37.152c	37.970c	38.175c
Antimony (per pound) bulk, Laredo	33.682c	34.500c	34.705c
Antimony (per pound) in cases, Laredo	34.182c	35.000c	35.205c
Platinum, refined (per ounce)	$91.591	$92.000	$90.000
†Cadmium (per pound)	$2.00000	$2.00000	$2.00000
‡Cadmium (per pound)	$2.07500	$2.07500	$2.07500
§Cadmium (per pound)	$2.15000	$2.15000	$2.15000
Cobalt, 97%	$2.60000	$2.40000	$2.40000
Aluminum, 99% plus, ingot (per pound)	21.500c	21.500c	20.000c
Magnesium ingot (per pound)	27.000c	27.000c	24.500c
**Nickel	60.000c	60.000c	56.500c
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of October:			
Total number of vehicles	620,588	573,688	604,261
Number of passenger cars	528,088	475,289	471,808
Number of motor trucks	91,981	98,051	132,064
Number of motor coaches	519	348	389
PORTLAND CEMENT (BUREAU OF MINES)—Month of October:			
Production (barrels)	24,738,000	23,795,000	24,164,000
Shipments from mills (barrels)	27,556,000	27,417,000	27,223,000
Stocks (at end of month—barrels)	10,041,000	12,823,000	6,546,000
Capacity used	103%	102%	101%
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of October:			
Total operating revenues	$934,303,702	$904,263,439	$985,230,717
Total operating expenses	693,896,298	673,209,889	707,499,439
Operating ratio	74.27	74.45	71.81
Taxes	$112,698,177	$111,323,268	$139,492,963
Net railway operating income before charges	107,331,352	99,941,786	120,997,876
Net income after charges (estimated)	89,000,000	80,000,000	98,000,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shapes to platers. ¶Domestic, five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colburne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from E. St. Louis exceeds 0.5c.

Continued from first page

The Outlook for Interest Rates and Bond Prices

mature economy concept, it was concluded that our economy could no longer generate sufficient investment opportunities to absorb the savings in our economy at full employment. Savings, therefore, instead of being the key to progress were considered to be a causal factor in underemployment equilibrium. The avowed policy of the Administration, therefore, was in the direction of reducing savings to the expected lower investment opportunities.

(3) The lack of faith in the free market mechanism as governed by the free choices of individuals—The depressed conditions were attributed to the breakdown of market forces, and the concept of government control over economic affairs gained precedence over market forces.

(4) The concept of the great need for low interest rates followed quite logically from the foregoing concepts. A low level of interest rates would tend to encourage capital investment, and at the same time would tend to reduce savings. Moreover, interest rates were quite readily subject to governmental control.

This concept of the desirability of low interest rates, which in the depressed '30's had considerable economic logic behind it, gradually became a fixation of administration policy, and was applied to all situations indiscriminately, including conditions of great capital scarcity. In its latter stages, it must have caused Keynes himself to shudder. This concept reached its extreme in the pronouncement of the Council of Economic Advisers (Keyserling and Clark) declaring low interest rates desirable under all conditions, even when necessary to peg governments in a period of inflation.

The Inflationary Wartime Financing

Instead of an analysis of the basic supply-demand forces, what it was really vital to know over the past 20 years was the policy of the Treasury and the Federal Reserve with respect to the money market. Would they adopt in war financing the same pattern of rates as in peacetime; would they allow short rates to rise; would they maintain the peg? These were the questions to be answered and they could only be answered by knowing Treasury and Federal Reserve policy. In this period the best record in bonds was made by those who forecast a continuance of the easy money pegging policy, and the worst record by those who looked to the underlying economic forces.

Now, what happens when an attempt is made to thwart these underlying economic forces affecting interest rates? The answer is simple — inflation — either suppressed by controls as in World War II or open, as in the post war period. When the demand for capital funds exceeds the supply of savings in an economy operating at full employment, the result is either a rationing of the available supply of savings, which results in higher interest rates, or the creation of new money to satisfy all demands for funds at low interest rates. This latter process is precisely the policy the government followed up to the spring of 1951, and it is fundamentally exactly the same as the policy of printing paper money. There is, however, a superficial difference, but one which is very important politically. The process of printing greenbacks is readily understood by the general public in all its implications; the policy of monetary inflation through the banking system is one which very few people understand, and certainly not the politically important people.

So much for the period up until the spring of 1951. In March 1951, the peg was finally withdrawn from government bonds, and the forces of the market were allowed to have an effect upon bond prices and interest rates. This abandonment of the pegging policy was carried out over the strong objections of the Administration and was the result of the courageous work of Senator Douglas and his committee, whose support finally led the Federal Reserve to assert its independence and led to the placing of the welfare of the country above the cheapness of money.

In the remaining months of the Truman Administration, there was an uneasy wedding between the Federal Reserve and the Administration, but fundamental economic forces were permitted to be reflected in interest rates, which as a result rose substantially.

The Economic Philosophy of the Eisenhower Administration

With the election of the Eisenhower Administration, an entirely new economic philosophy was ushered into government. This Administration holds fundamental concepts diametrically opposed to those outlined above as characterizing the new Administration in 1932. It has confidence in the future of the country and its possibilities for great future growth; it holds the belief that savings are highly desirable as the only way to achieve progress and to increase the standard of living; it has far greater faith in free market forces in our economy, and it has the conviction that interest rate policy and debt management should be governed not by the interest cost or the federal debt but by more fundamental factors such as monetary and business stability.

Consequently, fundamental economic forces are likely to play a far greater role in the determination of interest rates in the period ahead than in the period up to 1951. This does not imply that we will have an absolutely "free" market; such a market is not necessary nor even desirable. The market is bound to be affected by the general credit policy of the Federal Reserve; such policy will, however, have as its purpose the maintenance of economic and monetary stability and is a change of overwhelming significance from the policy of artificially pegging bond prices.

Thus, under the new Administration, the basic economic forces of supply and demand for funds in the market will, in all probability, be the dominant factors in all but the shorter term movements in the market.

In addition to the economic forces of supply and demand, Federal Reserve credit policy and the debt management and fiscal policy of the Treasury will continue to be of considerable importance. However, they will no longer be the tail that wags the dog, but rather will tend to be conditioned by the underlying economic forces.

The Outlook for General Business

In any analysis, therefore, of the outlook for interest rates, primary emphasis over the next several years should be placed upon the prospective demand and supply for capital funds. In turn, this prospective demand and supply situation depends almost wholly upon the outlook for general business. In a nutshell, if general business declines, interest rates will tend to decline and the more business declines, the greater will be the decline in interest rates. If business conditions remain at current levels, no considerable change in interest rates is likely; and lastly, if dynamic new forces push the economy ahead to higher levels, higher interest rates are likely.

Business forecasting is a hazardous endeavor at any time, and at the present, it is, if anything, more hazardous than usual. A good case can be made for at least two of the three alternatives outlined above so you can take your own pick and judge the interest rate outlook accordingly.

In my opinion, business seems likely to decline in the year ahead. Industrial production now has been declining for eight months from an all time peak level of 243 reached in March, and in November the decline apparently accelerated somewhat as a result of automobile model changeovers. The current level of the FRB index is not far from 127. We are apparently faced with a period of some inventory liquidation ahead, after having enjoyed an inventory restocking boomlet subsequent to the steel strike last year. In 1949, we had an inventory recession; production declined quite sharply but consumer expenditures rose throughout the recession, allowing the liquidation of inventory without any cumulative deflationary effects. Retail sales of durable goods, for example, rose consistently throughout 1949 and consumer credit expanded sharply with the relaxation of controls; a large backlog of demand existed, particularly for automobiles and for housing, both of which rose to new highs during the recession and provided a strong supporting force. Capital goods expenditures by business likewise held up very strongly.

At the present time, we face an inventory recession similar to 1949 but with this basic difference—those factors which were independently strong in 1949, and a solid supporting factor, are no longer independently strong and many are weak. Take, for example, the situation in consumer durables; in particular the contrast in the automobile picture is striking. Likewise, the backlog demand in housing is nominal today if it exists at all; housing is now dependent to a far greater degree upon current income than in 1949. Business plant capacity today appears ample, and backlogs of capital goods producers are being rapidly eaten away as new orders for capital goods have been declining, and production remains high. In the government sector, government expenditures increased sharply in 1949, whereas the present outlook for government expenditures is slightly downward.

Without attempting to go into further detail in this sketchy analysis of the business situation, I reach the conclusion that we are heading into a recession of greater magnitude than that of 1949. As to how much greater, it is difficult at this stage to venture a guess and for our purposes here, such a guess is not necessary. It is, of course, quite possible that strong government action including the reduction in personal taxes may lead to a rise in consumer expenditures as in 1949, but it seems to me that, on the basis of present evidence at least, the burden of proof rests upon the optimists.

Reasons for Interest Rate Decline

If business declines, interest rates will tend to decline. Why? For three principal reasons:

(1) A decline in business will reduce the demand for funds; corporations will not need funds for inventory accumulation, and if inventory liquidation takes place, it will actually augment the supply of funds; corporations likewise will spend less on plant and equipment; thus, the gross demand for funds by corporations will decline. The impact of such a decline upon the bond market is greatly amplified by the fact that the demand for external funds by corporations is a residual demand and, therefore, fluctuates much more widely than the gross demand for funds. For the period 1946-1952, corporate bond issues supplied only 12% of the total corporate demand for funds as against 62% financed from internal funds (depreciation and retained earnings). When the gross demand for funds by corporations is reduced, the reduction tends to fall heaviest on the outside sources of funds. The 1949 inventory recession is a striking example of this marginal demand for external funds.

The gross total corporate demand for funds in 1948 amounted to $27.2 billion; in 1949 this declined sharply to $18.1 billion as inventory liquidation supplanted inventory accumulation; and in 1950 the demand rose sharply again to $33.9 billion. Internal sources of funds met these demands to the extent of $19.0 billion in 1948, $15.2 billion in 1949, and $19.4 billion in 1950.

Internal sources of funds are much more stable than the gross demand for funds because of the large depreciation component. Depreciation next year will run over $13 billion as against only $4.3 billion in 1946 and $7.2 billion in 1949. As a result, internal sources of funds next year will not be much lower than in 1953.

External funds supplied the balance or $8.7 billion in 1948; only $1.7 billion in 1949 and $15.9 billion in 1950. Thus, with a relatively minor fluctuation in business the demand by corporations for external financing showed extremely wide fluctuation. On the other hand, contrast this wide variation in the corporate demand for funds in the capital market with the relatively stable supply of certain institutional funds. The increase in savings in life insurance, savings accounts, and savings and loan associations amounted to $5.6 billion in 1948, $5.8 billion in 1949 and $6.3 billion in 1950.

As a result, the demand for capital funds tends to be a more dynamic factor in the determination of interest rates than the supply factor. When demand declines as a result of a recession in business, interest rates tend to decline.

(2) In addition to a decline in the corporate demand for funds, there will be a lower demand for funds in 1954 on the part of individuals. The experience of 1949 with constantly rising retail sales of durables, and a sharp expansion in consumer credit is not likely to be repeated. The demand for consumer credit next year should definitely be lower. Likewise, the net demand for mortgages in 1954 will show a decline.

The combination of a lowered consumer credit demand and lower net mortgage demand will reinforce the lowered demand on the part of corporations.

(3) A recession in business will certainly call forth an easy money policy by the Federal Reserve. Under recessionary conditions in business there is little difference between the Republicans and the Democrats, or among economists for that matter. We have had ample evidence of this fact in the past six months. Furthermore, the Council of Economic Advisers, in all probability will recommend in its report to the President in January as one of the actions to combat a recession, an easy money policy to lower interest rates.

Interest rates have, of course, already declined drastically from their June levels; at that time, new issues of "A" rated utilities, for example, were being offered at about 4.10% as against a yield on distributed issues of 3.72%. Since then new offerings of "A" utilities have declined to about 3.50% and the yield on distributed issues decreased to 3.42%. In June the new 3¼% were selling at 98½; they are now selling at more than 104.

This sharp decline in interest rates has been a result of: (1) the decline in production since the first quarter of the year; (2) the action taken by the Federal Reserve in supplying reserves to the banks through reduced reserve requirements and open market bill purchases; (3) the sharp decline in new corporate issues in the third quarter and the considerably lower than seasonal expansion in bank loans; (4) the sharp swing of market psychology as a result of the above factors.

It is quite possible that this decline in yields has already, to some extent, discounted events to come in 1954. Yet, drastic though the decline in interest rates has been in such a short space of time, it must be remembered that the rise of interest rates in the first half year was even more drastic with the result that yields today are still above their levels at the beginning of the year, and with the exception of the second and third quarter of 1952 are on the high side of their range since the unpegging of bonds in the spring of 1951.

In conclusion, basic economic forces as well as Federal Reserve policy should work in the direction of lower interest rates over the next year or so. Any decline, however, should be more moderate than that of the past six months, and hold above the yields of the pegging days. Treasury refunding policy designed to lengthen the maturity of the debt should tend to cushion somewhat the decline in long-term yields.

It should be borne in mind that this conclusion is predicated upon a continued decline in business activity, and would have to be revised if no such decline takes place.

S. F. Analysts Elect New Officers

SAN FRANCISCO, Calif.—The Security Analysts of San Francisco have elected for 1954:

President, Herbert B. Drake, The Anglo California National Bank of San Francisco; Vice-President, H. Taylor Peery, Bank of America, N. T. & S. A.; Secretary-Treasurer, Howard Tharsing, Dean Witter & Co.

The new Board of Directors will consist of the officers and Peter Avenali, Dodge & Cox; William M. Bennett, Cyrus J. Lawrence & Co.; Joseph Edelstein, Stewart, Eubanks, Meyerson & York; John G. Eidell, Shuman, Agnew & Co.; Philip A. Fisher, Fisher & Co.; and Ernest Stent, Schwabacher & Co.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Frederic R. Stewart has become associated with Goodbody & Co. He was formerly with W. H. Heagerty & Co.

First of Michigan Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Frederick B. Higbie has become connected with First of Michigan Corporation, Buhl Building, members of the Detroit and Midwest Stock Exchanges.

Financial Planning Corp.

Financial Planning Corporation is engaging in a securities business from offices at 101 Park Ave., New York City.

Continued from page 3

The Consumer's Position In the 1954 Business Trend

come will stay about the same, and disposable income (that is, personal income after taxes) will be slightly higher.

Total consumer spending will not go down with the production index. But the emphasis of consumer spending may shift slightly, with more going for services and fractionally less for goods, slightly less for durable goods and slightly more for nondurable goods like food, apparel, gasoline.

The factors that I am considering in making these predictions are as follows:

Inventories, the most important factor in the current decline, will have been reduced to more normal levels by mid-1954.

Declines in farm income, which have been comparatively marked in the last two years, should have about run their course, and 1954 farm income should be nominally higher.

Defense orders, instead of showing the sharp decline some businessmen have feared, will take only a moderate dip.

Spending for new plant and equipment, too, will be only moderately lower.

The government's tight money situation has been reversed and a more liberal money policy will ease spending.

And here is a most important factor on this checklist: The consumer will relax as he begins to realize that this readjustment is not going to turn into a serious depression. He will see that unemployment is not going to run wild like a major epidemic—partly because the government stands ready to check such a major epidemic.

What sort of stimulants can the government administer? My book describes possible government measures at length. Here briefly are some:

Ease the credit situation, as has already been done.

Ease down-payment requirements and extend amortization periods for Federally-backed mortgages.

Draw on the huge reservoir of necessary public construction projects.

Permit corporate tax rates to sink to a lower level.

Place defense orders well in advance.

Now let's go back to the consumer, and analyze his position and his disposition. They both count. In my quarter of a century of economic analysis I have found that these are the factors in the consumer's position most clearly responsible for the amount and direction of consumer spending:

His income, meaning his disposable income.

His savings, both the backlog and the current rate.

His debts, old and new.

His confidence in his own position and in the general situation.

New items on the market (the total amount spent on new television sets in the last eight years would not have been spent on other things if there were no television sets).

Major price changes, that is the absolute level of certain prices and the consumer's estimate of future stability or instability of prices.

Promotional appeal and advertising, particularly in items where the consumer has a choice to buy, to wait a while, or not to buy at all.

The last four factors, confidence, new items, major price changes, and promotional appeal operate in the realm of discretionary spending. By discretionary spending I mean spending over and above what the consumer requires to maintain his basic standard of living. Discretionary spending is the flexible margin in the consumer economy. It is the money that can be spent or not spent, that can be spent on the goods you offer or the goods the other fellow offers. I'm going to tell you in a minute what has happened to discretionary spending between 1940 and 1953, and what I expect to happen in 1954.

The margin of discretionary spending is influenced by the first three items in our list: income, savings, and debts.

Let's analyze these three items.

First, Disposable Income — Personal Income After Taxes

The reduction in individual income taxes may approximate $3 to $4 billion. It is possible that the excise tax rate will also be lowered. Remember there will be an important and apparently critical Congressional election in 1954. I think you will agree that in view of the political situation, we can also discount a manufacturers' tax or a retail sales tax. The lower tax rate may show up in a 1954 increase in disposable income of $3 to $4 billion—even allowing for some increase in unemployment, a slight decline in the average work week, and very little gain in average hourly earnings. All in all we can say—conservatively—that the consumer's income position will be as good as it was in 1953.

Consumer's Savings

What about his **savings?** We all know that the personal savings rate since the war has been abnormally high. By now this has continued for so long that maybe we can begin to consider the abnormal the normal. Savings affect spending in two ways. A large backlog of savings—old money in the bank—can be considered a stimulus to spending. On the other hand, a high rate of savings—putting new money in the bank—can be a deterrent to spending.

The American public will come into 1954 with close to $200 billion in liquid assets, cash on hand, and E bonds outstanding. That's about 80% of estimated 1953 disposable income. This big backlog is all to the good when it comes to fortifying spending.

But what about the rate of saving? Will it continue so high as to cut substantially into spending? I think we have to consider that a new savings-rate norm is being established, though I can't go into the many reasons now. But whether it will go on to new highs, or stay about the same, or even drop a little in 1954 will depend on other things.

The 1954 rate of savings will depend on whether the consumer expects prices to go higher, what new items entice him, and how greatly advertising and promotion whet his appetite to spend.

Consumer Debt Formation

These factors also influence the formation of new consumer **debt.** Short-term consumer debt, it is true, is now high. It is about $24 billion. But I'm going to state categorically that the levels of personal income and personal savings can very well support these $24 billion—and more.

I want to come back now to discretionary spending. In 1940, 35% of disposable income was available for "luxury" spending—goods other than necessities. At the present time 54% of personal income is available over and above what is needed to maintain the same standard of food and clothing and shelter as in 1940. It is the discretionary income that bears the load of consumer credit, and this it is well able to do.

What proportion of the discretionary income will be spent in 1954 and what it will be spent for are concrete questions that the businessman, and particularly the distribution man, wants answered.

I won't give you figures on this, but I will give you some of my reasoning. Let's get on to that fourth item in the list of factors controlling consumer spending: confidence.

I think that the public mood won't be a dynamic factor either way in 1954. Concretely as regards his own situation, I think the consumer who is employed will gain confidence during the course of the year that he isn't going to be swept out of his job in a wave of unemployment. The unemployed will have some reserves and will be pretty confident of finding new jobs fairly quickly. We can be pretty sure there isn't going to be any mass unemployment that will hold back huge amounts of discretionary spending. On the other hand, I think you will all agree that there isn't going to be overbuying of the kind that characterized the period immediately following the outbreak of the Korean war.

I think psychology or confidence in 1954 will be good, but reserved. A number of factors enter into this. If you are familiar with our "Foreign Letter," you will know that I expect no major war in 1954, and a quieter first six months than second. I think that, on the domestic scene, both the economy and the public psychology can tolerate an unemployment figure that may rise to 3½ or even 4 million. You will recall that unemployment rose to 4.6 million in 1949 without causing any great panic.

No Psychological Distortions

In short, I believe that nothing on the international or domestic scene will be influential enough from a psychological standpoint to create any marked distortions in consumer buying.

We've gone right through the list from the consumer's point of view, his income, his savings, his debts, his confidence. We now come to your part in affecting consumer spending. Because, as I've tried to show you, although the consumer position will be quite favorable there isn't going to be a sellers' market. Therefore, the part played by the producer and the distributor will be decisive.

First, what will you have to offer the consumer? Of course, that depends partly on what industry you represent. I could give you a lot of figures on where the consumer dollar has been going in the last decade or so, but I think figures are hard to listen to and better to read. For this purpose I'm glad to recommend the analyses and forecasts of my organization and my affiliate, the U. S. Economics Corporation.

I'd like to suggest that you marketing managers use your skills in analyzing this kind of data and give your managements five-year forecasts of industries and product groups of which you are a part. Then from that you can get down to setting the goal for the share of that market you think you can capture. It would be nice if I could give you all this off-the-cuff right now. I can only say this much: a little more of the consumer's dollar will go for services, and a little less for goods; a little more for non-durables, and a little less for durables.

You can influence to some extent how much will go into your industry and into your company. Consumer spending does not fall into such cut-and-dried, automatic patterns as some economic analyses might make it seem. I believe that part of the lag in consumer spending—that is, the ratio of consumer spending to income—must be explained by lack of adequate appeal in recent years. There's room on the road for more cars—20% of them at the beginning of 1953 were 12 years old or older—there's room for more refrigerators, dishwashers, driers, television sets, air conditioners. And there's money to pay for these things.

I also have to tell you that as one who has spent a lifetime studying the textile apparel industry, I am always amused by the statements I hear that the consumer's wardrobe is bulging. I believe that the per capita ownership of men's suits, overcoats and topcoats, and shirts, and of women's dresses and coats is not high. The ratio of spending for apparel to total expenditures is now only about 9% as compared with 10 or 11% in 1939.

I think reduced spending for clothing can be explained by more than the fact that food prices have gone up relative to clothing prices, I think, more than that, clothing merchandising has not been up to the mark. Immediately after the war and up to the past six to nine months there was too much stable merchandise and not enough novelties. The American public did buy more separates or sportswear, but it didn't supplement the sportswear with dressy garments. The clothing offered has still not achieved a good enough balance to pique the consumer's appetite to buy two items when he can get by with one.

The American public will be in a good position in 1954 to buy soft goods as well as hard goods. The public will spend well for apparel if the appeal is there, appeal in weaves, finishes, better styling.

The Price Appeal

The appeal will have to be there in terms of price too. I think in general the consumer buys best when he is convinced that the price level is fairly stable. 1954 will not be a year of inflation or deflation, though there will be some price changes. But the fear of much higher prices with resultant erratic spurts of scare buying will not occur. The expectation of much lower prices with resultant withholding of buying will not occur either. I do expect that Spring prices will be slightly lower than in 1953, and these lower prices coupled with newness in styling and with good promotion will be a stimulating force in consumer buying.

Stable prices do not mean that there will not be the promotions and special sales that normally characterize our economy. But I wish the retailer would realize that the public buys closer to the season. In such case he does not have to rush his season and have to take the markdowns he sometimes does at the peak of the season. I wish I had time to dwell on this Fall's trend, which affected the movement of seasonal merchandise. As the Canadian "Financial Times" very descriptively put it: "The Eskimoes are mad, the skiers are sad, and retailers are sweating out the hot season of slack business blues."

Producers as well as distributors, the financial community as well as the government are going to have to watch the consumer closely and approach him realistically. This also goes for promotion and advertising. They will be viewed more in terms of direct returns than institutional returns. I think when the marketing manager makes his industry forecast and breaks it down into a company goal, he will then have to get down and scientifically design his distribution system, including advertising, company investment in distributors and salesmen, dealer investment in "plant," etc., all proportioned to the scientifically determined sales potential of each area.

In closing, I'd like to summarize briefly:

The consumer's position in 1954 will be as good, and in many respects slightly better, than in 1953.

He will be helped by a lower income tax, and possibly lower excise taxes.

He will also be helped by a fairly stable price level of cost-of-living items.

He will not be burdened by an abnormally high debt structure.

He will have a chance to use his huge reservoir of savings.

But—and this is the big but that you will have to face—the consumer will not buy in 1954. **He will have to be sold.** He will have to be sold through reasonable prices—new items—better promotion and more advertising.

With your knowledge of your product and your knowledge of your customer, it is up to you to go out and sell him.

S. F. Stock Exchange Gets Slate of Officers

SAN FRANCISCO, Calif.—Earl T. Parrish, Chairman of the Nominating Committee of the San Francisco Stock Exchange, has announced that Marco F. Hellman of J. Barth & Co. has been nominated for Chairman of the Board of Governors.

Marco F. Hellman

Nominations for members of the Board of Governors for two years are: William H. Agnew of Shuman, Agnew & Co., Scott H. Stewart, Jr. of Stone & Youngberg, and R. E. Van der Naillen of Douglass, Van der Naillen & Co., Inc.

Mr. Hellman is a member of the present Board of Governors, and his election as Chairman at the Annual Meeting of the Exchange on Wednesday, Jan. 13, 1954, would create a vacancy that would be filled by the incoming board.

With Foster Bros., Weber

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio—Robert D. De Math is now with Foster Bros., Weber & Co., 410 Madison Avenue, members of the New York and Midwest Stock Exchanges.

Assoc. Advisers in Phila.

PHILADELPHIA, Pa. — Associates Advisers Management Corporation has been formed with offices at 1528 Walnut Street to engage in the securities business. Howard F. Wortham is a principal of the firm.

Investors Planning

PITTSBURGH, Pa. — Investors Planning Corporation of Pennsylvania has been formed with offices at 417 Grant Street. Edward N. Pape is a principal of the firm.

S. W. Inv. Distributors

DALLAS, Tex. — Southwestern Investment Distributors, Inc. has been formed with offices in the Fidelity Union Life Building. John W. Turner is a principal of the firm.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Allied Motel Enterprises, Inc., Inglewood, Calif.
Dec. 18 (letter of notification) 30,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To construct and operate motel. **Office** — 2716 West Manchester Blvd., Inglewood, Calif. **Underwriter**—None.

Amalgamated Growth Industries, Inc.
Sept. 28 (letter of notification) 149,999 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For acquisition of patents, etc., and for new equipment and working capital. **Office**—11 West 42nd St., New York City. **Underwriter**—R. A. Keppler & Co., Inc., New York, N. Y.

American Diamond Mining Corp.
Dec. 8 (letter of notification) 260,000 shares of common stock (par $1). **Price**—$1.15 per share. **Proceeds**—To explore and develop the Murfreesboro, Pike County, Ark., property and for general corporate purposes. **Office**—99 Wall St., New York 5, N. Y. **Underwriter**—Samuel W. Gordon & Co., Inc., New York, N. Y.

American-Israeli Cattle Corp., Beverly Hills, Cal.
Aug. 24 filed 100,000 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—To establish and develop a cattle industry in Israel. **Underwriter**—None.

Appalachian Electric Power Co. (1/11)
Dec. 9 filed $20,000,000 first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co., Inc. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EST) on Jan. 11.

★ Armco Steel Corp., Middletown, Ohio
Dec. 23 filed 300,000 interests in the company's employees stock option plan and 300,000 shares of common stock (par $10) issuable thereunder.

Armstrong Rubber Co.
Nov. 27 (letter of notification) 1,000 shares of class A common stock (no par). **Price**—$21 per share. **Proceeds**—To James A. Walsh, the selling stockholder. **Underwriter**—Gruntal & Co., New Haven, Conn.

• Arwood Precision Casting Corp., Brooklyn, N. Y.
Dec. 3 (letter of notification) 10,000 shares of common stock (no par) being offered for subscription by stockholders up to March 31, 1954. **Price**—$20 per share. **Proceeds**—To retire approximately $80,000 of 10-year 4% debentures due 1961, for expansion program, new equipment and working capital. **Office**—70 Washington St., Brooklyn 1, N. Y. **Underwriter**—None.

★ Atlantic Refining Co. (1/6-7)
Dec. 16 filed $55,000,000 of 25-year sinking fund debentures due Jan. 15, 1979. **Price** — To be supplied by amendment. **Proceeds**—For expansion program, etc. **Underwriter**—Smith, Barney & Co., New York.

• Aztec Oil & Gas Co., Dallas, Tex. (1/15)
Dec. 14 filed 2,055,977 shares of common stock (par $1) to be offered for subscription by common stockholders of Southern Union Gas Co. of record Dec. 28, 1953 on the basis of one share of Aztec for each Southern Union common share held; rights to expire on Feb. 8. **Price**—To be supplied by amendment. **Proceeds**—To acquire equipment and property, for drilling wells and for working capital. **Underwriter**—None.

★ Bullard Co., Bridgeport, Conn.
Dec. 16 (letter of notification) not to exceed 750 shares of common stock (par $10). **Price**—At market (estimated at about $27.87½ per share). **Proceeds** — To holders of fractional shares in connection with stock dividend.

• California Central Airlines, Inc.
Nov. 5 filed $600,000 of 7% convertible equipment trust certificates, series A, and 890,000 shares of common stock (par 50 cents), of which the certificates and 400,000 shares of the stock are to be offered publicly; 300,000 shares are to be sold to the underwriter (including 50,000 shares to one James Wooten), 70,000 shares to Sig Shore, 70,000 shares to Fred Miller and 50,000 shares to James Wooten. **Price**—To public—100% for certificates and 75 cents per share for the stock. **Proceeds**—To finance the acquisition of four Martinliners and one Douglas DC-3 aircraft from Airline Transport Carriers, Inc. **Underwriter**—Gearhart & Otis, Inc., New York. Statement has been withdrawn.

NEW ISSUE CALENDAR

December 28 (Monday)
Continental Divide Uranium Co., Inc.—Common
(Israel & Co.) $299,500
Continental Transportation Lines, Inc.—Common
(Shields & Co.) $2,110,200

December 29 (Tuesday)
Fluor Corp., Ltd.—Common
(William R. Staats & Co.) 100,000 shares

January 2 (Saturday)
Petroleum Service, Inc.—Debentures
(Offering to preferred stockholders—underwritten by Garrett & Co.) $100,000

January 4 (Monday)
Mutual Finance Co.—Debentures
(Louis C. McClure & Co.) $300,000
Saaty Fuel Injector Corp.—Common
(d'Avigdor Co.) $250,000
Saint Anne's Oil Production Co.—Common
(Sills, Fairman & Harris, Inc.) $800,000
Three States Uranium Corp.—Common
(Tellier & Co.) $300,000

January 5 (Tuesday)
Diamond Bros. Co.—Common
(Capper & Co.) $299,700
Fiber Glass Plastics Corp.—Class A
(Aetna Securities Corp.) $300,000
Montreal (City of)—Debentures
(Bids to be invited) $22,854,000

January 6 (Wednesday)
Atlantic Refining Co.—Debentures
(Smith, Barney & Co.) $55,000,000
Consolidated Edison Co. of New York, Inc.—Bonds
(Bids 11 a.m. EST) $35,000,000
Consumers Power Co.—Common
(Offering to stockholders—bids 11 a.m. EST) 679,436 shares

January 7 (Thursday)
Central Illinois Electric & Gas Co.—Preferred
(Stone & Webster Securities Corp.) $1,500,000
Chemical Enterprises, Inc.—Common
(Lee Higginson Corp.) 350,000 shares
Missouri Pacific RR.—Equip Trust Ctfs.
(Bids to be invited) $3,000,000

January 11 (Monday)
Appalachian Electric Power Co.—Bonds
(Bids 11 a.m. EST) $20,000,000

January 12 (Tuesday)
Detroit Edison Co.—Debentures
(Offering to stockholders—no underwriting) $43,358,000
International Bank for Reconstruction and Development—Bonds
(The First Boston Corp. and Morgan Stanley & Co.) $100,000,000
Marquette Cement Mfg. Co.—Common
(A. G. Becker & Co. Inc.) 100,000 shares
Public Service Co. of Indiana, Inc.—Bonds
(Bids noon EST) $25,000,000

January 13 (Wednesday)
Ohio Edison Co.—Common
(Offering to stockholders—bids 11 a.m. EST) 527,830 shs.

January 14 (Thursday)
Kansas City Power & Light Co.—Pfd. & Common
(May be The First Boston Corp. and Blyth & Co., Inc.) $7,000,000 preferred and 225,460 shares of common

January 15 (Friday)
Aztec Oil & Gas Co.—Common
(Offering to stockholders of Southern Union Gas Co. —no underwriter) 2,055,977 shares

January 18 (Monday)
Fire Association of Philadelphia—Common
(Offering to stockholders—The First Boston Corp. will act as advisors) $7,650,000

January 19 (Tuesday)
Ohio Edison Co.—Bonds
(Bids 11 a.m. EST) $30,000,000

February 10 (Wednesday)
Mystic Valley Gas Co.—Bonds
(Bids to be invited) $5,500,000

February 16 (Tuesday)
Louisville Gas & Electric Co.—Bonds
(Bids to be invited) $12,000,000

February 17 (Wednesday)
Essex County Electric Co.—Bonds
(Bids to be invited) $5,000,000

March 3 (Wednesday)
Suburban Electric Co.—Bonds
(Bids to be invited) $4,000,000

March 16 (Tuesday)
Alabama Power Co.—Bonds
(Bids to be invited) $17,000,000

April 6 (Tuesday)
Georgia Power Co.—Bonds
(Bids to be invited) $11,000,000

Carolina Telephone & Telegraph Co.
Aug. 17 filed 33,320 shares of capital stock to be offered for subscription by stockholders in the ratio of one new share for each five shares held. **Price**—At par ($100 per share). **Proceeds**—To reduce short-term notes. **Underwriter**—None. **Offering**—Temporarily postponed.

Central Illinois Electric & Gas Co. (1/7)
Dec. 9 filed 15,000 shares of cumulative preferred stock, series D (par $100). **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriter**—Stone & Webster Securities Corp., New York.

★ Chemical Enterprises, Inc., New York (1/7)
Dec. 21 filed 350,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan, to acquire capital stock of nine Louisiana companies and to expand their ammonia storage and distributing facilities. **Underwriter** — Lee Higginson Corp., New York.

Cherokee Industries, Inc., Oklahoma City, Okla.
Dec. 3 filed 5,000,000 shares of class B non-voting common stock (par one cent). **Price**—$1 per share. **Proceeds**—To construct mill. **Underwriter**—None.

Cincinnati & Suburban Bell Telephone Co.
Nov. 6 filed 312,812 shares of common stock being offered for subscription by common stockholders of record Nov. 27 on a 1-for-3 basis; rights to expire Jan. 8. **Price**—At par ($50 per share). **Proceeds**—To reimburse treasury for expenditures made for extensions, additions and improvements to plant. **Underwriter**—None.

Coleman Co., Inc., Wichita, Kan.
Dec. 2 (letter of notification) 1,200 shares of common stock (par $5). **Price**—$28 per share. **Proceeds**—To selling stockholder. **Office**—250 No. St. Francis Ave., Wichita, Kan. **Underwriter**—James E. Bennett & Co., Chicago, Ill.

★ Commonwealth Stock Fund, Inc., San Francisco., Calif.
Dec. 16 filed 50,000 shares of common stock (par $1). **Price**—At market. **Proceeds** — For investment. **Underwriter**—None.

Consolidated Edison Co. of N. Y., Inc. (1/6)
Dec. 2 filed $35,000,000 first and refunding mortgage bonds, series J, due Jan. 1, 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—To be received up to 11 a.m. (EST) on Jan. 6.

Consumers Power Co., Jackson, Mich. (1/6)
Dec. 3 filed 679,436 shares of common stock (no par) to be offered for subscription by common stockholders of record Jan. 7, 1954 on the basis of one new share for each 10 shares held; rights to expire on Jan. 22. Unsubscribed shares will be offered first to employees. **Price**—To be determined by the company and announced on Jan. 4. **Proceeds**—For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Harriman Ripley & Co. and The First Boston Corp. (jointly); Lehman Brothers. **Bids**—Expected to be received up to 11 a.m. (EST) on Jan. 6 at 20 Pine St., New York, N. Y.

★ Continental Divide Uranium Co., Inc. (N. Y.) (12/28)
Dec. 8 (letter of notification) 599,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To repay loans, for exploration and drilling expenses, equipment and working capital. **Underwriter** — Israel & Co., New York.

Cosmo Oil Co., Denver, Colo.
Oct. 7 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For drilling expenses and working capital. **Office** — 922 Equitable Bldg., Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Cuban American Minerals Corp., Washington, D.C.
Oct. 6 (letter of notification) 6,000 certificates of participation. **Price**—At par (in units of $50 each). **Proceeds** — For general corporate purposes. **Office** — 439 Wyatt Bldg., Washington, D. C. **Underwriter**—James T. De Witt & Co., Inc., Washington, D. C.

• Dallas Power & Light Co., Dallas, Tex.
Nov. 23 (letter of notification) 672 shares of common stock (no par) being offered for subscription by minority stockholders on basis of one new share for each 10 shares held as of Nov. 30; rights to expire on Dec. 30. **Price** — $130 per share. **Proceeds** — For new construction. **Office**—1506 Commerce St., Dallas, Tex. **Underwriter**—None.

★ Decca Records, Inc.
Dec. 22 filed 145,842 shares of capital stock (par 50 cents) to be issued only in exchange for shares of Universal Pictures Co., Inc. common stock (par $1).

• Detroit Edison Co. (1/12)
Dec. 10 filed $43,358,000 3¼% convertible debentures due Feb. 1, 1969 to be offered for subscription by stockholders of record Jan. 6, 1954, on the basis of $100 of debentures for each 25 shares of stock held; rights to expire on Feb. 1, 1954. **Price**—At par. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—None.

★ Diamond Bros. Co., Trenton, N. J. (1/5-6)
Dec. 17 (letter of notification) 199,800 shares of common stock (par 50 cents). **Price**—$1.50 per share. **Proceeds**—For working capital, etc. **Underwriter**—Capper & Co., New York.

★ Eitel-McCullough, Inc., San Bruno, Calif.
Dec. 16 filed 114,000 shares of common stock (par $1). **Price** — $7.37½ per share. **Proceeds** — To two selling stockholders. **Business** — Manufactures vacuum power tubes. **Underwriter**—Schwabacher & Co., San Francisco, Calif.

Farm & Home Loan & Discount Co., Phoenix, Ariz.
Nov. 9 filed 863,230 shares of class A common stock, 858,186 shares of class B common stock and 1,000,000 shares of class C common stock. **Price**—25 cents, 35 cents and 50 cents, respectively. **Proceeds**—For working capital. **Underwriter**—None.

Farrington Manufacturing Co.
Dec. 3 (letter of notification) 15,000 shares of class A common stock (par $10). **Price**—At market (estimated at $13.25 per share). **Proceeds**—For working capital. **Office**—76 Atherton St., Boston 30, Mass. **Underwriter**—Chace, Whiteside, West & Winslow, Inc., Boston, Mass.

★ Federal Electric Products Co.
Dec. 17 (letter of notification) 10,000 shares of common stock (par $1). **Price**—Aggregate offering price will not exceed $100,000. **Proceeds**—To Estelle M. Cole, who is the selling stockholder. **Office**—50 Paris Street, Newark, N. J. **Underwriter**—H. M. Byllesby & Co. (Inc.), Chicago and New York.

Federal Pipe & Foundry Co. (N. J.)
Nov. 16 (letter of notification) 39,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For purchase of land and machinery, to erect buildings and for working capital. **Underwriter**—A. Kalb & Co., 325 Market St., Trenton, N. J.

★ Fiber Glass Plastics Corp. (1/5)
Dec. 16 (letter of notification) 200,000 shares of class A stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For purchase of plant facilities and equipment and for working capital. **Office**—52 Davenport Street, Stamford, Conn. **Underwriter**—Aetna Securities Corp., New York.

Fire Association of Philadelphia (Pa.) (1/18)
Dec. 11 filed 340,000 shares of capital stock (par $10) to be offered for subscription by stockholders of record Jan. 18 on the basis of one new share for each share held; rights to expire on Feb. 17. **Price**—$22.50 per share. **Proceeds**—To increase capital and surplus. **Meeting**—Stockholders will vote Jan. 14 on increasing authorized number of shares from 360,000 to 800,000. **Underwriter**—None, but The First Boston Corp., New York, will act as advisors to the company.

Florida Western Oil Co.
Nov. 6 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For drilling test well. **Office**—803 N. Calhoun St., Tallahassee, Fla. **Underwriter** — Floyd D. Cerf, Jr., Co., Inc., Miami, Fla.

Fluor Corp., Ltd., Los Angeles, Calif. (12/29)
Dec. 7 filed 100,000 shares of capital stock (par $2.50). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business**—Construction of plants for the oil, gas, chemical and power industry. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

General Hydrocarbons Corp.
Aug. 12 filed $1,010,800 of 20-year debentures and 66,424 shares of common stock (par $1) to be offered in units of $350 principal amount of debentures and 23 shares of stock. **Price**—$359 per unit ($336 for the debentures and $1 per share for the stock). **Proceeds**—For general corporate purposes. **Business** — Oil and gas development. **Underwriter**—None. **Office**—Oklahoma City, Okla.

Greenwich Gas Co., Greenwich, Conn.
Nov. 12 filed 75,468 shares of common stock (no par) to be first offered for subscription by the holders of the 89,333 shares presently outstanding for a 10-day standby; then to public. **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with proceeds from private sale of $200,000 of series A bonds, to be used to repay bank loans and for construction program. **Underwriter**—F. L. Putnum & Co., Inc., Boston, (Mass.) and Providence (R. I.).

Greyhound Parks of Alabama, Inc., Phoenix, Ariz.
Oct. 21 filed $400,500 of 6% 10-year cumulative income debentures, due Oct. 1, 1962, and 40,050 shares of common stock (no par) to be offered in units of four debentures of $250 principal amount each and 100 shares of stock. **Price**—$1,100 per unit. **Proceeds**—To rehabilitate and construct racing plant in Tucson, Ariz. **Business**—Dog racing with pari-mutuel betting privileges. **Underwriter**—None.

Guardian Chemical Corp.
Nov. 30 (letter of notification) 52,500 shares of common stock (par 10 cents) to be issued to warrant holders. **Price**—$2.37½ per share. **Proceeds**—To selling stockholders. **Office**—10-15 43rd Ave., Long Island City, N. Y. **Underwriter**—Batkin & Co., New York.

Gulf Sulphur Corp., North Kansas City, Mo.
Oct. 27 filed 700,000 shares of convertible preferred and participating stock (par 10 cents). **Price**—$10 per share. **Proceeds**—To develop company concessions. **Underwriter**—Peter Morgan & Co., New York.

House of Better Vision, Inc., Miami, Fla.
Nov. 25 (letter of notification) 299,500 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—268 E. Flagler St., Miami, Fla. **Underwriter**—Curlette & Co., Inc., Miami, Fla.

Hydrocap Eastern, Inc., Philadelphia, Pa.
Oct. 30 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay debt and for working capital, etc. **Underwriter**—Barham & Co., Coral Gables, Fla.

★ International Scientific Industries Corp.
Dec. 14 (letter of notification) $40,000 of debentures and 40,000 shares of common stock (par one-half cent) to be offered in units of one $250 debenture and 250 shares of stock at $250 per unit, and 20,000 shares of additional common stock to be offered in units of 100 shares of stock and one tape recording machine at $500 per unit. **Proceeds**—For equipment. **Office**—1420 Sumner St., St. Paul, Minn. **Underwriter**—None.

Iowa-Illinois Gas & Electric Co.
Dec. 14 (letter of notification) 40,000 shares of cumulative preferred stock (par $100). **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc.; Salomon Bros. & Hutzler. **Bids**—Expected to be received in January.

Israel Enterprises, Inc., New York
Oct. 1 filed 18,800 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For investment in existing industrial enterprises in Israel. **Underwriter**—None.

★ Journal of Taxation, Inc., New York
Dec. 16 (letter of notification) $50,000 of 5% debentures due Jan. 1, 1957 and 5,000 shares of class A cumulative preference stock (par $1) in units of one $100 debenture and 10 shares of stock. **Price**—$100 per unit. **Proceeds**—For equipment and working capital. **Office** — 310 East 52nd Street, New York 22, N. Y. **Underwriter**—None.

★ Kansas City Power & Light Co. (1/14)
Dec. 21 filed 70,000 shares of cumulative preferred stock (par $100) and 225,460 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay $12,000,000 of bank loans and for new construction. **Underwriters**—Blyth & Co., Inc. and The First Boston Corp., both of New York.

Kay Jewelry Stores, Inc., Washington, D. C.
Sept. 28 filed 672,746 shares of capital stock (par $1) to be offered in exchange for preferred and common stocks of 71 store corporations which operate 83 retail credit jewelry stores. **Underwriter**—None.

Manheim (Pa.) Water Co.
Oct. 28 (letter of notification) $125,000 of 4¾% first mortgage bonds, series A, dated Oct. 31, 1953, and due Oct. 31, 1978, to be offered to residents of Pennsylvania. **Price**—100% and accrued interest. **Proceeds**—For part payment of installation of a new water filtration plant. **Underwriter**—None.

● Marquette Cement Mfg. Co. (1/12)
Dec. 15 filed 100,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To purchase two plants in Georgia and Ohio. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill., and New York, N. Y.

Medina Oil Corp., Orlean, N. Y.
Dec. 9 (letter of notification) 2,800 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To purchase drill rig, etc. **Office** — 10 East Corydon St., Bradford, Pa. **Underwriter** — Winner & Myers, Lock Haven, Pa.

Midland Uranium, Inc., Salt Lake City, Utah
Nov. 23 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For drilling and prospecting. **Office**—504 Felt Bldg., Salt Lake City, Utah. **Underwriter**—Harrison S. Brothers & Co., Salt Lake City, Utah.

● Montreal (City of) (1/5)
Nov. 19 filed $14,854,000 of series 1953 debentures for local improvements and $8,000,000 of series 1953 debentures for public works due Oct. 1, 1954 to Oct. 1, 1972, inclusive. **Price**—To be supplied by amendment. **Proceeds**—For improvements, etc. **United States Underwriters**—To be determined by competitive bidding. Probable bidders may include: Shields & Co., Savard & Hart and Halsey, Stuart & Co. Inc. (jointly); Kuhn, Loeb & Co. and Glore, Forgan & Co. (jointly); Lehman Brothers; White, Weld & Co.; Smith, Barney & Co.; The First Boston Corp. **Bids**—To be received on Jan. 5.

★ Moreland Chemical Co., Inc., Spartanburg, S. C.
Dec. 16 (letter of notification) $100,000 of 12-year 5% registered debentures due Jan. 15, 1966. **Price**—At par (in denominations of $100 each). **Proceeds** — For new construtcion. **Office**—314 West Henry Street, Spartanburg, S. C. **Underwriter**—None.

● Mutual Finance Co., Tampa, Fla. (1/4)
Nov. 24 (letter of notification) $300,000 of 10-year 6% convertible subordinated debentures, series A, due 1963. **Price**—At par. **Proceeds**—For investment capital. **Office**—Wallace S. Building, Tampa, Fla. **Underwriter**—Louis C. McClure & Co., Tampa, Fla.

★ Mutual Investment Fund, Inc., New York
Dec. 17 filed 250,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

Nevada Tungsten Corp., Mina, Nev.
Oct. 22 (letter of notification) 1,000,000 shares of common stock to be offered to stockholders. **Price**—Five cents per share. **Proceeds**—For working capital. **Underwriter**—None.

★ New Bristol Oils, Ltd., Toronto, Ont., Canada
Dec. 18 filed 1,000,000 shares of common stock (par $1). **Price**—To be related to the bid price of the shares on the Toronto Stock Exchange, with a 20% underwriting commission. **Proceeds**—For general corporate purposes.

New England Gas & Electric Association
Dec. 10 filed 32,126 common shares of beneficial interest (par $8) to be offered in exchange for common stock of New Bedford Gas & Edison Light Co. held by minority stockholders on the basis of 4¾ New England shares for each New Bedford share held.

★ Northeast Investors Trust, Boston, Mass.
Dec. 16 filed 25,000 shares of beneficial interest in the Trust. **Price** — At market. **Proceeds** — For investment. **Underwriter**—None.

Ohio Edison Co. (1/13)
Dec. 10 filed 527,830 shares of common stock (par $12) to be offered for subscription by common stockholders of record Jan. 14, 1954 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights will expire on Jan. 29, 1954. **Price**—To be named by company on Jan. 11. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and White, Weld & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Jan. 13.

Ohio Edison Co. (1/19)
Dec. 10 filed $30,000,000 of first mortgage bonds due 1984. **Proceeds** — For property additions, etc. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Union Securities Corp. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Jan. 19.

Oil Financing & Development Corp.
Nov. 25 (letter of notification) 29,986 shares of 50-cent cumulative preferred stock (par $1) and 89,958 shares of common stock (par 10 cents) to be offered in units of one preferred and three common shares. **Price**—$10 per unit. **Proceeds**—For working capital, etc. **Office**—52 Wall St., New York City. **Underwriter**—East Coast Securities Corp., New York.

Peninsula Broadcasting Co., Salisbury, Md.
Dec. 11 (letter of notification) $200,000 of 6% income debentures due Jan. 1, 1969 to be offered first to common stockholders up to Feb. 28, 1954, and then to general public for a six months' period after which balance will be sold to officers and directors. **Price**—At par. **Proceeds**—For construction. **Underwriter**—None.

● Petroleum Service, Inc., Dallas, Tex. (1/2)
Oct. 30 (letter of notification) $100,000 of 6% convertible debentures due 1963 to be offered first to preferred stockholders. **Price**—At par. **Proceeds**—For working capital. **Underwriter**—Garrett & Co., Dallas, Texas.

★ Pinal Grain Co., Casa Grande, Ariz.
Dec. 18 (letter of notification) 18,200 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To enlarge facilities. **Underwriter**—None.

Public Service Co. of Indiana, Inc. (1/12)
Dec. 9 filed $25,000,000 first mortgage bonds, series K, due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received up to noon (EST) on Jan. 12.

Saaty Fuel Injector Corp. (1/4)
Dec. 3 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For new plant and equipment. **Office**—215 Chapman St., Boston, Mass. **Underwriter**—d'Avigdor Co., New York.

● Saint Anne's Oil Production Co. (1/4-8)
April 23 filed 160,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — To acquire stock of Neb-Tex Oil Co., to pay loans and for working capital. **Office**—Northwood, Iowa. **Underwriter**—Sills, Fairman & Harris of Chicago, Ill.

Skyway Broadcasting Co.
Nov. 6 (letter of notification) subscription agreements for 2,000 shares of common stock. **Price**—At par ($50 per share). **Proceeds**—For studio remodeling. **Address**—Radio Station WLOS, Battery Park Hotel, Ashville, N. C. **Underwriter**—McCarley & Co., Inc., Ashville, N. C.

Snoose Mining Co., Hailey, Idaho
Oct. 30 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For machinery and equipment. **Underwriter**—E. W. McRoberts & Co., Twin Falls, Idaho.

Sta-Tex Oil Co.
Oct. 2 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For drilling costs. **Underwriter**—Arthur R. Gilman, 20 Broad Street, New York City.

★ State Exploration Co. (Calif.)
Dec. 15 (letter of notification) 1,000 shares of common stock (par $1). **Price**—$7.25 per share. **Proceeds**—To Robert T. White, selling stockholder. **Office** — Transamerica Bldg., 649 South Olive St., Los Angeles 14, Calif. **Underwriter**—None.

★ Tennessee Brewing Co., Memphis, Tenn.
Dec. 11 (letter of notification) 25,000 shares of 6% cumulative preferred stock, to be offered to stockholders only. **Price** — At par ($10 per share). **Proceeds** — For working capital. **Office**—1 West Butler Ave., Memphis, Tenn. **Underwriter**—None.

★ Texakota Oil Co. (Tex.)
Dec. 15 (letter of notification) 25,000 shares of common stock in form of preorganization subscriptions to a proposed new Texas corporation. **Price** — At par ($1 per share). **Proceeds**—For drilling well. **Underwriter**—None. Minnie Pearl Bridwell and Lewis Rydjord, 1311 Hurley

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St., Webster, S. D., have been named as issuers of the preorganization subscriptions.

Theatre 200, Inc., N. Y. City
Dec. 10 filed 5,000 shares of preferred stock (no par) and 15,000 shares of common stock (par one cent) to be offered in units of 25 shares of preferred and 75 shares of common stock. **Price**—$2,500 per unit. **Proceeds**—For working capital, etc. **Underwriter**—None.

● **Three States Uranium Corp. (1/4)**
Nov. 13 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For drilling, surveys and working capital. **Office**—354 Main St., Grand Junction, Colo. **Underwriter** Tellier & Co., Jersey City, N. J. **Offering**—Not expected until after Jan. 1, 1954.

★ **Triplex Corp. of America, Pueblo, Colo.**
Dec. 16 (letter of notification) 75,776 shares of common stock (par $1), of which 21,661 shares are to be offered in payment of dividend arrearages on the preferred stock and the balance to be sold publicly. **Price**—$2.40 per share. **Proceeds** — For working capital. **Underwriter** — John R. Lewis, Inc., Seattle, Wash.

United Merchants & Manufacturers, Inc.
Oct. 7 filed 574,321 shares of common stock (par $1). **Price**—At the market (either on the New York Stock Exchange or through secondary distributions). **Proceeds** —To a group of selling stockholders who will receive the said shares in exchange for outstanding preferred and common stock of A. D. Juilliard & Co., Inc., on the basis of 6½ shares of United Merchants stock for each Juilliard common or preferred share. **Underwriter** — None. Statement effective Oct. 26.

★ **Wagner Electric Corp., St. Louis, Mo.**
Dec. 15 (letter of notification) 1,737 shares of common stock (par $15). **Price**—At market (estimated at $53 per share). **Proceeds**—For working capital. **Underwriters**— G. H. Walker & Co., Scherck Richter Co. ,and Dempsey-Tegeler Co., all of St. Louis, Mo.

★ **Wallace Container Co., Los Angeles, Calif.**
Dec. 18 (letter of notification) 75,000 shares of class A common stock. **Price**—At par ($4 per share). **Proceeds** —To expand facilitiees. **Office**—5862-68 Croker Street, Los Angeles, Calif. **Underwriters**—The First California Co., Inc., Bateman, Eichler & Co. and Lester, Ryons & Co., all of Los Angeles, Calif.

● **Washington Water Power Co.**
May 7 filed 1,088,940 shares of $1.28 cumulative convertible preferred stock (par $25) and 1,088,939 shares of common stock (no par) to be issued in connection with the proposed merger into company of Puget Sound Power & Light Co. on the basis of one-half share of preferred and one-half share of common for each Puget Sound common share to holders who do not elect to receive cash at the rate of $27 per share. **Underwriter**— None. Statement to be withdrawn.

★ **Waverly Mills, Inc., Laurenburg, N. C.**
Dec. 14 (letter of notification) 3,958 shares of common stock (no par) to be offered for subscription by common stockholders at rate of one new share for each two shares held. **Price**—$75 per share. **Proceeds**—To modernize equipment. **Underwriter**—None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,-000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds** —Together with other funds, to be used to build pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

Western Empire Petroleum Co., Ogden, Utah
Oct. 22 (letter of notification) 3,000,000 shares of common stock (par 10 cents). **Price**—5 cents per share. **Proceeds** — For additional working capital, to acquire leases, drill well, etc. **Office**—812 Eccles Bldg., Ogden, Utah. **Underwriter** — Samuel B. Franklin & Co., Los Angeles, Calif.

Wilson Organic Chemicals, Inc. (N. J.)
Dec. 8 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$2.12½ per share. **Proceeds**—To Graham, Ross & Co., Inc. **Underwriter**—Graham, Ross & Co., New York.

Wilson Organic Chemicals, Inc. (N. J.)
Dec. 14 (letter of notification) 15,000 shares of common stock (par $1). **Price**—2.12½ per share. **Proceeds**—To underwriter. **Underwriter**—Graham, Ross & Co., New York.

Wyoming Oil Co., Denver, Colo.
Nov. 3 (letter of notification) 5,000,000 shares of common stock (par five cents). **Price**—5½ cents per share. **Proceeds** — For drilling expenses. **Office** — 301 Kittredge Bldg., Denver, Colo. **Underwriter** — Robert W. Wilson, Denver, Colo.

Wyoming Oil & Exploration Co., Las Vegas, Nev.
Dec. 7 filed 300,000 shares of capital stock (par $1. **Price** —To be supplied by amendment. **Proceeds**—To pay for leases and drilling. **Business**—Oil and gas exploration. **Underwriter**—None.

Prospective Offerings

★ **Alabama Power Co. (3/16)**
Dec. 15 it was reported company is planning issuance and sale of $17,000,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly); Blyth & Co. Inc. and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co.; Lehman Brothers; The First Boston Corp.; Harriman Ripley & Co., Inc. **Registration** — Tentatively scheduled for Feb. 8. **Bids**—Expected to be opened on March 16.

American Louisiana Pipe Line Co.
Nov. 10 company, a subsidiary of American Natural Gas Co., asked Federal Power Commission to authorize construction of a $130,000,000 pipe line, to be financed through the issuance of $97,500,000 of first mortgage bonds, $12,000,000 of interim notes convertible to preferred stock at option of company, and $20,500,000 of common stock (par $100), the latter to be sold to parent.

Atlantic City Electric Co.
Oct. 5 B. L. England, President, announced that the company plans to issue and sell early in 1954 about $4,-000,000 of new bonds and make an offering to stockholders on a 1-for-10 basis of sufficient common stock to raise an additional estimated $3,000,000. **Proceeds**—For construction program. **Underwriters**—For common stock may be Union Securities Corp. and Smith, Barney & Co. Previous bond issue was placed privately.

Baltimore & Ohio RR.
Nov. 9 it was reported company is planning to issue $60,-000,000 of new collateral trust 4% bonds to mature in 1-to-16 years in exchange for a like amount of collateral trust bonds due Jan. 1, 1965 now held by the Reconstruction Finance Corporation. The latter in turn plans to offer the new bonds to a group of investment houses including Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Alex. Brown & Sons; and others. The bankers would then offer the bonds to the public.

Central Illinois Electric & Gas Co.
Dec. 9 it was announced company intends to offer and sell around the middle of 1954 an issue of $4,000,000 first mortgage bonds (this is in addition to 15,000 shares of cumulative preferred stock, series D, par $100, covered by registration statement filed with SEC on Dec. 9). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Central Maine Power Co.
Oct. 7 it was reported company plans sale during the first quarter of 1954 of $10,000,000 common stock after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

Chicago Great Western Ry.
Dec. 3 company sought ICC permission to issue and sell $6,000,000 of collateral trust bonds due Nov. 1, 1978, through a negotiated sale. **Price**—To be announced later. **Proceeds**—To repay bank loans and for capital improvements. **Bids**—Halsey, Stuart & Co. Inc. on Dec. 14 asked ICC to reject company's request and that bonds be first offered at competitive bidding.

★ **Chrysler Corp.**
Dec. 23 it was reported that corporation is a prospect for a very substantial emission of debt capital.

★ **Continental Oil Co.**
Dec. 23 it was reported that this company is expected to be in the market for new capital.

Colorado Oil & Gas Co.
Nov. 12 it was reported company, a subsidiary of Colorado Interstate Gas Co., plans issuance and sale of about $20.000,000 of common stock. **Proceeds**—For exploration and development. **Underwriter**—Union Securities Corp., New York. **Offering**—Expected early next year.

Commonwealth Edison Co.
Nov. 25 Northern Illinois Gas Co., a subsidiary, was incorporated in Illinois to acquire the gas properties of Edison's Public Service Company division. This unit plans to issue and sell $60,000,000 of mortgage bonds early in 1954. **Underwriters** — The First Boston Corp., Halsey, Stuart & Co. Inc., and Glore, Forgan & Co.

Connecticut Light & Power Co.
Dec. 7 it was reported company plans to raise between $10,000,000 and $20,000,000 in 1954 from sale of bonds and stock. **Underwriters**—For common stock: Putnam & Co.; Chas. W. Scranton & Co., and Estabrook & Co. Bonds may be placed privately.

● **Continental Transportat'n Lines, Inc. (12/28-31)**
Dec. 2 it was announced issue and sale of 263,775 shares of common stock (par $1) is contemplated. **Price**—$8 per share. **Proceeds**—To two selling stockholders. **Underwriter**—Shields & Co., New York.

Delaware Power & Light Co.
Oct. 5 it was announced company plans to issue and sell in 1954 about $10,000,000 of first mortgage and collateral trust bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Union Securities Corp.; Lehman Brothers; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); W. C. Langley & Co.

Eastern Utilities Associates
Feb. 20 it was announced company plans sale of $7,000,-000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp., White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

● **Essex County Electric Co. (2/17)**
Dec. 14 it was announced company plans to issue and sell $5,000,000 of 30-year first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly). **Bids**—Expected to be received on or about Feb. 17, 1954.

Fulton National Bank, Atlanta, Ga.
Dec. 4 stockholders of record Dec. 1 were given the right to subscribe on or before Dec. 31 for 50,000 shares of additional capital stock (par $10) on the basis of one new share for each four shares held. **Price**—$27.50 per share. **Proceeds**—For capital and surplus. **Underwriters** —The Robinson-Humphrey Co., Inc., Atlanta, Ga., and Equitable Securities Corp., Nashville, Tenn.

Gas Service Co., Kansas City, Mo.
Dec. 11 Cities Service Co. was authorized by the SEC to sell 1,500,000 shares of its holdings of Gas Service Co. common stock through negotiated sale, rather than through competitive bidding. Invitations have been issued to various groups to advise Cities Service Co.

★ **General Public Utilities Corp.**
Dec. 16 it was announced company plans to offer about 600,000 additional shares of common stock (par $5) to stockholders in March or April, 1954 — probably on the basis of one new share for each 15 shares held. **Price**— To be determined just prior to the offering date. **Proceeds**—To be invested in the domestic subsidiaries. **Underwriter**—None, but Merrill Lynch, Pierce, Fenner & Beane may act as clearing agent.

★ **Georgia Power Co. (4/6)**
Dec. 15 it was reported company plans issuance and sale of $11,000,000 first mortgage bonds due 1984. **Proceeds** —To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Salomon Bros. & Hutzler and Shields & Co. (jointly); Harriman Ripley & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers; Morgan Stanley & Co. **Registration**—Planned for March 1. **Bids**—Expected to be received on April 6.

★ **Harris-Seybold Co., Cleveland, Ohio**
Dec. 11 company announced that it is planning permanent financing of the acquisition of C. B. Cottrell & Son Co., Westerly, R. I., the purchase price of which is in the neighborhood of $3,500,000.

Houston Lighting & Power Co.
Sept. 25 it was reported company plans some new financing to provide funds for its construction program. Bidders for about $25,000,000 of bonds may include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Union Securities Corp.; Lehman Brothers; Smith, Barney & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.

Idaho Power Co.
Aug. 6, officials of Blyth & Co., Inc. and Bankers Trust Co., New York, testified before the Federal Power Commission that this company plans to raise $184,550,000 to finance construction of three hydro-electric projects on Snake River, Idaho. If approved, the financing will consist of $105,000,000 of bonds through 1962; $27,400,000 of preferred stock; and $52,150,000 of common stock. Throughout the financing period, the company would borrow and repay $29,000,000 of short-term loans. Final financing details would depend on market conditions.

International Bank for Reconstruction and Development ("World Bank") (1/12)
Dec. 10 it was announced bank plans to offer $100,000,000 of 15-year bonds due Jan. 1, 1969. **Underwriters**—The First Boston Corp. and Morgan Stanley & Co., both of New York.

★ **Jersey Central Power & Light Co.**
Dec. 16 it was reported company tentatively plans to issue and sell in 1954 about $6,000,000 first mortgage bonds due 1984. **Proceeds** — For construction program. **Underwriters** — To be determined by competitive bidding, Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Glore, Forgan & Co.; Kidder, Peabody & Co.; Union Securities Corp., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Lehman Brothers.

★ **Louisville Gas & Electric Co. (2/16)**
Dec. 16 it was reported company may issue and sell $12,-000,000 first mortgage bonds due 1984. **Proceeds** — For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers and Blyth & Co., Inc. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co.; The First Boston Corp.; Harriman Ripley & Co., Inc. **Bids**—Tentatively expected to be received on Feb. 16.

Louisville & Nashville RR.
Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive

bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

Maier Brewing Co., Los Angeles, Calif.
April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. **Price**—$5 per share. **Proceeds** — To help finance a new bottling plant. **Underwriter**—None.

McBride Oil & Gas Corp., Houston, Tex.
Nov. 8 it was announced that early registration is expected of approximately $5,000,000 of common stock. **Price**—Expected to be about $2 per share. **Proceeds**—For expansion program. **Underwriter** — Bryan & Co., Houston, Tex.

★ Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

★ Missouri Pacific RR. (1/7)
Bids will be received by the company at St. Louis, Mo., on Jan. 7 for the purchase from it of $3,000,000 equipment trust certificates, series WW. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● Mystic Valley Gas Co. (2/10)
Dec. 14 it was announced company plans to issue and sell $5,500,000 of 20-year first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly). **Bids**—Tentatively expected to be received on or about Feb. 10.

★ New Jersey Power & Light Co.
Dec. 16 it was reported this company tentatively plans issue and sale in 1954 of about $3,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Equitable Securities Corp.; Union Securities Corp. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

● North Shore Gas Co. (Mass.)
Dec. 14 it was announced that it has been decided to defer a bond issue by this company for at least several months. It had been reported that the issuance and sale of about $3,000,000 of first mortgage bonds had been planned. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

Northern Illinois Gas Co.
See Commonwealth Edison Co. above.

Northwest Natural Gas Co.
March 23 it was reported that this company plans to finance its proposed 1,300-miles pipeline from Canada to the Pacific Northwest by the issuance and sale of $66,000,000 of 4½% first mortgage pipeline bonds to insurance companies and other institutional investors and $9,000,000 of 5% debentures and 1,400,000 shares of common stock at $10 per share publicly in the United States and Canada. **Underwriter**—Morgan Stanley & Co., New York.

Otter Tail Power Co.
June 25 FPC authorized company to issue a maximum of $4,000,000 unsecured promissory notes to banks, the proceeds to provide funds to temporarily finance the company's 1953 and 1954 construction programs prior to arranging for long-term financing. **Underwriters**—May be Glore, Forgan & Co. and Kalman & Co.

★ Pacific Gas & Electric Co.
Dec. 16 J. B. Black, President, announced that company expects to issue and sell a presently undetermined amount of first and refunding mortgage bonds, series W. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Offering**—Expected about the middle of February, 1954.

Pacific Northwest Pipeline Corp.
Jan 29 company received FPC permission to file a third substitute application proposing to construct a 1,466-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $186,000,000, including $2,000,000 for working capital. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks. Underwriters—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co.
July 2 it was announced company plans to issue and sell to its stockholders 1,004,603 additional shares of capital stock on a 1-for-7 basis. **Price**—At par (100 per share. **Proceeds**—To repay bank loans. **Underwriter**—None. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific's outstanding stock. **Offering**—Not expected until the early part of 1954.

★ Pennsylvania Electric Co.
Dec. 16 it was reported that company may issue and sell about $12,500,000 of first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, Union Securities Corp. and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc.; Kuhn, Loeb & Co., Lehman Brothers, Drexel & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Expected in March or April, 1954.

Public Service Co. of Colorado
Oct. 13 it was reported company is planning to float an issue of $15,000,000 first mortgage bonds, due 1984, early next year. **Proceeds**—For financing, in part, a $17,000,000 electric generating plant to be constructed in Denver, Colo. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

Southern Natural Gas Co.
Dec. 8 it was reported company may issue and sell in March, 1954, about $20,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly).

Southwestern Development Co.
See Westpan Hydrocarbon Co. below.

Southwestern Public Service Co.
Dec. 1 it was reported company plans to issue and sell to its common stockholders on a 1-for-14 basis about 272,000 additional shares of common stock (with a 14-day standby); also $12,000,000 of first mortgage bonds (which may be placed privately). **Underwriters**—For stock: Dillon, Read & Co. Inc.,New York who also handled public sale of $12,000,000 in bonds, in February, 1953. **Offering**—Of stock is expected late in January or early February, 1954.

● Suburban Electric Co. (3/3)
Dec. 14 it was announced company plans to issue and sell $4,000,000 of 30-year first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly). **Bids**—Tentatively expected to be received on or about March 3.

Utah Power & Light Co.
Nov. 13 it was reported company plans to offer around March, 1954, about 225,000 shares of common stock and in May or June, 1954, approximately $16,000,000 of bonds. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. jointly); The First Boston Corp. and Blyth & Co. Inc. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler. Previous common stock offering (in 1952) was made to stockholders, without underwriting.

West Coast Transmission Co.
Oct. 14 it was announced that company now plans to issue $29,000,000 in 1-to-5½-year serial notes; $71,000,000 in 20-year, first mortgage bonds; and $24,440,000 in subordinated long-term debentures and 4,100,000 shares of common stock to be sold to the public. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York.

Westpan Hydrocarbon Co.
July 1 SEC granted Sinclair Oil Corp. an extension of six months from June 21, 1953, in which to dispose of its holdings of common stock in Westpan and the Southwestern Development Co. Sinclair owns 384,860 shares (52.85%) of the stock of each of the other two companies. **Underwriter**—May be Union Securities Corp., New York.

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Legislation for Industrial Participation in Atomic Energy

ress in the field of defense and at the same time develop domestic uses without endangering our national security.

If we as a nation are to succeed in retaining our leadership through development of peacetime uses of atomic energy, it is going to require accelerated effort that will require all the scientific and engineering skill we can muster on all fronts.

$13 Billion Already Spent on Atomic Energy

As you can imagine such an all-out effort will be very costly. As I have previously mentioned, as of June 30, 1954, the American people will have spent close to $13 billion primarily in the development of atomic weapons. To finance the added expense in developing the peacetime program would cost the American taxpayer billions of dollars more. To saddle this additional burden on the already over-burdened American taxpayer is unthinkable, especially when private industry can be called upon to share some of this burden in dollars and cents, as well as employing its scientific and engineering brains, in further solving the mysteries of the atom.

It is my belief that the Congress of the United States will amend the Atomic Energy Act next year, probably not to the extent that some would like but in a way that will permit a relaxation of some of the existing prohibitions against the development of atomic energy uses by private industry. It is common knowledge that, under our present system of restricted operations, thousands of contractors have advantages of know-how and continued access to vital information. This favored group has done a magnificent job, yet, under existing law, it could become a permanent group with undue advantages.

If such a situation should develop, I am sure you will agree that it would prove repugnant to the American concept of free enterprise.

In this connection, it is my belief that Congress will support our concept of free enterprise by amending the law so as to open the door to qualified American industry in general.

One frequently hears the question: "Is private industry ready to assume its role in the development of peacetime uses of atomic energy?" Based on the hearings last summer, there is evidence that there are scores of firms eager to make their contribution to the industrial future of atomic energy.

Because of the terrific cost in the beginning, private industry may not be able to shoulder the burden. This means that the government will have to share the initial costs during the experimental years. However, after acquiring the necessary knowledge and experience, the genius of our American free enterprise system will enable it to do as it has on other occasions when working with the government, and take over the industrial development program.

As a matter of fact, if private industry is given the opportunity to display its talents, the day may come when the Atomic Energy Commission's responsibilities may shrink to such a degree that it will take its place alongside other regulatory agencies of government.

Amendments Still Uncertain

No doubt many of you are wanting me to tell you in just what way the Atomic Energy Act will be amended. No doubt you have in mind the handling of fissionable material and as to whether it could be leased or sold to private industry under a licensing system. You may wish to know what Congress will do regarding patents, as well as what action it will take in the field of security and clearances.

Frankly, I do not believe anyone can read the mind of Congress. Until the Joint Committee on Atomic Energy has a chance to analyze the hearings held the past summer and study my bill, H. R. 4687, as well as others, predictions at this time are not in order.

As previously mentioned, I am convinced the Atomic Energy Act of 1946 will be amended, with private enterprise being given a freer hand and in a way that will not endanger national security with respect to the use of material, patents, secrets, etc.

In connection with the National Defense effort, let me quote Mr. Robert Lebaron, Assistant to the Secretary of Defense for Atomic Energy, when he told our committee last summer: "We believe that there can be an aggressive, industrial program and a satisfactory resolution of the needs of that program for fissionable material with the military weapon needs of the Department of Defense."

As a military man with some 36 years of Naval Reserve service behind me, I agree with Mr. Lebaron, that an "aggressive, industrial program" can be worked out without impairing our defense efforts. At the same time, I agree that it is possible to develop atomic energy for domestic purposes in a way that will parallel the development of the airplane, the diesel engine and other noteworthy advances made in various fields.

As one of the original members of the Joint Committee on Atomic Energy, it is my opinion that 1954 is a year of decision in atomic energy.

I am convinced that the Congress of the United States, as the representative of the American people, will make decisions permitting freer development of atomic energy, thus placing it in the same category with other scientific achievements that have made it possible for the American people to enjoy the highest living standards in the history of mankind.

Neuberger Berman to Admit I. N. Langsam

Neuberger & Berman, 160 Broadway, New York City, members of the New York Stock Exchange, on Jan. 5 will admit Ira N. Langsan to partnership. Mr. Langsan is retiring from partnership in Cowen & Co. Dec. 31.

New Branch in Florida For Merrill Lynch

Merrill Lynch, Pierce, Fenner & Beane brokerage and investment banking firm, will open its 113th office in Delray Beach, Fla., on Jan. 4, it was announced today by Winthrop H. Smith, the firm's managing partner. It will bring to nine the number of offices Merril Lynch operates in Florida.

The new office will be in the location to be vacated by Harris, Upham & Co., when that firm discontinues its Delray Beach operations at the close of business on Dec. 31.

Harris Upham Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert R. Allen has become connected with Harris, Upham & Co., 232 Montgomery Street.

Abraham to Admit

Helen R. Bleibtreu will be admitted to Limited partnership in Abraham & Co., 120 Broadway, New York City, members of the New York Stock Exchange. On the same date, Edwin F. Dodge, general partner, will become a limited partner.

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Observations . . .

ciation is futile, "a mirage," as you call it, and that one should invest in common stocks only on a long-term basis and primarily, if not only, for income. One of the examples you use, when you cite the trebling and quadrupling of Union Carbide, duPont and Sears, seems to contradict your theme, but you may have meant by that example simply to criticize one of my techniques, whether applied to investment for income or for appreciation, rather than to cite these as ideal illustrations of your philosophy of investment for income only.

A. J. Cortese

A careful reading of my article will show that it does not advocate investing for appreciation in preference to investing for income. It says, "capital gains and losses are an important **part** of successful investing in common stocks." I think no one in the securities business will dispute this statement. We know from experience that a majority of common stock buyers are interested primarily in appreciation, and that even in many of the most conservative common stock portfolios, in which the primary purpose is income, there are usually some stocks held for appreciation. Surveys made by the New York Stock Exchange and by others reveal this preference for capital gains. The writer frequently recommends to clients common stocks to be held for income only.

It was not the purpose of my article to favor either income or capital gains, but rather, to advocate a **flexible**, as contrasted with a **static**, policy. The policy applies whether one selects his common stocks on the basis of value only, as some do, or on the basis of market position only, as others do, or on the basis of both, as the writer does. No mention was made in my article of either of these two bases, as they are irrelevant to my theme.

The theme of my article was that "many capital losses can be prevented and portfolios can be made more productive by the pursuit of what I call a 'flexible investment policy.' " This policy applies to both income portfolios and to capital gains holdings. In the former it is meant to avoid capital losses and in the latter it is meant, in addition, to protect profits.

Strictly speaking, therefore, there is no dispute between the views in your column and those in my article. They do not deal with the same questions. You object to investing for capital gains, or to any implication that such investing can be successful. I advocate a flexible policy, whether for income or for capital gains, as contrasted with a policy of "permanent" or static investment. The latter policy, I have found in the experience of others, has resulted in unnecesary losses of capital. Of course, my article, by implication, reveals that I do favor investing for capital gains; **and on this point we do differ.**

But whether to invest for income or for appreciation is not a matter for dispute. It is a matter of one's financial condition and need, temperament, ability, and often, simply of taste. There are some people who, for one or more of these reasons, should not attempt capital appreciation in common stocks. There are others who not only have a surplus of capital, but who also, because of temperament and ability, would be bored if they invested in common stocks for income only. There is no point, therefore, in categorically denouncing either type of investing. Nor is there any point in comparing results.

Insofar as my "flexible policy" applies to investing for capital gains, your comments on my article are not, therefore, strictly pertinent. You say that the "capital gains appeal is only a mirage" and therefore do not discuss (or refute) a technique for achieving them. If I understand you correctly, you would invest only for income. If so, your comments as a whole are misdirected, because you are comparing investing for income with investing for appreciation. The two are not properly comparable, for the reasons stated above. My article deals with a technique for both kinds of investing and your comments compare the two types.

Nowhere did my article state or imply that capital gains should take the place of income. In fact, the closing paragraph of my original article, states, "A flexible investment policy in common stocks does not by any means require an investor to become a trader." (One who seeks only capital gains.) "Where it is important to conserve and increase capital, it attempts, rather, to meet the year-to-year risks in owning common stocks by frequently looking ahead only a few months at a time, by recognizing that after a long rise, risks have increased, by a continuous readiness to switch to those issues having much the better outlook, by remembering that when in doubt, especially after a long rise, it is more prudent to sell than to hold, to wait-and-see."

Insofar as my "flexible policy" applies to investing for income (where it is meant only to avoid capital loss), there is an implied disagreement between us in that apparently you would pursue a less flexible policy. You have not, however, refuted my arguments, perhaps because you were preoccupied with a subject which was not the subject of my article. Nevertheless, you have made some statements which should be answered.

In Direct Rebuttal

You say that my article offers an "escape to an oasis of safety and profits from the recognized rigors and shortcomings of confining one's investment judgment to logical and glamor-less business factors." Nowhere did my article discuss the basis for selecting or rejecting issues, either for income or for capital gains and nowhere did it suggest escaping any type of study. The writer has always maintained that success in either type of investment requires a continuous study not only of fundamental factors that affect value, but also any and all conditions which affect security prices. These conditions are so manifold that no one person can hope to study them all thoroughly.

You say, "The capital gains appeal is only a mirage . . . the efforts to catch the swings and trend (?) of individual issues as well as of the market - conceived - as - a - whole have over the years consistently proved abortive." This is simply a false statement. It is refuted by the experiences of many managed investment trusts, whose records are published, and whose profits realized year after year are real, not a mirage. These trusts make portfolio changes every quarter, though many of them, because of their size, cannot be so flexible as they sometimes would like. An example of the reality of capital gains is the experience of Lehman Corporation, whose net asset value per share surpassed the 1929 figure as early as 1936 and has remained above the 1929 figure every year since 1943. Your statement is contradicted also by the experiences of many other investment funds and of individuals whose results are not published. If, as you say, capital gains are a "mirage," then you must predict failure for the various investment funds which are organized for growth. The experiences of others, extending back for centuries among Europeans, would not support such a prediction.

You say that doubt is not a reliable basis on which to act (sell). My article was written primarily for a professional audience, for whom it was unnecessary to explain that by doubt, I mean a *rational* doubt, not the emotional doubts to which you refer. Doubt, in fact, is the *only* experience on which an investor can sell: in the world of investment, *certainty* over the future is impossible. The intended emphasis in my sentence was on the word *first*, not on the word *doubt*. It said, (the flexible investor will) "sell an issue when he **first** experiences, **for whatever reason,** doubts about its outlook." The reasons might be found in fundamental changes affecting value, or in market conditions; my article didn't state which, because they are irrelevant.

Suppose you felt that one of your income stocks was to experience declining earnings during the next six to 12 months; suppose also that you considered its market price amply high compared with other issues and in consideration of general market conditions. These thoughts, I think, would lead you to doubt (you cannot be certain) that its price would hold up. Suppose you continued to hold, since you are a long-term investor, not concerned with temporary fluctuations. Suppose, then, that, because of a decline in earnings, the price does decline during the next six months. Suppose, then, as often happens, new conditions arise, which could not be foreseen six months earlier, conditions which lead you to think will be adverse to your stock for a number of years. You now no longer consider it a good long-term holding, or as good a long-term holding as other issues. What do you do?

One of two things usually happens. Because the investor does not want to take a loss, he holds the stock through many years of price depreciation and sometimes reduced dividends, or, more frequently, after further depreciation, he gets frightened to such an extent that he sells it at a much greater loss. I do not consider such inertia good investment management.

You say, "Reliance on economically-occasioned doubts to justify all-over portfolio liquidation, as advocated by Mr. Cortese, has in actual practice also been shown to be fruitless." This contains a misstatement: nowhere did my article suggest "over-all portfolio liquidation." Your reference to 1945, when those who guessed right on business were wrong on stocks, only illustrates the fact that business conditions alone are an insufficient basis on which to estimate future security prices. Those who studied market conditions at the time found that stock prices in general were at high levels characteristic of bull market peaks and found over a period of months a number of other general market conditions that typically precede bear markets. The subject is too vast to discuss here, but one small example will illustrate: early in 1946, **Barron's** 50 stocks were selling at 28 times year-ended earnings and at 25 times prospective annual earnings, levels higher than those at the 1929 and 1937 bull market peaks. Numerous studies of the market told the same story. Prudence called for caution, at least. It is only to be expected that those who limit their studies to business conditions alone will be more than once surprised by stock price movements, as you illustrate. Again, my article did not deal with these matters, which are irrelevant to my theme.

Re Inter-Invester Competition

You say that acting on doubt "is invalid, because it must also take for granted that you are quicker on the trigger than your neighbor." Indeed is every free market in securities a continuously competitive affair? Lord Keynes has written accurately on the subject. No investor, no matter how long he holds a security, can immunize himself against the effects left behind by the active competitors. At the very minimum, he is concerned twice with the market—once when he buys and once when he sells. He cannot buy and sell at some theoretical "value" which he attaches, but must always do so at the market prices; no one will pay him some theoretical value if the stock can be bought cheaper in the market. The time span involved in guessing ranges from a few seconds, as with specialists on the floor, to as much as 10 years or even longer. The man who buys a security with the intent to hold it for 10 years is guessing (without realizing it, perhaps, but inescapably) that 10 years hence somebody will pay him approximately a certain price. Obviously, his guess faces infinitely more unknowns than does the guess of the trader who buys to sell a few hours or a few days later. There are hundreds of professional traders in the Street, for example, those who are compelled to maintain trading positions in unlisted securities and also, traders in government bonds. The fact that they make a livelihood year after year is obvious proof that they are skilled and successful "guessers." Between the trader who trades every few minutes and the "trader" who takes 10 years to complete his "trade" are many degrees of flexibility successfully practiced.

That Tax Bill

Finally, you say that the capital gains tax is an obstacle to being flexible. You do not refute my brief argument, but say, "Widely-embraced but surely invalid is Mr. Cortese's above-stated third rule of 'a flexible policy.' 'Be uninfluenced by . . . the tax on a profit in judging whether a substitute issue may be more promising.' Surely the accrued capital gains tax is just as integral a part of the cost of a switch as is the broker's commission charge." The fallacy of letting the tax influence one's investment judgment has been so thoroughly and adequately explained by others elsewhere that I think it need not be discussed here. If avoiding a switch because of the tax is penny-wise and pound-foolish, comparison of the tax with the smaller commission illuminates the fallacy. Any businessman who shies away from paying such a legitimate cost as taxes should not be surprised to discover that the only way to avoid the charge is either to close shop or to operate at no profit.

In the views you and I have expressed, five separate questions are involved:

(1) Should one invest for income or for capital gains? The answer depends upon the circumstances of the individual. Both types of investing have been successful.

(2) Should the investor for income be guided by value or by market conditions? My answer is that he should study both, with emphasis on value.

(3) Should the investor for income hold a security for a long time, say 10 years, or should he be more flexible? My answer is that much depends upon the nature of the stock. Some are more volatile (in earnings, dividends and market price) than others. In general, I would say that the more volatile the issue, the more flexible one needs to be to conserve his capital. With all common stocks, continual review should be made; every three months is not too frequent.

(4) Should the investor for capital gains be guided by value or by market conditions? My answer is that he should study both, with emphasis on market conditions. There is as much, if not more, to study and analyze in market conditions as there is in balance sheets and earnings statements. One who ignores either subject is unnecessarily depriving himself of pertinent information.

(5) Should the investor for capital gains hold for long-term or should he be flexible? Again, much depends upon the security and upon the individual. In general, the more volatile the stock, the more flexible one needs to be to conserve profits.

A. J. CORTESE
Market Analyst,
A. M. Kidder & Co.
Members N.Y.S.E.

New York City,
Dec. 22, 1953.

John Stewart Director

John Stewart, Chairman of the Board of Henry B. Warner & Co., Inc., Philadelphia, has been elected a director of Home Improvement Financing Corporation. Mr. Stewart is also a director of Deep Rock Oil Co., Botany Mills, Wilmington Trust Company and Philadelphia Rapid Transit.

Lloyd R. Massey Opens

(Special to THE FINANCIAL CHRONICLE)

GLENDALE, Calif. — Lloyd R. Massey has opened offices at 117½ South Central Avenue to engage in a securities business.

S. J. Whiting Opens

(Special to THE FINANCIAL CHRONICLE)

PLEASANTON, Calif.—Samuel Jay Whiting is engaging in a securities business from offices at 324 Rose Avenue.

Josephthal Admitting

Josephthal & Co., 120 Broadway, New York City, will admit Anthony J. Cordano to partnership on January 1.

Robert Winthrop Admits

David D. Tiffany will become a partner in Robert Winthrop & Co., 20 Exchange Place, New York City, members of the New York Stock Exchange.

Wurts, Dulles Admitting

PHILADELPHIA, Pa.—Eleanore Wurts Blye on January 1 will become a limited partner in Wurts, Dulles & Co., 1416 Chestnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges.

Frank Knowlton Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Wendell A. Hutchinson is now affiliated with Frank Knowlton & Co., Bank of America Building. He was formerly with Schwabacher & Co. and Bancamerica Company.

William Mercer Legg

William Mercer Legg, special partner in John C. Legg & Company, passed away Dec. 18.

Our Reporter's Report

The underwriting business came to a virtual standstill this week and will reach a complete halt in the week ahead so far as corporate new issues are concerned. There will be the customary spattering of new tax-exempts up for bids, however.

But from now through the balance of the year underwriters and their staffs will be turning their attention largely to the festive occasions of the season.

Institutional buyers have just about closed up for the year-end period inventory taking and it would require something really extraordinary to divert their attention from the task in hand.

About the only syndicate remaining open in the corporate field is that which handled the underwriting of the Quebec Hydro Electric Commission's recent offering. And indications are that this group will remain intact over the turn of the year.

The limited aggregation which took hold of Illinois Central Railroad's $15,000,000 of new bonds found a ready market for the issue, and with one Pennsylvania insurance company taking down a sizable bite, was able to close its books with celerity.

Now the Street is turning its attention to the prospects held by the new year and there is a general feeling of confidence that 1954 will be productive of its proportionate share of new business in one form or another.

Looking Forward

There is a division of opinion on prospects for the year ahead in some quarters, but the consensus is that the volume will be good though perhaps a bit more diversified than in recent years.

Most people count on a good turnover in January and February, with Atlantic Refining slated to bring out $55,000,000 new debentures and Consolidated Edison Co. of New York $35,000,000 of bonds.

Meanwhile Continental Oil Co. is expected to be in the market for new capital and reports will not down that Chrysler Corp. is a prospect for a very substantial emission of debt financing. In the case of Chrysler, as one observer puts it, "there has got to be fire behind so much smoke."

Widening the Field

Some people feel that investment bankers will be called upon to display more incentive and ingenuity in the year ahead in developing new business.

In these circles there is no attempt to play down the prospects for straight corporate financing. But the feeling is that more satisfying returns may be reaped from operations in other directions, such as bringing together directly people who have capital and those who could use it.

They cite the recent instance of Kennecott Copper's buying into Kaiser Aluminum as a case in point and feel that more business of this type can be developed.

Continued from page 6

Resource Development—Joint Job Of Local and Federal Government

reclamation and am determined that it must go forward.

On the other hand, I also firmly believe the Federal Government must share the responsibility of this conservation work with the people. I do not hold with the idea that a government official can sit at a desk in Washington and tell the people of Wyoming or Montana what is best for them.

We are offering the people in the reclamation areas an opportunity to join in partnership with the Federal Government in resource development.

The new policy plainly states that the vast job in this field requires the cooperation of every segment of our population.

If a state, a county, or a local group is qualified under existing laws and regulations to build a dam to provide irrigation water or to produce electric power, the Department of the Interior is willing to step aside.

No sensible person can quarrel with the idea that it is necessary to reduce the overburdening costs of the Federal Government. One way it can be done is to give the local folks a chance not only to benefit from the development, but also to give them an opportunity to finance it.

Some Administration critics, seeking to make political capital out of the new policy, declare that the Federal Government is withdrawing from its assigned task. This, of course, is ridiculous. What we are doing is to restore to the States their inalienable right to manage their own affairs and in so doing bear their share of the cost.

Electric Power Policy

I have dwelt at some length on the matter of reclamation and the policy for the distribution of electric power.

I have done so because it is one area of the government that touches everyone. It does not matter where you live, or what you do. If you have paid Federal taxes, a good portion of every tax dollar has gone to pay for building dams.

If the new Administration succeeds in getting local development of huge reclamation dams, or if private industry can assume the responsibility for electric power expansion, eventually the tax burden may be eased for the benefit of all of us.

Where the job of water resource development is too big for a state, or where it is shown that the government alone is able to do the job, then the Department of the Interior will be ready to step in and carry on the work.

Resource development of water, minerals, the public lands, and the forests, must no longer be centralized in Washington. The stakes are too high to close the door on participation to other qualified groups. This the Administration believes and I am sure it is what the people desire.

The need for economy in the conduct of the government's business is urgent.

The Administration believes and rightly so, that the people of this country are entitled to a breathing spell. Two world wars, and then Korea, within the short span of 30 years has impaired our national estate.

Headlong Spending Ended

The headlong spending of the past 20 years, with government departments competing for their share of your tax dollar has ended. Top-heavy administrative machinery, duplicating functions, government competing with private industry, all these have been discarded.

More economies can be worked out without damage to the government or with a limitation of the necessary services which the people require. They are being accomplished every day.

How well is the new Administration going about this gigantic job, you may ask.

Already the Administration estimates a reduction in government spending for the fiscal year ending in July, 1955, of $6½ billion below the spending estimates of the Truman Administration.

Six and a half billion dollars baffles the imagination of the average man.

But let me break it down to see what it means to each of 161 million people in the country. It amounts to $40.38 for each of us. Not much measured against $6 billion, but enough to buy a summer suit or a light top coat for every man, a moderately priced suit for every woman, or substantial additions to the wardrobes of every child in the country.

If the reduction in spending is allocated to the 40 million families in the United States, disregarding the others in the population, it would amount to $160.72 per family.

The reduction in Federal spending would equal half the total value of all residential construction in the United States this year, including repairs and modernization. It would build 433,000 new houses, costing $15,000 each.

It would be about twice as much as the annual expenditures for shoes or for furniture. It would total nearly four times more than the value of all television sets sold last year. It would amount to more than one-half of this year's total net income from agriculture.

Translated into simple everyday terms, $6 billion is not the remote, hard to understand item seen in a newspaper headline or in a government report.

When we understand what the staggering Federal debt means to each of us, we can understand the tremendous job that must be done if the national estate is to be safeguarded and its resources managed properly.

The responsibility rests with all of us. We must become familiar with the problems we face. We must be willing to face the dangers that will follow in the wake of extravagance in government. In short, we must understand and learn how to overcome the obstacles that impede the system of government under which we live and prosper.

LEGAL NOTICE

ABERDEEN AND ROCKFISH RAILROAD COMPANY
Incorporated
First Mortgage Three and One-Quarter Per Cent Bonds due July 1, 1960

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Deed of Trust dated as of July 1, 1945 between the undersigned and the Security National Bank of Greensboro, Raleigh, North Caroline, Trustee, there have been drawn by lot for redemption and it is the intention of the undersigned to pay and redeem on January 1, 1954, $3,000.00 principal amount of the above described bonds, bearing Nos.

5 — 19 — 75

The bonds so designated for redemption will become due and payable on said redemption date and will be redeemed on or after that date at the office of the Trustee, the SECURITY NATIONAL BANK, Raleigh, North Carolina, at par and accrued interest to redemption date. All such bonds are required to be presented for payment and redemption at said office of the Trustee on January 1, 1954 on which date interest shall cease to accrue thereon.

ABERDEEN AND ROCKFISH RAILROAD COMPANY INCORPORATED
By: J. A. Bryant, Treasurer
Dated: October 26, 1953

DIVIDEND NOTICES

R. M. **Hollingshead** CORPORATION

The Board of Directors has declared a regular quarterly dividend of 25 cents a share on the Common Stock of the Corporation payable Jan. 15, 1954 to stockholders of record at the close of business Dec. 31, 1953.

J. J. LAPUTKA, *Treasurer*
Camden, N. J., Dec. 21, 1953

CANADIAN PACIFIC RAILWAY COMPANY

Dividend Notice

At a meeting of the Board of Directors held today a final dividend of seventy-five cents per share on the Ordinary Capital Stock was declared in respect of the year 1953, payable in Canadian funds on February 26, 1954, to shareholders of record at 3.30 p.m. on December 30, 1953.

By order of the Board.

FREDERICK BRAMLEY,
Secretary.
Montreal, December 14, 1953.

CONSOLIDATED NATURAL GAS COMPANY
30 Rockefeller Plaza
New York 20, N. Y.
DIVIDEND No. 24

THE BOARD OF DIRECTORS has this day declared a regular quarterly cash dividend of Sixty-Two and One-Half Cents (62½¢) per share on the capital stock of the Company, payable on February 16, 1954, to stockholders of record at the close of business January 15, 1954.

R. E. PALMER, *Secretary*
December 17, 1953

OTIS ELEVATOR COMPANY

COMMON DIVIDEND No. 186

A dividend of $1.00 per share on the no par value Common Stock has been declared, payable January 26, 1954, to stockholders of record at the close of business on January 4, 1954.
Checks will be mailed.

H. R. FARDWELL, *Treasurer*
New York, December 22, 1953.

OTIS ELEVATOR COMPANY

COMMON DIVIDEND No. 187

An extra dividend of $.25 per share on the no par value Common Stock has been declared, payable January 26, 1954, to stockholders of record at the close of business on January 4, 1954.
Checks will be mailed.

H. R. FARDWELL, *Treasurer*
New York, December 22, 1953.

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn 22, New York

The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of 25c per share on the Common Stock, payable January 4, 1954 to Stockholders of record at the close of business December 28, 1953. Transfer books will remain open.

COLUMBUS MOISE, Treasurer,

JOHN MORRELL & CO.

Morrell PRIDE MEATS

DIVIDEND NO. 98

A dividend of Twelve and One-Half Cents ($0.125) per share on the capital stock of John Morrell & Co. will be paid Jan. 29, 1954, to stockholders of record Jan. 8, 1954, as shown on the books of the Company.

Ottumwa, Iowa **George A. Morrell, V. P. & Treas.**

PACIFIC GAS and ELECTRIC CO.

DIVIDEND NOTICE

Common Stock Dividend No. 152

The Board of Directors on December 16, 1953, declared a cash dividend for the fourth quarter of the year of 55 cents per share upon the Company's common capital stock. This dividend will be paid by check on January 15, 1954, to common stockholders of record at the close of business on December 28, 1953. The Transfer Books will not be closed.

K. C. CHRISTENSEN, Treasurer
San Francisco, California

SENECA FALLS MACHINE COMPANY

Common Stock Dividend

On December 9, 1953 the Directors of Seneca Falls Machine Company declared a dividend of $.10 per share on the common stock payable January 15, 1954 to stockholders of record January 5, 1954.

EDWIN R. SMITH
President & Treasurer

MANUFACTURERS OF LO-SWING LATHES AND LABOR SAVING SPECIAL MACHINE TOOLS

Edison

Southern California Edison Company

DIVIDENDS

COMMON DIVIDEND NO. 176

PREFERENCE STOCK
4.48% CONVERTIBLE SERIES
DIVIDEND NO. 27

PREFERENCE STOCK
4.56% CONVERTIBLE SERIES
DIVIDEND NO. 23

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on the Common Stock;

28 cents per share on the Preference Stock, 4.48% Convertible Series;

28½ cents per share on the Preference Stock, 4.56% Convertible Series.

The above dividends are payable January 31, 1954, to stockholders of record January 5, 1954. *Checks will be mailed from the Company's office in Los Angeles, January 31, 1954.*

P. C. HALE, *Treasurer*
December 18, 1953

Washington . . . And You

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

WASHINGTON, D. C. — One of the most promising prospects for 1954 appears to be the tax revision bill.

This bill already has been agreed upon in its main outlines by staff men representing the Treasury and the majority of the House Ways and Means Committee. Practically speaking, this infers that Secretary Humphrey has known about and agreed to the tentative proposals, and so has Chairman Daniel A. Reed (R., N. Y.) of the Ways and Means Committee, and a group close to him.

There has been talk for years of tax reform, of general revision. Always general revision and reform has yielded the stage to revenue-raising, since, except for the 80th Congress, the national legislature has almost always had to find some ways of raising more money.

From the point of view of the large fraternities of taxpayers, their tax lawyers, the legal profession generally, accountants, and so on, the most welcome thing probably will be the fact that the entire revenue code is being revised. This is a technical job of infinite detail. Without exception, every paragraph of the revenue code has been mulled over, discussed and has been rewritten, unless and except in cases where the present rules were thought adequate.

Provides A "Start" On Tax Relief

Otherwise, the proposed bill would provide a "start" on some relief from some of the admittedly more onerous forms of taxation. The relief will not be overly large. Politically substantial relief cannot be passed at this time. Fiscally the Treasury cannot afford it. But the virtue of the tax revision bill, its sponsors hope, is that it will point the way toward better things to come. It is designed to show that government can be "on the side" of the taxpayer, and as government spending diminishes, these starts in tax reform can be pushed into meaningful relief in later years.

One of the things agreed upon is that there shall be a beginning toward ending the practice of swiping corporation earnings twice, first from the corporation itself, and second from the individual after the untaxed proportion of corporation earnings has been paid to him as dividends, subjecting the latter also to the personal income tax.

Here, the approach is typically modest. Relief will come in either one of two forms. Either there will be a flat dollar exclusion of dividend from taxable income for every one—regardless of his tax bracket. Or if not, there will be a flat percentage against the tax.

A dollar exclusion would probably not amount to more than $200. While the percentage substitute has not been given out, it is understood it is more likely to be a modest 5% than the 10% with which the Canadians launched this reform. Under this provision if an individual after computing all his taxable liability at $1,000, had $100 of dividend income, he could subtract 5% of his dividend income, or $5, from his total tax liability, reducing the latter to $995.

It is said that both proposals would initially "cost" the Treasury about the same amount of revenues. Hence the decision probably will be made as to which of the two methods to use, when the full Ways and Means Committee mulls this thing over.

Offer Capital Gains Relief

One of the surprises of the tax revision bill is that it is likely to offer some relief from the capital gains tax. Here again, there are two alternate methods proposed, with the full committee likely to decide which of the two shall be voted.

One proposal is that the rate shall be dropped to 15% from 26%. The other is that the holding period for the long-term shall be reduced to three months from six months. Of course many would like to provide both forms of capital gains tax relief, but, as one observer put it, "it is too much."

A factor working in favor of the shorter holding period is that it would not come far from leaving the Treasury just about as well off in revenues as if there were no capital gains tax relief at all, for many an investor could under favorable conditions make three "turnovers" of assets in one calendar year, instead of under the six-months rule, hardly more than one in any tax year—thereby giving the Treasury its cut from the more frequent sale of assets enhanced in value.

Revise Rule on Earnings Accumulation

It is said that the Treasury's present rule, requiring a corporation to prove it was justified in accumulating more than a given share, like 70%, of its earnings, may be abolished. The burden then would be placed upon the Revenue Service to prove that a corporation was not merely accumulating earnings to avoid distribution of dividends.

Another reform which it is said has been agreed upon, is that the present penalty of 2% for a corporation with affiliates filing a consolidated return, shall be eliminated.

New Rule Proposed on Depreciation

With respect to the general rule on depreciation, a new rule has been agreed upon. It is that 20% of the diminishing balance of a fixed asset can be depreciated each year, so that at the end of five years, two-thirds of the value of the asset will have been taken as a tax depreciation.

Furthermore, the bill, as reported in the daily press, would give a modest offset against taxable income for "baby sitting" expenses of working mothers. Another proposed reform would offer a double personal exemption (two times $600) for any widow or widower maintaining a household for dependents.

Disagree on Strategy

There are two opinions on how to get this overall revision through and at the same time protect the Treasury by continuing as much in revenues as possible otherwise.

One approach is this: The revision bill will be popular. Hitch to it something not so popular; i.e., the present high excises and 52% corporation rate (but drop the war-luxury 20% rates to 10%). The popular revision bill (it is assumed by these advocates that by itself the revision bill will be overwhelmingly popular) will be hooked to the unpopular extension of higher tax rates.

Benefit of this strategy is supposed to be dual. In the first place such a linking of the popular with the unpopular would assist in retaining more revenues for the Treasury, of selling continuance of higher rates. In the second place, the demagogic cry of "they are playing up to business" would be offset by citing continuance of the 52% corporation rate as a counter argument. It is difficult to explain depreciation and double taxation, but if you can say you're retaining high corporation rates this seems to answer much of the expected demagogy.

Another approach is this: Overall revision and tax reform, even if on a modest scale, is too worth while a project to jeopardize by injecting the politically hot question of tax rates into the picture. So get tax reform going first, get it as far on its way as possible, the better to secure its final adoption.

The latter is understood to be the approach of Chairman Reed, the former not only of the Treasury but also of some of the GOP strategists in Congress. And Mr. Reed, it is said, plans to go first into the tax reform bill and leave the rate problem until later.

Actually, it is pointed out the disagreement in some respects is academic. No revision bill can get through the House before the middle of February, or through the Senate before the middle of March, and back to the House and final passage after conference committee, until April. By then the force of time itself will thrust the rate issue to the front, since the higher excise tax rates and the higher corporation rate, unless extended by Congress, expire March 31.

Furthermore, until the tax reform bill is spread out for all to see, it will not be possible to ascertain how many Democrats will stick behind it because it is a good thing, and how many will be tempted in an election year to demagogue about it, or how many Republicans will take either side of this question.

After the bill is formally introduced, following consideration for several weeks in executive session by the full committee, will be time enough for the party errand boys in Congress to sound out sentiment and see what at the time looks like good strategy.

However, unless the rate question balls up the picture even worse than expected, the belief is that enough Democrats will support a package like that tentatively agreed to in the tax reform bill, to give the project enough votes to offset GOP dissenters, and make possible its passage.

Lament Timing on Color TV

Everybody had expected the Federal Communications Commission to approve the "compatible" RCA - industry color system. However, radio people here wonder just why the FCC got the idea of approving it formally a week before Christmas.

Color TV for mass purchasers is said to be at least two years away, but millions will not understand this, and the FCC approval will aggravate the problem of the industry with hard to sell black and white receiving sets, just in the peak rush before Christmas.

Merry Xmas to All

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"One thing I'll say for him—he's got his own way of arousing customer interest in a stock!"

COMING EVENTS

In Investment Field

Jan. 14, 1954 (New York City)
Advertising in Action Conference at the Waldorf-Astoria Hotel.

Jan. 22, 1954 (New York City)
New York Security Dealers Association 28th annual dinner at the Biltmore Hotel.

Jan. 25, 1953 (Chicago, Ill.)
Bond Traders Club of Chicago mid-winter meeting at the Furniture Club.

Jan. 29, 1954 (Baltimore, Md.)
Baltimore Security Traders Association Annual Mid-Winter Dinner at the Lord Baltimore Hotel.

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

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

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

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)
Investment Bankers Association Convention at Hollywood Beach Hotel.